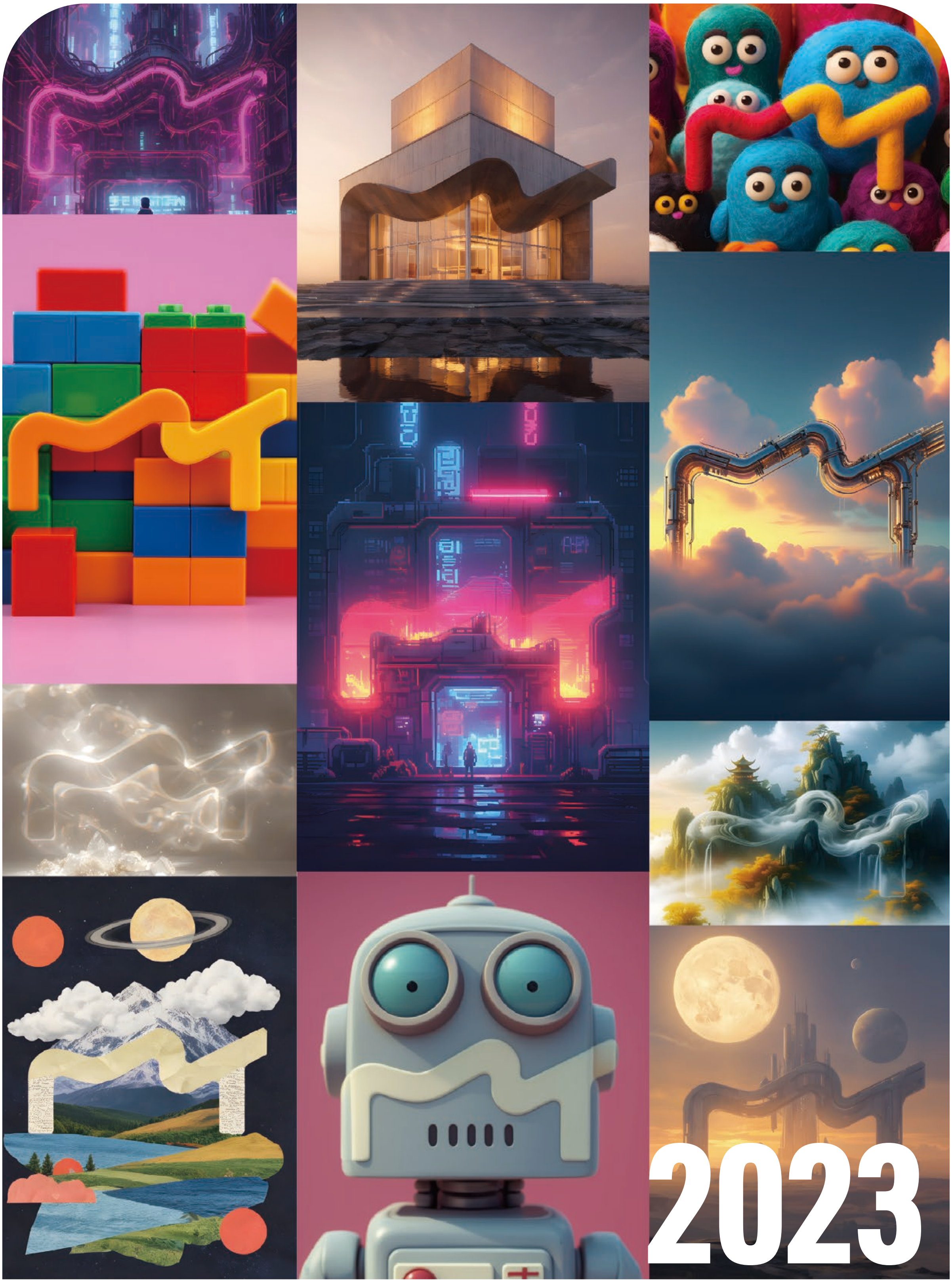
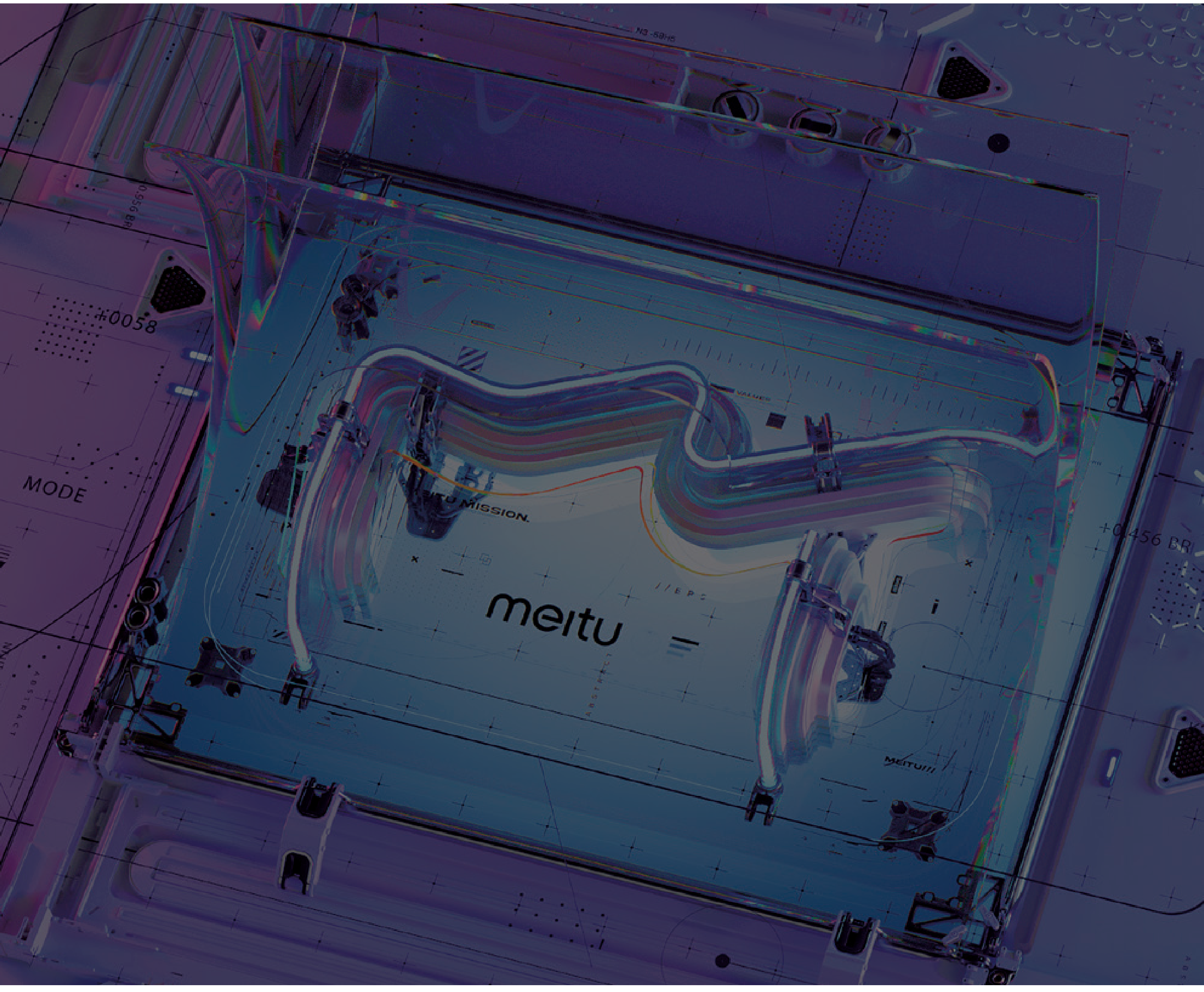


2023
ANNUAL REPORT

meitu

Stock Code: 1357

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



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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-Executive Directors

Dr. GUO Yihong
Dr. LEE Kai-fu
Mr. CHEN Jiarong
Mr. HONG Yupeng (appointed on June 1, 2023)

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Mr. ZHOU Hao *(Chairman)*
Mr. LAI Xiaoling
Mr. HONG Yupeng (appointed on June 1, 2023)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. WU Zeyuan *(Chairman)*
Mr. ZHOU Hao
Ms. KUI Yingchun

COMPANY SECRETARY

Mr. NGAN King Leung Gary

AUTHORIZED REPRESENTATIVES

Mr. WU Zeyuan
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

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

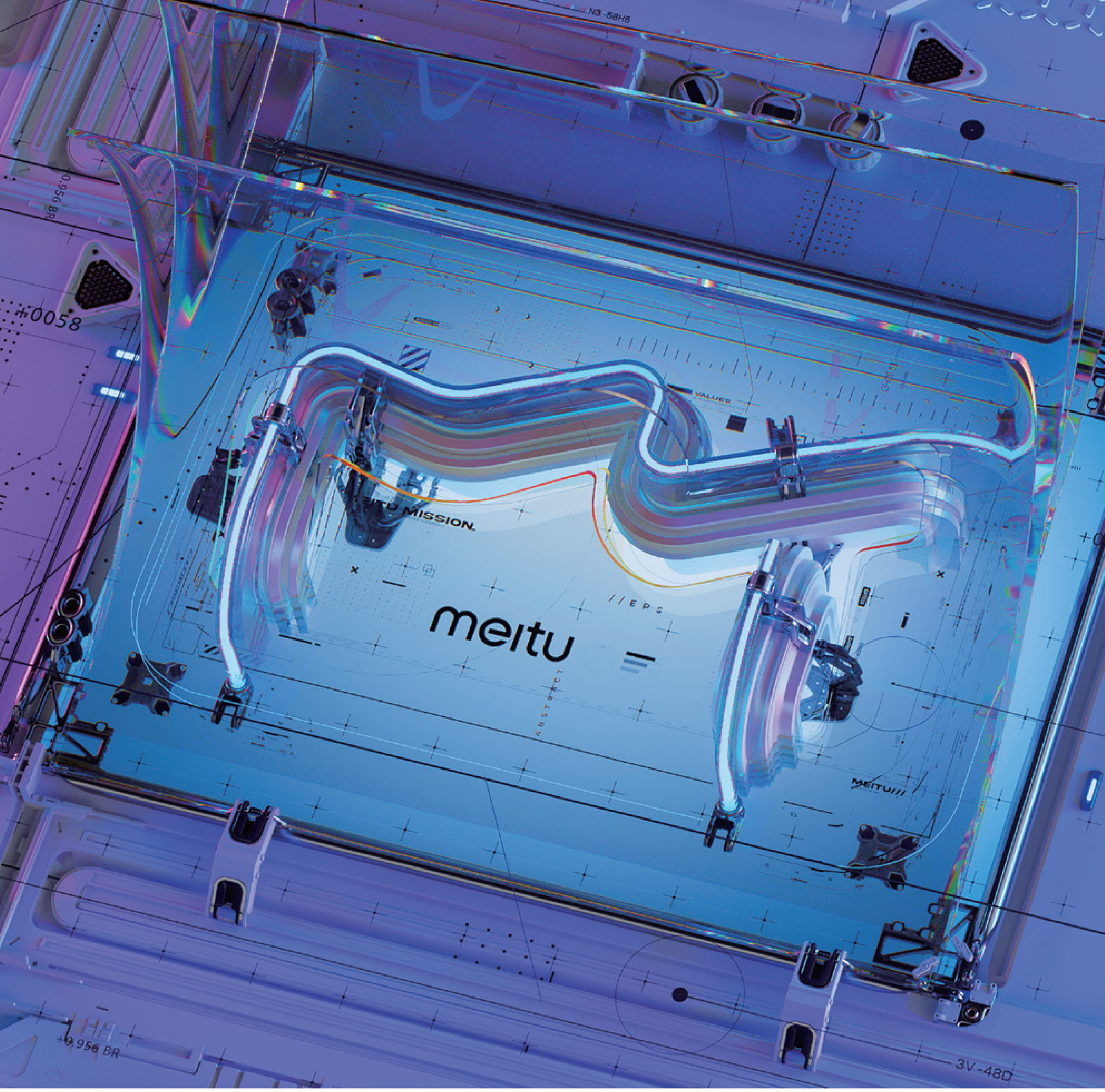
The Hong Kong and Shanghai Banking Corporation Limited
China Merchants Bank (Offshore Banking)

STOCK CODE

1357

COMPANY WEBSITE

www.meitu.com



2023 Highlights

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

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

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

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

Key Financial Data

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

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

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

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

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

Key Operational Data

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

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

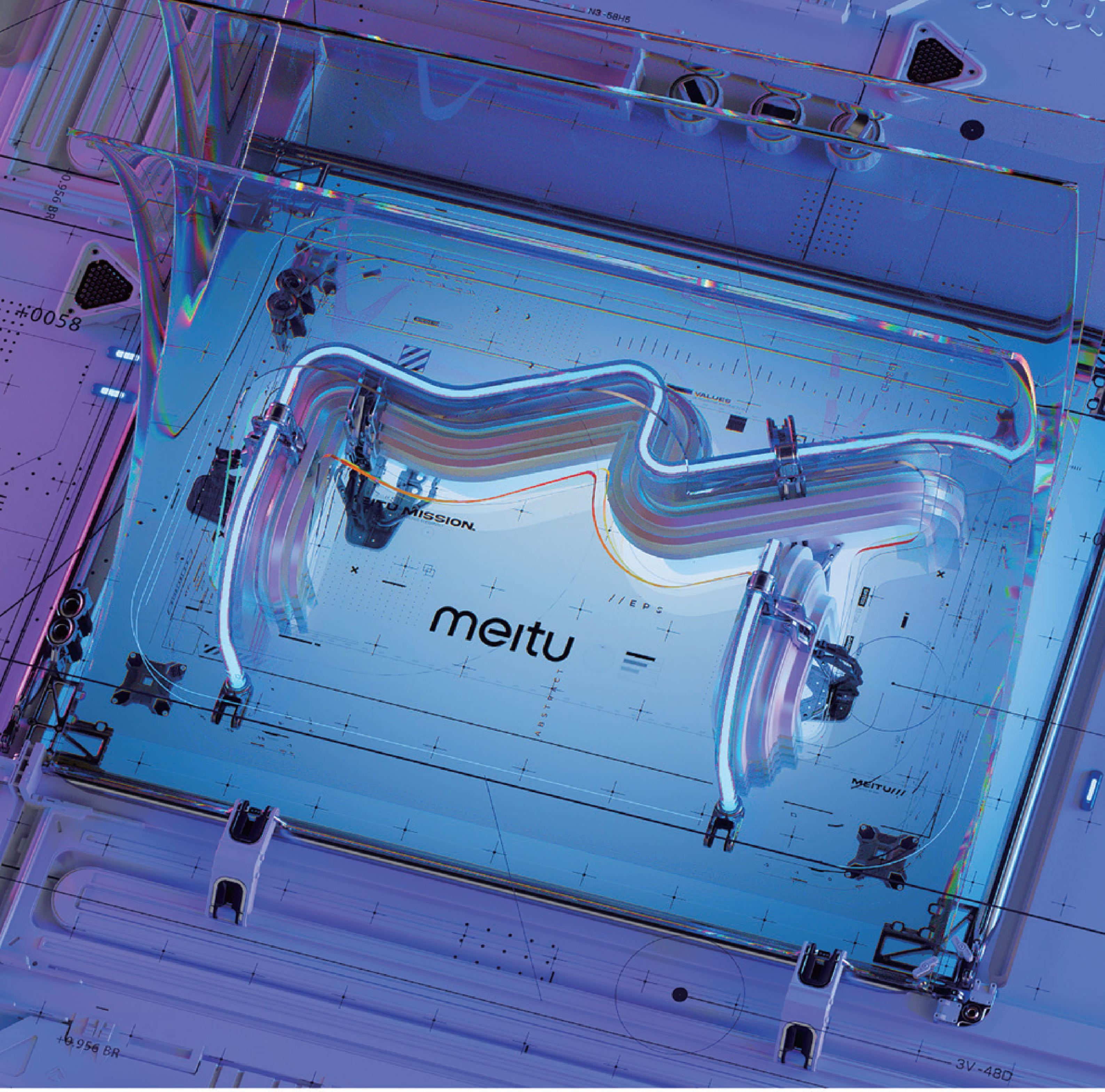
(2) “Life” refers to users from products focusing on casual use cases such as photography, image and video editing, etc.

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

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

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

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



Chairman's Statement

Dear Shareholders,

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

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

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

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

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

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

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

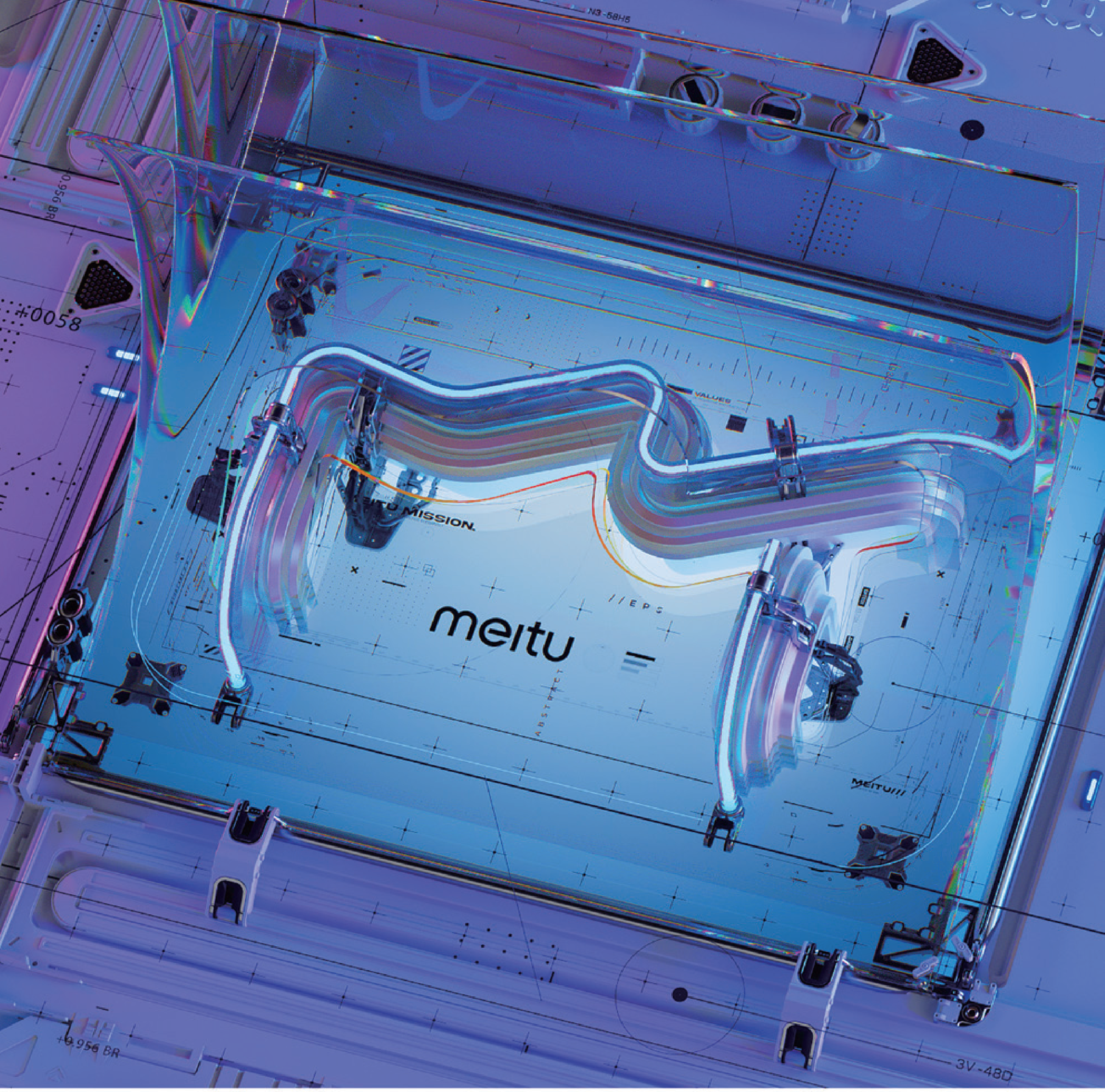
Last but not least, our ambition does not stop within Mainland China. The rapid development of the creator economy is clearly a global phenomenon and we believe we are in a position to capture that opportunity. 2023 was already the 10th year that Meitu's apps have served global users. Revenues from photo,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

APPRECIATION

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

Finally, on behalf of everyone at Meitu, I would like to express our sincere gratitude to all of our users. I would also like to thank our employees and management team for embodying Meitu's core values in their daily work and for executing the Group's strategy with professionalism, integrity, and dedication. To "let art and technology converge elegantly", Meitu is developing outstanding image production and design tools that streamline the production of photo, video, design and virtual humans, while striving to advance industry digitalization through beauty-related solutions.

Mr. WU Zeyuan
Chairman



Management Discussion and Analysis

YEAR ENDED DECEMBER 31, 2023 COMPARED TO YEAR ENDED DECEMBER 31, 2022

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

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

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

Revenue

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

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

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

Photo, video and design products

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

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

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

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

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

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

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

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

Solutions for beauty industry

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

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

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

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

Advertising

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

Others

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

Cost of sales

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

Gross Profit and Margin

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

Research and Development Expenses

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Reversal of Impairment Losses on Cryptocurrencies

As of December 31, 2023, the fair values of Ether (the "**Acquired Ether**") and Bitcoin (the "**Acquired Bitcoin**") acquired by the Group determined based on the then prevailing market prices were approximately US$71.23 million and US$39.91 million, respectively. In accordance with the relevant accounting standards under IFRSs, the Group accounts for the acquired cryptocurrencies as intangible assets and adopts the cost model for the measurement.

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

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

Impairment Loss on Intangible Assets

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

Other Income

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

Other (Losses)/Gains, Net

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

Finance Income, Net

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

Income Tax Expense

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

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

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

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

Adjusted Net Profit attributable to Owners of the Company was approximately RMB368.3 million for the year ended December 31, 2023, compared to approximately RMB110.5 million for the year ended December 31, 2022, mainly due to the growth in revenue from our main businesses such as the photo, video and design products operated relying on Generative AI technologies. From the fourth quarter of 2019, we started to make a positive adjusted net profit attributable to the owners of the Company for consecutive fiscal reporting periods.

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

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

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

Non-controlling Interests

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

Liquidity, Financial Resources and Gearing

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

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

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

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

Treasury Policy

We have adopted a prudent financial management approach towards our treasury policies and thus maintained a healthy liquidity position throughout the year ended December 31, 2023. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital Expenditure

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

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

Long-term Investment Activities

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Investment in financial assets at fair value through profit or loss	**328,067**	84,321
Investment in associates in the form of ordinary shares	**6,875**	14,000
Investment in a joint venture	**10,000**	–
Total	**344,942**	98,321

Foreign Exchange Risk

Our Group's subsidiaries were primarily incorporated in the PRC and Hong Kong, which considered RMB and US$ as their functional currencies, respectively. The Group is primarily exposed to foreign exchange risk arising from foreign currency transactions. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC and Hong Kong subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners. We did not hedge against any fluctuation in foreign currency for the years ended December 31, 2023 and 2022.

Pledge of Assets

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

Contingent Liabilities

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

Dividends

The Board has decided to recommend the payment of an aggregate final dividend of HK$0.036 per Share (the "**Final Dividend**") out of the share premium account of the Company (the "**Share Premium Account**") for the year ended December 31, 2023 (2022: HK$0.02 per Share), totaling approximately HK$161.2 million (equivalent to approximately RMB146.3 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, 2023 will amount to HK$0.036 per Share (2022: HK$0.02 per Share), reflecting a dividend payout ratio of approximately 40.2% based on the Adjusted Net Profit attributable to Owners of the Company for the year ended December 31, 2023.

As at the Latest Practicable Date, the Company has an aggregate of 4,534,776,084 Shares of par value US$0.00001 each 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 approximately HK$163.3 million (equivalent to approximately RMB148.1 million). Subject to the fulfilment of the conditions set out in the paragraph headed "Conditions of the Payment of Final Dividend out of Share Premium Account" below, the Final Dividend is intended to be paid out of the Share Premium Account pursuant to Articles 133 and 134 of the current Articles of Association of the Company (the "**Articles**") and in accordance with the Companies Act (as revised) of the Cayman Islands (the "**Cayman Companies Act**").

As of December 31, 2023, based on the audited consolidated financial statements of the Group, the amount standing to the credit of the Share Premium Account was approximately RMB7,093.8 million (equivalent to approximately HK$7,818.6 million). Following the payment of the Final Dividend, there will be a remaining balance of approximately RMB6,945.7 million (equivalent to approximately HK$7,657.0 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 forthcoming annual general meeting of the Company declaring and approving the payment of the Final Dividend out of the Share Premium Account pursuant to Articles 133 and 134 of the Articles; and

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

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

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

Borrowings and Gearing Ratio

As of December 31, 2023, we made bank borrowings of RMB14.98 million at an annualized interest rate of 3.77% (as of December 31, 2022: RMB10.0 million at an annualized interest rate of 3.68%). Therefore, the gearing ratio of the Group was 0.36% as of December 31, 2023 (as of December 31, 2022: 0.30%). The gearing ratio was calculated as the total borrowings divided by the total equity on the respective reporting date. For this purpose, total debt is defined as bank loan as shown in the consolidated balance sheet. The Group's gearing ratio remained at a relatively low level as the Group did not place material reliance on borrowings to finance the Group's operation.

Employee and Remuneration Policy

The Group had a total of 1,968 full-time employees as of December 31, 2023 (as of December 31, 2022: 2,057), a majority of whom were based in various cities in the PRC, including Xiamen (headquarters), Beijing, Shenzhen and Shanghai. Remuneration is determined with reference to market conditions and individual employees' performance, qualification and experience.

In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). Employees of the Group are the eligible participants of the Pre-IPO Employee Share Option Plan ("**Pre-IPO ESOP**") of the Company, Post-IPO Share Option Scheme of the Company, Post-IPO Share Award Scheme of the Company, the EveLab Insight Share Award Scheme and the Pixocial Holdings Share Option Scheme. During the year ended December 31, 2023, the relationship between the Group and its employees has been stable. We did not experience any strikes or other labor disputes which materially affected our business activities.

Guarantee Agreements

On January 5, 2024, (i) Meitu Networks, (ii) its subsidiaries, Ruisheng Tianhe (Beijing) Media and Technology Co., Ltd. (睿晟天和(北京)傳媒科技有限公司) ("**Ruisheng Tianhe**"), Xiamen Ruisheng Tianhe Media Technology Co., Ltd. ("**Ruisheng Xiamen**") and Chengdu Ruisheng Tainhe Media Technology Co., Ltd. ("**Ruisheng Chengdu**", together with Ruisheng Tianhe and Ruisheng Xiamen, the "**Ruisheng Companies**"), (iii) Beijing Jinri Toutiao Information Technology Co., Ltd. ("**Toutiao**"), and (iv) Wuhan Juliang Star Map Technology Co., Ltd. ("**Juliang Star**", together with Toutiao, the "**Creditors**"), entered into a guarantee agreement (the "**Guarantee Agreement**") pursuant to which Meitu Networks (as guarantor) agreed to guarantee, on a joint and several basis, (a) certain obligations of the Ruisheng Companies (as debtor) to Toutiao (as creditor) under a business advertising agency cooperation agreement entered into between the Ruisheng Companies and Toutiao (the "**Toutiao Cooperation Agreement**"), and (b) certain obligations of the Ruisheng Companies (as debtor) to Juliang Star (as creditor) under a platform agency cooperation agreement entered into between the Ruisheng Companies and Juliang Star (the "**Juliang Cooperation Agreement**", together with the Toutiao Cooperation Agreement, the "**Cooperation Agreements**").

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

The cooperation under the Cooperation Agreements commenced on January 1, 2024 and will expire on December 31, 2024. The period of guarantee for Meitu Networks is one (1) year after the date when the performance period for all obligations under the Cooperation Agreements expire. In the event of an extension of the debt, the guarantee period shall be one (1) year from the date the performance period for the obligations is due as re-agreed in the extension agreement. If the debt matures earlier, the guarantee period shall be one (1) year from the date the debt matures. If the obligations under the Cooperation Agreements are performed in installments, the guarantee period for each installment of debt shall be one (1) year from the date the performance period for each installment of debt expires until one (1) year after the performance period for the final installment of debt under the Cooperation Agreements expire. In each case, there is no specific guarantee amount specified.

The Guarantee Agreement has 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

During the year ended December 31, 2023, the Group had, pursuant to the cryptocurrency investment plan, continued to hold approximately 31,000 units of Ether (the "**Acquired Ether**") and approximately 940.4970 units of Bitcoin (the "**Acquired Bitcoin**"). As of December 31, 2023, the fair values of the Acquired Ether and the Acquired Bitcoin determined based on the then prevailing market prices were approximately US$71.23 million and US$39.91 million, respectively.

Further details of the acquired cryptocurrencies are set out in the announcements of the Company dated March 7, 2021, March 17, 2021, April 8, 2021, July 6, 2021, July 1, 2022 and July 14, 2023.

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

Minority Investments

Meitu Networks owns approximately RMB1.4 million registered capital of Shenzhen Hujia Technology Co., Ltd. (深圳市護家科技有限公司) ("**Hujia Technology**"), representing approximately 23.81% equity interest (with preferential rights) on a fully diluted basis in Hujia Technology, which is accounted for as hybrid financial instruments and designated as financial assets measured at fair value through profit or loss. Hujia Technology is a private company which principally operates in the skincare products business in the PRC, with business operations still in good condition during the year ended December 31, 2023.

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, 2023 was issued on March 8, 2024. After taking into account the dilution effect on the Group's shareholding in Hujia Technology due to the employee incentive shares issued by Hujia Technology during the year ended December 31, 2023, the fair value of the Hujia Technology Equity Interests, as reassessed by the professional valuer in the valuation report, was approximately RMB698.1 million (equivalent to approximately 12.10% of the Group's total assets).

Therefore, after taking into account the dilution effect on the Group's shareholding in Hujia Technology due to the employee incentive shares issued by Hujia Technology during the year ended December 31, 2023, the Group recorded an unrealized loss of approximately RMB35.3 million in relation its equity interests held in Hujia Technology as of December 31, 2023, and the Group did not receive any dividends from Hujia Technology for the year ended December 31, 2023.

As there is potential synergy between Hujia Technology and the Group's beauty SaaS business 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.

Further details of the investment (including the acquisition costs) are set out in the section headed "Significant Investments Held" in the 2022 annual report of the Company published on April 26, 2023.

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

Future Plans for Material Investments and Capital Assets

The Group will continue to explore potential strategic investment opportunities with its existing internal resources and/or other sources of funding with the aim of creating synergies for the Group in relation to aspects such as technological development, product research and development, product portfolio, channel expansion and/or cost control. Appropriate disclosures will be made by the Company when it becomes necessary under the 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, 2023.

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

Clawback and Acquisition of Equity Interest in Ruisheng Tianhe

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

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

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

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

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

Disposal of Approximately 20% Equity Interest in Dajie Net

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

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

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

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

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

Equity Financing of Pixocial Holdings

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

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

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

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

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

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

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

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

Save as disclosed above, there were no other important events affecting the Company which occurred after December 31, 2023 and up to the Latest Practicable 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. WU Zeyuan *(also known as Mr. WU Xinhong)*	43	Executive Director, Chairman and Chief Executive Officer	July 2013
Dr. GUO Yihong	60	Non-executive Director	January 2014
Dr. LEE Kai-fu	62	Non-executive Director	August 2016
Mr. CHEN Jiarong	35	Non-executive Director	June 2020
Mr. HONG Yupeng (appointed on June 1, 2023)	47	Non-executive Director	June 2023
Mr. ZHOU Hao	47	Independent non-executive Director	November 2016
Mr. LAI Xiaoling	48	Independent non-executive Director	January 2019
Ms. KUI Yingchun	44	Independent non-executive Director	June 2020

The biography of each Director is set out below:

Executive Director

Mr. WU Zeyuan (吳澤源) (also known as: Mr. Wu Xinhong (吳欣鴻)), aged 43, is a founder, executive Director and the Chief Executive Officer and Chairman 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, Pixocial Holdings, Pixocial Hong Kong Limited, Pixocial Internet (Xiamen) Technology Co., Ltd. (像素互聯(廈門)科技有限公司), EveLab Insight, 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 60, was appointed as a non-executive Director of our Company since January 2014. 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.

Dr. LEE Kai-fu (李開復), aged 62, 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 Shangri-La Asia Limited (Hong Kong Stock Exchange Stock Code: 0069) between November 2015 and June 2019. Dr. Lee serves as chairman and non-executive director of Qingdao AInnovation Technology Group Co., Ltd (Hong Kong Stock Exchange Stock Code: 2121) since February 2018.

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 35, 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.

Mr. HONG Yupeng (洪育鵬), aged 47, was appointed as a non-executive Director and a member of the Audit Committee of our Company on June 1, 2023. Mr. Hong is the chief executive officer and partner of Longling Investment Co., Ltd. (隆領投資股份有限公司) from July 2015, and the executive director and general manager of Xiamen Longling Asset Management Co., Ltd. (廈門隆領資產管理有限公司) from August 2022, each of which principally engages in venture capital investments primarily in technology related start-up companies with the attitude of embracing change and the future.

Between March 2014 and July 2015, Mr. Hong served as the vice president of our indirect wholly-owned subsidiary, Xiamen Home Meitu Technology Co., Ltd. (廈門美圖之家科技有限公司). From August 2011 to February 2014, he was the deputy general manager and board secretary of 4399 Net Limited (四三九九網絡股份有限公司), a PRC gaming company headquartered in Xiamen that is principally engaged in the development and distribution of web games, online mobile games and the operation of internet gaming platforms. Between March 2007 and August 2011, he was a practising lawyer at Beijing Shanggong Law Firm (北京市尚公律師事務所) and from September 2003 to March 2007, he was a practising lawyer at Fujian Shili Lawyer Office (福建世禮律師事務所).

Mr. Hong graduated from Fuzhou University (福州大學) with a bachelor's degree in Industrial Management Engineering in July 1997 and also a Juris Master from Xiamen University (廈門大學) in July 2003.

Mr. Hong served as an independent non-executive director of FinTech Chain Limited (ASX: FTC) since January 18, 2021.

Independent Non-Executive Directors

Mr. ZHOU Hao (周浩), aged 47, 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, (ii) Angelalign Technology Inc. (Hong Kong Stock Exchange Stock Code: 6699) since April 2023 and (iii) WuXi XDC Cayman Inc. (藥明合聯生物技術有限公司) (Hong Kong Stock Exchange Stock Code: 2268) since November 2023.

Mr. LAI Xiaoling (賴曉凌), aged 48, 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 44, 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 was 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 Director listed above.

Name	Age	Position	Roles and responsibilities	Date of joining our Group
Mr. NGAN King Leung Gary (顏勁良)	40	Chief Financial Officer and Company Secretary	Overall financial strategy, investor relations and company secretarial matters	June 2015
Ms. SHI Na (施娜)	46	Chief Human Resources Officer	Overall human resources and administration management	April 2019

See disclosure in “Directors and Senior Management – Our Directors” for the biography of Mr. Wu.

Mr. NGAN King Leung Gary (顏勁良), aged 40, 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. SHI Na (施娜), aged 46, 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 40, 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.

Report of the Directors

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, 2023.

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, AI skin analysis SaaS under the brand of EveLab Insight (and MeituEve (美圖宜膚) in the PRC), MeituKey (a contact skin analyser), MeituSpa (an AI cleansing brush) and Meitu Genius (an AI 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 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.

RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of comprehensive income on page 163 of this annual report.

BUSINESS REVIEW

The business review of the Group for the year ended December 31, 2023 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 8 to 11 and pages 12 to 30 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" and "Report of the Directors – Risks relating to the MeituEve Contractual Arrangements" on pages 62 and 68 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 154 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$0.036 per Share out of the Share Premium Account for the year ended December 31, 2023 (2022: HK$0.02 per Share), totaling approximately HK$163.3 million (equivalent to approximately RMB148.1 million) as at the Latest Practicable Date. As no interim dividend has been paid, the total dividend for the year ended December 31, 2023 will amount to HK$0.036 per Share (2022: HK$0.02 per Share), reflecting a dividend payout ratio of approximately 40.2% based on the Adjusted Net Profit attributable to Owners of the Company for the year ended December 31, 2023.

For further details, please refer to the section headed "Dividends" in the Management Discussion and Analysis section on pages 23 to 24.

As at the Latest Practicable Date, the Company has an aggregate of 4,534,776,084 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$163.3 million (equivalent to approximately RMB148.1 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, 2023, based on the audited consolidated financial statements of the Group, the amount standing to the credit of the Share Premium Account was approximately RMB7,093.8 million (equivalent to approximately HK$7,818.6 million). Following the payment of the Final Dividend, there will be a remaining balance of approximately RMB6,945.7 million (equivalent to approximately HK$7,657.0 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, 2024 to those Shareholders whose names appear on the register of members of the Company at close of business on June 14, 2024.

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

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, 2023, the Company had distributable reserves of US$670,572,000 (equivalent to RMB4,749,461,000) (2022: US$705,301,000 (equivalent to approximately RMB4,912,139,000)), 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, 2023 are set out in the consolidated statement of changes in equity on pages 166 to 167 and in Note 36 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, 2023 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, 2023 are set out in Note 22 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 37 to the consolidated financial statements.

DONATION

During the year ended December 31, 2023, the Group made charitable donations of approximately RMB330,000 (2022: RMB1,257,254).

FINANCIAL SUMMARY

A summary of the condensed consolidated results and financial positions of the Group is set out on page 271 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

TRANSACTIONS IN SECURITIES OF SUBSIDIARIES

As a result of the Equity Financing, on the Pixocial Completion Date, Pixocial Holdings (a subsidiary of the Company) had pursuant to the Pixocial SSA issued (i) 8,970,219 Series A Preference Shares to Eight Roads, (ii) 4,485,110 Series A Preference Shares to FutureX A7, (iii) 3,588,088 Series A Preference Shares to FutureX ICT, and (iv) 2,691,066 Series A Preference Shares to the Company (i.e. an aggregate of 19,734,483 Series A Preference Shares), representing 7.04%, 3.52%, 2.82% and 2.11% in the total issued and outstanding share capital of Pixocial Holdings respectively (on a fully-diluted and as-converted basis) as at December 31, 2023, for a consideration of US$10,000,000, US$5,000,000, US$4,000,000 and US$3,000,000, respectively (i.e. US$22,000,000 in aggregate).

The Series A Preference Shares issued to the Pixocial Investors are convertible, in full or in part, into ordinary shares of Pixocial Holdings in accordance with the memorandum and articles of association of Pixocial Holdings (as amended, restated and/or supplemented from time to time) ("**Pixocial Articles**") either (i) at the option of each Pixocial Investor at any time, or (ii) automatically upon the upon the earlier occurrence of (I) the closing of a qualified initial public offering of Pixocial Holdings or an initial public offering that is otherwise duly approved by the board of directors of Pixocial Holdings pursuant to the Pixocial Articles and the Pixocial SHA, and (II) the date specified by written consent or agreement of the holders of more than fifty-nine percent (59%) of the voting power attaching to the then issued and outstanding Series A Preference Shares. The Series A Preference Shares were also issued to the Pixocial Investors with rights, privileges and restrictions as set forth in the Pixocial SHA.

Further details on the Equity Financing, the Pixocial SSA, the Pixocial SHA and the Pixocial Completion are set out in the section headed "Material Acquisitions and Disposals of Subsidiaries, Associates and/or Joint Ventures – Equity Financing of Pixocial Holdings" in the Management Discussion and Analysis section on pages 29 to 30 and the announcements of the Company dated October 12, 2023 and December 1, 2023.

DEBENTURE ISSUED

The Group has not issued any debentures during the year ended December 31, 2023.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the CG Code as set out in Appendix C1 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, the Pixocial 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 Notes 32, Note 9(a) and Note 9(b), respectively, to the consolidated financial statements.

Except for Dr. GUO Yihong and Dr. LEE Kai-fu who have voluntarily reduced their remuneration to nil with effect from October 1, 2020 and June 1, 2023 respectively, 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, 2023, Mr. Wu Zeyuan, executive Director, the Chief Executive Officer and the Chairman of our Group, was paid discretionary bonuses of a total sum of RMB1,480,000. Save as disclosed above, no discretionary bonuses were paid to, or receivable by, the Directors for the year ended December 31, 2023.

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, 2023, outstanding options representing 12,870,000 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(a) to the consolidated financial statements.

As at the Latest Practicable Date, options to subscribe for an aggregate of 12,755,144 Shares were outstanding, representing approximately 0.28% 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. Since the Pre-IPO ESOP has expired on February 15, 2024, 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 and the relevant grant letters entered into with the grantees.

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, 2023	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, 2023
Employees (Excluding Directors and Chief Executive)	During 2016	3,129,982	–	10 Years from the Date of Grant	See Note[1]	US$0.03	–	–	2,238,708	HK$2.75	–	–	891,274
	During 2015	1,801,222	–	10 Years from the Date of Grant	See Note[1]	US$0.03	–	–	825,500	HK$3.17	–	–	975,722
	During 2014	11,136,316	–	10 Years from the Date of Grant	See Note[1]	US$0.03	–	–	1,909,312	HK$2.61	–	–	9,227,004
		16,067,520							**4,973,520**		**-**	**-**	**11,094,000**
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		**17,843,520**							**4,973,520**		**-**	**-**	**12,870,000**

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 the executive Director, 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, 2023, December 31, 2023 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 9.52%, 9.44% and 9.32% 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 2 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, 2023 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 the executive Director, 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 lapsed and 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, 2023 and as at the Latest Practicable Date, 147,489,337 and 173,703,206 outstanding award Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme (excluding Shares granted which have lapsed and 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 lapsed and forfeited in accordance with the Post-IPO Share Award Scheme) as at January 1, 2023 and December 31, 2023 were 90,337,128 Shares and 63,875,390 Shares, representing 2.02% and 1.41% 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 4,477,678,830 Shares (being the number of Shares in issue as at December 31, 2023) and 4,534,776,084 Shares (being the number of Shares in issue as at the Latest Practicable Date) to 4,612,009,194 Shares and 4,670,819,366 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 2 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, 2023	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, 2023
Directors and Chief Executive												
WU Zeyuan	Apr 1, 2023	–	2,550,000	May 1, 2023 - Apr 1, 2024 [2]	Nil	HK$2.63	HK$2.56	1,700,000	HK$2.86	–	–	850,000
	Apr 4, 2022	1,000,000	-	May 4, 2022 - Apr 4, 2023 [2]	Nil	–	–	1,000,000	HK$2.36	–	–	–
		1,000,000	**2,550,000**					**2,700,000**		**–**	**–**	**850,000**
Employees (Excluding Director and Chief Executive)	Oct 1, 2023	–	1,229,542	Oct 1, 2024 - Oct 1, 2025 [3]	Nil	HK$3.50	HK$3.51	–	–	–	–	1,229,542
	Jul 1, 2023	–	200,434	Jul 1, 2024 - Jul 1, 2025 [3]	Nil	HK$2.96	HK$3.40	–	–	–	–	200,343
	Apr 1, 2023	–	5,955,684	May 1, 2023 - Apr 1, 2024 [4]	Nil	HK$2.63	HK$2.56	3,970,456	HK$2.86	–	–	1,985,228
	Apr 1, 2023	–	13,149,830	Apr 1, 2023 - Apr 1, 2024 [3]	Nil	HK$2.63	HK$2.56	–	–	1,794,335	–	11,355,495
	Apr 1, 2023	–	2,343,888	Apr 1, 2023 [10]	Nil	HK$2.63	HK$2.56	2,342,531	HK$2.63	1,357	–	–
	Apr 1, 2023	–	5,100,000	Apr 1, 2024 - Apr 1, 2025 [11]	Nil	HK$2.63	HK$2.56	–	–	–	–	5,100,000
	Nov 1, 2022	257,803	–	Nov 1, 2023 - Nov 1, 2024 [3]	Nil	–	–	128,902	HK$2.97	17,601	–	111,300
	Sep 1, 2022	425,200	–	Sep 1, 2023 - Sep 1, 2024 [3]	Nil	–	–	187,600	HK$3.00	50,000	–	187,600
	May 1, 2022	182,125	–	May 1, 2023 - May 1, 2024 [3]	Nil	–	–	91,063	HK$2.18	–	–	91,062
	Apr 1, 2022	1,396,664	–	May 1, 2022 - Apr 1, 2023 [4]	Nil	–	–	1,396,664	HK$2.22	–	–	–
	Apr 1, 2022	500,000	–	May 1, 2022 - Apr 1, 2023 [5]	Nil	–	–	500,000	HK$2.63	–	–	–
	Apr 1, 2022	12,488,688	–	Apr 1, 2023 - Apr 1, 2024 [3]	Nil	–	–	6,244,350	HK$2.62	924,571	–	5,319,767
	Apr 1, 2022	3,000,000	–	Apr 1, 2023 - Apr 1, 2024 [6]	Nil	–	–	2,616,887	HK$2.63	383,113	–	–
	Jan 1, 2022	222,810	–	Jan 1, 2023 - Jan 1, 2024 [3]	Nil	–	–	111,405	HK$1.37	–	–	111,405
	During 2021	9,637,405	–	See Note [3]	Nil	–	–	8,317,315	HK$2.53	1,320,090	–	–
	During 2020	105,000	–	See Note [7]	Nil	–	–	52,500	HK$1.37	–	–	52,500
	During 2019	1,437,271	–	See Note [7]	Nil	–	–	1,437,271	HK$2.46	–	–	–
		29,652,966	**27,979,378**					**27,396,944**		**4,491,067**	**–**	**25,744,333**
Consultants	Apr 1, 2023	–	471,601	Apr 1, 2024 – Apr 1, 2025 [3]	Nil	HK$2.63	HK$2.56	–	–	–	–	471,601
	Apr 1, 2023	–	24,326	Apr 1, 2023 [10]	Nil	HK$2.63	HK$2.56	24,326	HK$2.63	–	–	–
	Sep 1, 2022	145,000	–	See Note [3]	Nil	–	–	72,500	HK$3.02	72,500	–	–
	Jan 1, 2022	1,863,222	–	See Note [3]	Nil	–	–	931,611	HK$1.37	–	–	931,611
		2,008,222	**495,927**					**1,028,437**		**72,500**	**–**	**1,403,212**
Total		**32,661,188**	**31,025,305**					**31,125,381**		**4,563,567**	**–**	**27,997,545**

Notes:

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

(10) The share awards were granted with immediate vesting to a vast majority of the employees and consultants of the Group. For further details, please refer to the announcement of the Company dated April 1, 2023.

(11) 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, 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$3.80 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.

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, 2023 is 40,867,545 Shares and constitutes approximately 0.91% after dividing it by the total number of issued Shares as at December 31, 2023.

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 the executive Director, 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 lapsed and 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, 2023 and as at the Latest Practicable Date, a total of 67,500,000 and 65,000,000 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 lapsed and forfeited in accordance with the EveLab Insight Share Award Scheme), representing approximately 13.5% and 13.0% of the issued share capital of EveLab Insight Cayman as at December 31, 2023 and as at the Latest Practicable Date respectively.

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 7 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.

5. Pixocial Share Option Scheme

As disclosed in the Company's announcement dated October 12, 2023, Pixocial Holdings shall adopt the Pixocial Share Option Scheme, pursuant to which 7,642,626 ordinary shares of Pixocial Holdings shall be reserved for issuance to certain employees, directors and consultants of Pixocial Holdings and its subsidiaries.

On December 1, 2023, the board of directors of Pixocial Holdings (the "**Pixocial Board**") and its shareholder (namely, the Company) adopted the Pixocial Share Option Scheme.

Purpose

The purpose of the Pixocial Share Option Scheme is to align the interests of eligible persons with those of Pixocial Holdings and its subsidiaries through ownership of ordinary shares of Pixocial Holdings ("**Pixocial Shares**"), dividends and other distributions paid on the Pixocial Shares and/or the increase in value of the Pixocial Shares, and to encourage and regain eligible persons to make contributions to the long-term growth and profits of Pixocial Holdings and its subsidiaries.

Eligible Participants

Any employee, consultant, officer, director, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or other service provider of any member of Pixocial Holdings and its subsidiaries or any of their affiliate (including but not limited to (i) nominees and/or trustees of any employee benefit trust established for them, (ii) any Eligible Vehicle) whom the Pixocial Board considers, in its sole and absolute discretion, to have contributed or will contribute to Pixocial Holdings and its subsidiaries; provided, however, that options under the Pixocial Share Option Scheme shall not be granted to any consultant or director in any jurisdiction in which, pursuant to applicable laws, grants to non-employees are not permitted.

Maximum Number of Pixocial Shares

The maximum number of Pixocial Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Pixocial Share Option Scheme must not exceed 7,642,626 Pixocial Shares without further approval from the shareholders of Pixocial Holdings.

As at December 31, 2023 and the Latest Practicable Date, a total of 7,082,731 and 6,744,897 options had been granted or agreed to be granted pursuant to the Pixocial Share Option Scheme (excluding any options that were lapsed, forfeited or cancelled in accordance with the Pixocial Holdings Share Option Scheme) and therefore the total number of options available for grant under the Pixocial Share Option Scheme as at December 31, 2023 and the Latest Practicable Date are 559,895 and 897,729 options, respectively.

Any options granted under the Pixocial Share Option 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 Pixocial Board, or enter into any agreement to do so.

Limit for Each Participant

Under the Pixocial Share Option Scheme, there is no specific limit on the maximum number of options which may be granted to a single eligible participant but unvested under the Pixocial Share Option Scheme.

Vesting Period

The Pixocial Board has the authority to determine the vesting period of the options granted under the Pixocial Share Option Scheme. The Pixocial Share Option Scheme does not specify any minimum holding period.

Termination

The Pixocial Share Option Scheme shall terminate on the earlier of:

(a) the end of the period of ten years commencing from the date the Pixocial Share Option Scheme was adopted; and

(b) such date of early termination as determined by the Pixocial Board.

The remaining life of the Pixocial Share Option Scheme is approximately 9 years.

Pixocial Holdings 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 Pixocial Share Option Scheme is not subject to disclosure obligations under Chapter 17 of the Listing Rules.

EQUITY-LINKED AGREEMENTS

No other equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2023.

DIRECTORS

The Directors and members of senior management of the Company who held office during the year ended December 31, 2023 and up to the Latest Practicable Date were:

Executive Directors:

Mr. CAI Wensheng *(Resigned as Chairman on June 1, 2023)*
Mr. WU Zeyuan *(Chief Executive Officer and appointed as Chairman on June 1, 2023)*

Non-Executive Directors:

Dr. GUO Yihong
Dr. LEE Kai-fu
Mr. CHEN Jiarong
Mr. HONG Yupeng *(appointed on June 1, 2023)*

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, Dr. LEE Kai-fu and Ms. KUI Yingchun will retire from office as Director by rotation at the AGM and will not offer themselves for re-election as Director at the AGM in order to devote more time to focus on their other personal and business commitments.

In accordance with Article 84(2) of the Articles of Association, Mr. WU Zeyuan and Mr. LAI Xiaoling will 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 to be dispatched as soon as possible.

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 31 to 36 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 (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 thereafter. Mr. Cai resigned as an executive Director and the chairman of the Board effective on June 1, 2023 in order to devote more time to focus on his other business commitments.

Each of the non-executive Directors and independent non-executive Directors (excluding Mr. LAI Xiaoling, Mr. CHEN Jiarong, Mr. HONG Yupeng 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. Likewise, Dr. LEE Kai-fu also entered into a supplemental agreement with the Company to amend his Letter of Appointment to reduce his remuneration to nil with effect from June 1, 2023. Dr. LEE Kai-fu has volunteered not to receive any remuneration from the Company for the time being out of his own will.

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). Such letters of appointment were renewed on identical terms on June 1, 2023 without a specific term.

Mr. HONG Yupeng has signed a letter of appointment with the Company and was appointed as an independent non-executive Director commencing from June 1, 2023 without a specific term.

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 "Connected Transactions – Grant of Pixocial Options under the Pixocial Share Option Scheme" and "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, 2023.

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, 2023. 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, 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2023 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, 2023, 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. WU Zeyuan[1] [2]	Beneficiary of a trust/Beneficial owner	574,496,670	12.83%
Mr. CHEN Jiarong[3]	Beneficial owner/Interest in a controlled corporation	327,240,180	7.31%

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) 850,000 Shares were held by the Meitu General Trust in the form of unvested Share awards.

(3) Mr. Chen's interest in these Shares includes the interest in 245,024,180 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 4,477,678,830 Shares in issue as at December 31, 2023.

Save as disclosed above, as at December 31, 2023, 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, 2023, 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]
CAI Wensheng[1]	Interest in a controlled corporation/ Beneficiary of a trust	1,068,100,000	23.85%
Easy Prestige[2]	Interest in a controlled corporation	566,666,670	12.66%
Xinhong Capital[2]	Beneficial owner	566,666,670	12.66%
Baolink Capital[1]	Beneficial owner	448,100,000	10.01%
Longlink Limited[1]	Interest in a controlled corporation	620,000,000	13.85%
Longlink Capital[1]	Beneficial owner	620,000,000	13.85%
Lion Trust (Singapore) Limited[3]	Trustee of a discretionary trust	1,398,366,670	31.23%
Kingkey Enterprise Holdings Limited	Beneficial owner	245,024,180	5.47%
Chen Jiajun	Interest in a controlled corporation	245,024,180	5.47%

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) 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 4,477,678,830 Shares in issue as at December 31, 2023.

Save as disclosed herein, as at December 31, 2023, 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, 2023, 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.

CONNECTED TRANSACTIONS

During the year ended December 31, 2023, we have entered into agreements with our connected persons in our ordinary and usual course of business, which constitute connected transactions under the Listing Rules. We set out below details of the connected transactions for our Group which are subject to reporting obligations under the Listing Rules in compliance with the requirements of Chapter 14A of the Listing Rules.

Grant of Pixocial Options Under the Pixocial Share Option Scheme

On the Pixocial Completion Date, Pixocial Options representing the right to purchase 1,910,657 ordinary shares of Pixocial Holdings (representing approximately 1.5% of Pixocial Holding's issued and outstanding share capital on a fully-diluted and as-converted basis) at the exercise price of US$0.00001 per ordinary share of Pixocial Holdings were granted to each of Mr. Wu and Mr. Song for nil consideration in accordance with the terms of the Pixocial Share Option Scheme pursuant to the Pixocial SSA.

The Pixocial Options granted to Mr. Wu is valid from the Pixocial Completion Date to the tenth (10th) anniversary of the Pixocial Completion Date, and will be vested over the four (4) year period immediately following the Pixocial Completion Date with twenty-five percent (25%) in equal yearly instalments, subject to Mr. Wu's continued status as a Service Provider (as defined in the announcement of the Company dated December 1, 2023) on each vesting date.

The exercise of all or any portion of the Pixocial Options are subject to the following conditions: (i) such Pixocial Options being fully vested, (ii) closing of a public offering or listing of the equity securities of Pixocial Holdings on a recognised international securities exchange, (iii) if applicable, compliance with rules of the State Administration for Foreign Exchange of the PRC and any other applicable laws of the PRC, and (iv) expiration of any lock-up period of up to six (6) months after the date of the public offering or listing mentioned in limb (ii) above as maybe determined in the relevant underwriting agreement in connection thereto. In the event of a trade sale, the board of directors of Pixocial Holdings may in good faith determine the vesting of such Pixocial Options in its sole and absolute discretion after taking into consideration of the aforementioned vesting schedule.

The grant of the Pixocial Options to Mr. Wu for nil consideration are one of the conditions precedents to the Pixocial Completion as specified under the Pixocial SSA and was intended to recognise and reward Mr. Wu for his continued efforts for the success of Pixocial Holdings and the Group.

As Mr. Wu is the chairman of the Board, the executive Director and chief executive officer of the Company, he is a connected person of the Company under the Listing Rules, and the grant of the Pixocial Options to Mr. Wu constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Further details on the grant of Pixocial Options to Mr. Wu can be found in the announcement of the Company dated December 1, 2023.

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, 2023.

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, 2023 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, 2023, the accumulated profits of Meitu Networks and its subsidiaries amounted to RMB658.0 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.

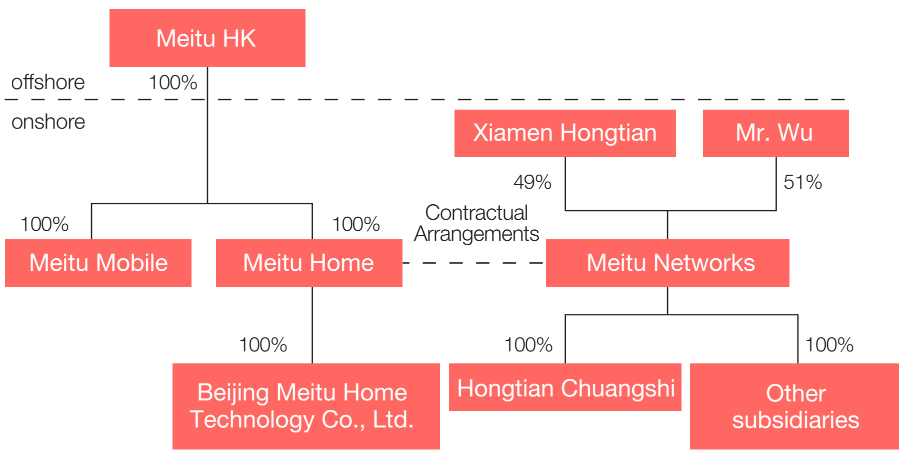
(c) ***Share Pledge Agreement***

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, 2023. 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, 2023.

For the year ended December 31, 2023, 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, 2023 and 2022 were RMB1,855.9 million and RMB1,364.4 million, respectively.

For the year ended December 31, 2023, the revenue of Meitu Networks and its subsidiaries amounted to approximately 68.8% (2022: 65.4%) of the revenue for the year of the Group.

The total assets of Meitu Networks and its subsidiaries as at December 31, 2023 and 2022 were RMB3,244.4 million and RMB2,587.1 million, respectively.

As at December 31, 2023, the total assets of Meitu Networks and its subsidiaries amounted to approximately 56.3% (2022: 51.7%) 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, 2023 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, 2023, (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, 2023, 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, 2023:

(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 AI skin analyser), MeituKey (a contact skin analyser), MeituSpa (an AI cleansing brush) and Meitu Genius (an AI 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, 2023 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 designe**e") 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 Agreemen**t"), 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, 2023, the accumulated losses of MeituEve Networks and its subsidiaries amounted to RMB3.8 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.

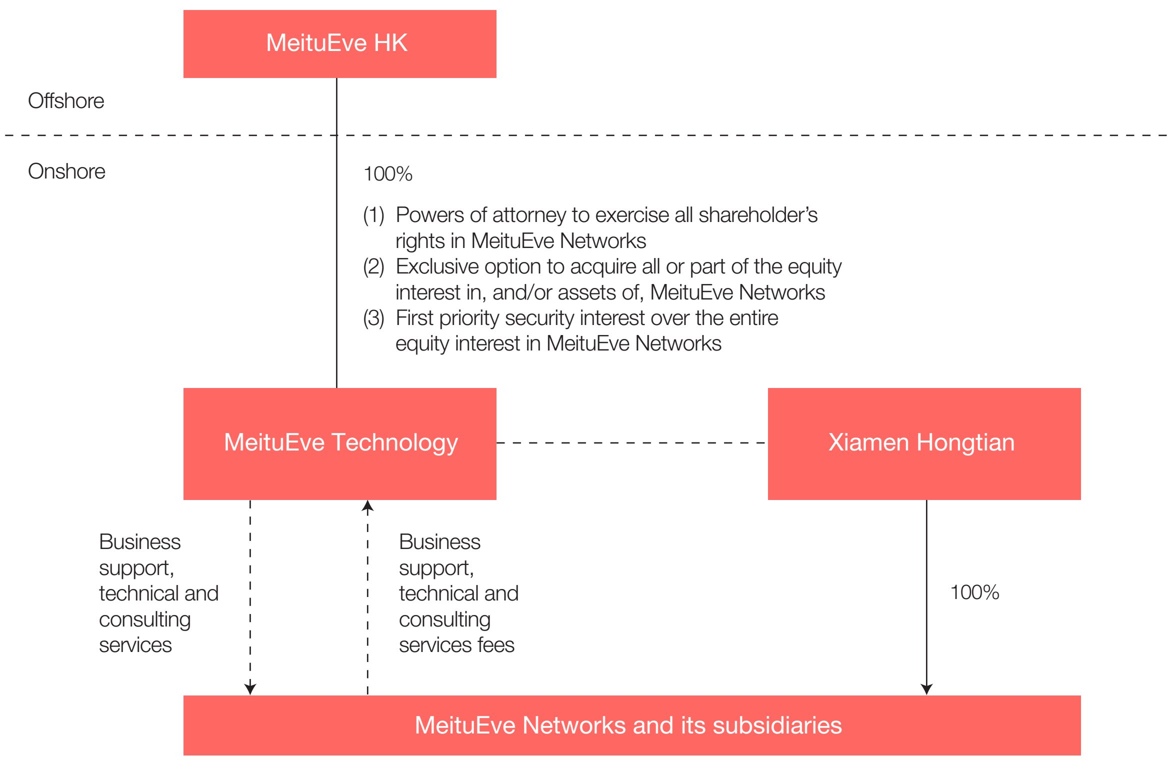
(c) ***MeituEve Share Pledge Agreement***

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, 2023. 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, 2023.

For the year ended December 31, 2023, 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, 2023 and 2022 were RMB0.0 and RMB0.0, respectively.

For the year ended December 31, 2023, the revenue of MeituEve Technology and its subsidiaries amounted to approximately 1.2% (2022: 0.6%) of the revenue for the year of the Group.

The total assets of MeituEve Networks and its subsidiaries as at December 31, 2023 and 2022 were RMB0.02 million and RMB0.01 million, respectively.

As at December 31, 2023, the total assets of MeituEve Networks and its subsidiaries amounted to approximately 0.0003% (2022: 0.0002%) 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 chairman of the Board, 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, 2023 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, 2023, (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, 2023, 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, 2023:

(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, 2023, no related party transactions disclosed in Note 31 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.

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 (the "**Qualification Requirements**"). 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, 2023, 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, 2023, 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, 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, 2023, 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; and

(c) EveLab Insight (US) and Pixocial 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 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, and (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. The Existing Contractual Arrangements and the MeituEve Contractual Arrangements allow the results of operations and assets and liabilities of (i) Meitu Networks and its subsidiaries and (ii) MeituEve Networks 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, 2023, the revenue amounts from the Group's five largest customers accounted for 17.8% (2022: 14.1%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 7.3% (2022: 3.7%) of the Group's total revenue.

During the year ended December 31, 2023, 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 top five customers.

The relationship between the Group and our suppliers has been stable. For the year ended December 31, 2023, the purchase amounts placed with the Group's five largest suppliers accounted for 29.7% (2022: 28.5%) of the Group's total purchases and the purchase amount placed with our single largest supplier accounted for 7.8% (2022: 8.5%) 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.

IMPORTANT EVENTS AFTER THE REPORTING DATE

On February 2, 2024, Meitu Investment (a wholly-owned subsidiary of the Company), the Zcool Vendors, the Zcool Founders, the Former Zcool Founders and the Zcool Network Group Companies entered into a sale and purchase agreement ("**Zcool SPA**"), pursuant to which the Zcool Vendors have conditionally agreed to sell and Meitu Investment has conditionally agreed to purchase, (i) 119,158,806 ordinary shares (excluding the unissued ordinary shares of Zcool Network reserved for the purpose of incentive options to purchase securities in Zcool Network ("**Zcool Network Options**") granted to certain Zcool Founders and employees of the Zcool Network Group Companies ("**Zcool ESOP Holders**") pursuant to the employee share incentive plans adopted by the Zcool Network Group Companies prior to the date of the Zcool SPA ("**Zcool ESOP Plans**")), (ii) 24,590,164 series A shares preferred shares, (iii) 9,836,066 series B preferred shares, (iv) 61,475,410 series B+ preferred shares, and (v) 18,442,623 series C preferred shares of Zcool Network respectively ("**Zcool Sale Shares**"), representing the entire issued share capital of Zcool Network ("**Zcool Acquisition**"), at an aggregate consideration of US$39,640,495 (equivalent to approximately HK$309,905,426), out of which US$17,784,171 (equivalent to approximately HK$139,034,870) will be satisfied by allotment and issue of 52,992,166 new Shares to certain Zcool Vendors and the remaining balance of approximately US$21,856,324 (equivalent to approximately HK$170,870,555) will be paid in cash.

Pursuant to the Zcool SPA and as a result of the Zcool Acquisition, all Zcool Network Options granted to the Zcool ESOP Holders pursuant to the Zcool ESOP Plans, will be cancelled at completion of the Zcool Acquisition. In consideration of the cancellation of such Zcool Network Options, an aggregate amount of US$2,142,518 (equivalent to approximately HK$16,749,991) will be payable to the Zcool ESOP Holders, out of which US$803,394 (equivalent to approximately HK$6,280,854) will be settled by payment in cash to the Zcool ESOP Holders, and the remaining balance of approximately US$1,339,124 (equivalent to approximately HK$10,469,138) will be satisfied by allotment and issuance of 3,990,232 new Shares to Meitu Trust (for the benefits of the Zcool ESOP Holders).

Completion of the Zcool Acquisition took place on March 27, 2024 and Zcool Network had become an indirect wholly-owned subsidiary of the Company, the financial results of which will be consolidated into the Group's financial statements. Further details on the Zcool SPA, the Zcool Acquisition and the completion of the Zcool Acquisition are set forth in the announcements of the Company dated February 2, 2024 and March 27, 2024 respectively.

Save as disclosed above, there were no other important events affecting the Company which occurred after December 31, 2023 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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

(1) Mr. Cai resigned as the chairman of the Board, an executive Director and the chairman and member of the Nomination Committee effective from June 1, 2023;

(2) Mr. Wu was appointed as chairman of the Board and the chairman and member of the Nomination Committee effective from June 1, 2023;

(3) Dr. GUO Yihong ceased to be a member of the Audit Committee effective from June 1, 2023; and

(4) Mr. HONG Yupeng was appointed as a non-executive Director and a member of the Audit Committee effective from June 1, 2023. Mr. Hong obtained the legal advice from a firm of solicitors qualified to advise on Hong Kong law as required under Rule 3.09D of the Listing Rules on June 1, 2023. Mr. Hong has confirmed that he understood his obligations as a director of a listed issuer.

Further details of the above changes are set out in the announcement of the Company dated June 1, 2023.

CLOSURE OF REGISTER OF MEMBERS

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

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

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

MEITU AND THE COMMUNITY

As a global company, Meitu, Inc. is committed "to let art and technology converge elegantly" as its mission, and "be humble and seek truth from facts" and "motivated to win"as its values.

By the order of the Board
Mr. WU Zeyuan
Chairman

Hong Kong

March 15, 2024

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.

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.

Save as to the deviation from Code Provision C.2.1, during the year ended December 31, 2023, the Company has complied with all other applicable code provisions of the CG Code for the time being in force.

MISSION

"Let art and technology converge elegantly."

VALUES

"Be humble and seek truth from facts" and "Motivated to win"

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. The human resources department then assesses and refines the Group's corporate culture to fit the actual needs and situation of the Group.

The Directors and in particular the management team are also required to take a proactive role in fostering a culture of integrity and ethical behavior. Directors and management team members lead by example, embodying the Group's values and setting a clear ethical tone at the top. This is typically achieved 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. 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 through bonus and incentive schemes in order 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the year ended December 31, 2023.

The Board has also adopted the Model Code and have established internal written guidelines pursuant thereto to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the year ended December 31, 2023 after making reasonable enquiry.

BOARD OF DIRECTORS

Board Composition

As at the Latest Practicable Date, the Board comprises eight members consisting of one executive Director, four 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 Director:	
Mr. WU Zeyuan *(Chairman and Chief Executive Officer)*	Chairman of the Nomination Committee
Non-executive Directors:	
Dr. GUO Yihong	–
Dr. LEE Kai-fu	Member of the Remuneration Committee
Mr. CHEN Jiarong	–
Mr. HONG Yupeng	Member of the Audit Committee
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 are disclosed under the section headed "Directors and Senior Management" on pages 31 to 36 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. WU Zeyuan. 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. 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.

Independent Non-executive Directors

During the year ended December 31, 2023 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 to fill a casual vacancy in the Board or as an addition to the existing Board shall hold office only 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, Mr. HONG Yupeng 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. Likewise, Dr. LEE Kai-fu also entered into a supplemental agreement with the Company to amend his Letter of Appointment to reduce his remuneration to nil with effect from June 1, 2023. Dr. LEE Kai-fu has volunteered not to receive any remuneration from the Company for the time being out of his own will.

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). Such letters of appointment were renewed on identical terms on June 1, 2023 without a specific term.

Mr. HONG Yupeng has signed a letter of appointment with the Company and was appointed as an independent non-executive Director commencing from June 1, 2023 without a specific term.

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 Director. The Chief Financial Officer and Company Secretary attend 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 6 times during the year ended December 31, 2023. 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(1)	2/6	–/–	–/–	1/1	1/1
Mr. WU Zeyuan(2)	6/6	–/–	–/–	0/1	1/1
Dr. GUO Yihong(3)	5/6	1/3	–/–	–/–	1/1
Dr. LEE Kai-fu	5/6	–/–	1/1	–/–	1/1
Mr. CHEN Jiarong	6/6	–/–	–/–	–/–	1/1
Mr. HONG Yupeng(4)	4/6	2/3	–/–	–/–	0/1
Mr. ZHOU Hao	6/6	3/3	–/–	1/1	1/1
Mr. LAI Xiaoling	6/6	3/3	1/1	–/–	1/1
Ms. KUI Yingchun	5/6	–/–	1/1	1/1	1/1

Notes:

(1) Mr. Cai resigned as the chairman of the Board, an executive Director and the chairman and member of the Nomination Committee effective from June 1, 2023.

(2) Mr. Wu was appointed as chairman of the Board and the chairman and member of the Nomination Committee effective from June 1, 2023.

(3) Dr. GUO Yihong ceased to be a member of the Audit Committee effective from June 1, 2023.

(4) Mr. HONG Yupeng was appointed to the Board and a member of the Audit Committee effective from June 1, 2023.

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, 2023, the following 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[(1)]	–
Mr. WU Zeyuan	✓
Non-executive Directors	
Dr. GUO Yihong	✓
Dr. LEE Kai-fu	✓
Mr. CHEN Jiarong	✓
Mr. HONG Yupeng	✓
Independent non-executive Directors	
Mr. ZHOU Hao	✓
Mr. LAI Xiaoling	✓
Ms. KUI Yingchun	✓

Notes:

(1) Mr. Cai resigned as the chairman of the Board, an executive Director and the chairman and member of the Nomination Committee effective from June 1, 2023.

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. Dr. GUO Yihong resigned as a member of the Audit Committee with effect from June 1, 2023 in order to devote more time to focus on his other business commitments. Mr. HONG Yupeng was appointed as a member of the Audit Committee effective on June 1, 2023. As at the Latest Practicable Date, the members of the Audit Committee are Mr. ZHOU Hao, Mr. LAI Xiaoling and Mr. HONG Yupeng. Mr. HONG Yupeng is a non- executive Director, and Mr. LAI Xiaoling and Mr. ZHOU Hao are independent non-executive Directors. Mr. ZHOU Hao is the chairman of the Audit Committee.

The Audit Committee held 3 meetings during the year ended December 31, 2023. 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, 2022, the interim results announcement and interim report of the Group for the six months ended June 30, 2023, 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 1 meeting during the year ended December 31, 2023. Individual attendance record of each Committee member is set out on page 83 of this annual report. During the meeting, 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 Director 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, 2023 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, 2023 are set out in Note 32 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, 2023 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	1
HK$5,000,001 to HK$10,000,000	1
HK$10,000,001 to HK$15,000,000	2
HK$15,000,001 to HK$20,000,000	1
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. WU Zeyuan, Mr. ZHOU Hao and Ms. KUI Yingchun. Mr. WU Zeyuan is an executive Director, and Mr. ZHOU Hao and Ms. KUI Yingchun are independent non-executive Directors. Mr. WU Zeyuan is the chairman of the Nomination Committee.

The Nomination Committee held 1 meeting during the year ended December 31, 2023. 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, 2023, 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, 2023.

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, 2023.

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 155 to 161 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, 2023, 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, 2023 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, 2023 is set out below:

Service Category	**Fees Paid/Payable** RMB'000
Audit Services	5,650
Non-audit Services	932
	6,582

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, 2023, 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 three key personnel, of which two are male and one is 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

There was no significant change in the Company's constitutional documents during the year ended December 31, 2023.

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, 2023, the Company held an annual general meeting on June 1, 2023, 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, 2023 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, 2023. 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.

The Company's existing Articles of Association were adopted at the annual general meeting held on June 2, 2022 and became effective after the close of the annual general meeting held on June 2, 2022. The 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 eighth 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**"). The purpose of this Report is to provide a clear and transparent overview of our sustainability management approach, strategies, initiatives and performance of our material sustainability issues, enabling our key stakeholders to strengthen 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 main offices in Beijing, Shanghai, 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 98.67% of the Group's total revenue for the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"). Tianjin has been removed from the reporting scope as the Company no longer has control over the relevant operations.

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 C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") issued by The Stock Exchange of Hong Kong Limited (the "**HKEX**").

Reporting Principles

In the course of this Report's preparation, we have adhered to the four reporting principles stipulated in the ESG Reporting Guide to disclose our sustainability performance: materiality, quantitative, balance and consistency. Our application of these reporting principles is described below.

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 years, 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

We greatly value feedback and suggestions from our stakeholders regarding our sustainability performance and reporting. Your input is crucial in driving ongoing enhancements in our sustainability strategy. Please share your feedback at email: ir@meitu.com.

OUR CULTURE

Mission

Let art and technology converge elegantly

Values

Be inquisitive and practical

Be humble and seek truth from facts

Motivated to win

Aim high and hit

HIGHLIGHTS OF THE YEAR

Decarbonization[1]

-20%
Total GHG emissions intensity[2]

-13%
Total energy intensity

-61%
Total waste generated intensity[3]

-3%
Total water intensity

Technology

9.11 million
Paying Subscribers

#1 and #2 Positions
Achieved on the app stores of 6 countries

249 Million
Monthly active users

26
Patents obtained

Care

20+
Community initiatives launched and supported

5.8 Million+ Times
Total usage of sustainability-themed filters and stickers by users[4]

340 Million+ Times
Total user exposure of sustainability-themed filters and stickers

RMB330,000
Total donations

Dream

1 : 1.3
Female: male employee ratio

63%
Employees trained

11,561.5 Hours
Total employee training hours

100%
Employees benefitted from employee well-being initiatives

1 The relevant data presented is in comparison to 2022.
2 Total greenhouse gas ("**GHG**") emissions intensity includes scope 1 and scope 2 emissions.
3 Total waste generated intensity includes hazardous and non-hazardous waste.
4 The usage figure includes downloads and saves by users of the relevant filters and stickers.

KEY PROJECTS OF THE YEAR

Launched our industry-leading, self-developed large vision model *MiracleVision*, which will power Meitu's AIGC ("**Artificial Intelligence-Generated Content**") features in the future

Unveiled *X-Design 2.0*, introducing AI-powered commercial design solutions that offer excellent aesthetics with unparalleled efficiency and cost benefits

Revolutionized narrated video creation with the launch of *Kaipai*, delivering unmatched efficiency via AI-editing and beautification features for narrators

Collaborated with TraditioNow for the metaverse art exhibition "Bloomland: Pocket with Love" to celebrate the craftsmanship of ethnic minorities

AWARDS AND RECOGNITIONS

Corporate and Branding | Corporate Governance | Innovation and Technology | Community Care

2023 Top 100 China Digital Enterprise Green Credit Index（2023中國數字企業綠色信用指數Top 100）– Ranked the 3rd

- The Investment Association of China
- Green Credit

2023 Top 10 China "+Large Model" Pioneer Cases（2023中國「+大模型」先鋒案例Top10）

- Geek Park

WISE 2023 AI Enterprise of the Year（WISE 2023人工智能年度企業）

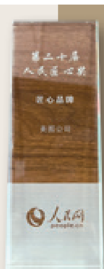
- 36kr

2023 Most Notable AIGC Company（2023年最值得關注的AIGC公司）

- 創業邦 CYZONE

The 20th People's Ingenious Brand Award（第20屆人民匠心品牌獎）

- People.cn



2023 Internet Fastest-Growing Listed Company Award（2023互聯網最具成長上市公司榮譽）

- National Business Daily

2023 Top 200 Hurun China Metaverse Potential Enterprises（2023胡潤中國元宇宙潛力企業榜Top 200）

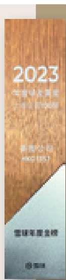
- Hurun Report

2023 Large-Scale Model Innovation Application Award（2023大模型創新應用獎）

- TMTPOST GROUP

2023 Annual List of Top 100 Favorite Listed Companies among Investors（2023年度球友喜愛上市公司100榜）

- Snowball Finance (雪球)

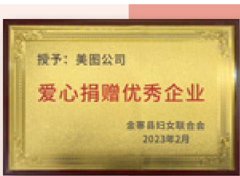


2023 Listed Company ESG Innovative Practices Case Studies（2023上市公司ESG創新實踐案例）

- Securities Daily

Compassionate Donation Enterprise Award（愛心捐贈優秀企業）

- Jinzhai County Women's Federation (金寨縣婦女聯合會)



2023 Fujian Top 50 Enterprises with Comprehensive Internet Strength（2023年福建省互聯網綜合實力前50家企業）for 7 consecutive years – Ranked 1st

- Internet Society of Fujian

2023 Top 100 Chinese Internet Companies in Comprehensive Strength（2023年中國互聯網綜合實力前百家企業）for 7 consecutive years

- Internet Society of China

2023 Most Popular Apps among Chinese Online Female Users Award（2023年中國互聯網女性用戶最喜愛App榜）

- Quest Mobile

2023 Annual Report on Trends in China's Internet Industry – Ranked 1st

***Meitu app* (Category of image beautification)**

***BeautyCam* (Category of camera)**

- Quest Mobile

Technological Breakthrough New Species of the Year – *MiracleVision*（年度技術突破新物種 – *美圖奇想大模型*）

- New Species Research Institute (新物種研究院)

2023-2024 China AI Computing Power Development Assessment Report – Best Practice Cases（2023-2024年中國人工智能計算力發展評估報告 – 最佳實踐案例）

- International Data Corporation

2023 Taobao Tmall Open Ecosystem AIGC Challenge Competition – Winner in "Fast Moving Consumer Beauty" and "Home Appliances"（2023淘寶天貓開放生態AIGC挑戰賽 –「快消美妝」與「家裝家電」冠軍）

- Taobao

2023 Imaging Technology Innovation Award（2023年度影像科技創新獎）

- www.huanqiu.com（環球網）

OUR APPROACH TO SUSTAINABILITY

Aligned with Meitu's corporate mission, "let art and technology converge elegantly", our sustainability strategy is built upon four key strategic pillars: (i) **Decarbonization – Converge Elegantly with our Environment,** (ii) **Technology – Converge Elegantly with our Users**, (iii) **Care – Converge Elegantly with our Community** and (iv) **Dream – Converge Elegantly with our Employees**. Central to our approach is our commitment to the United Nations Sustainable Development Goals ("**UNSDGs**"). Focusing on the 10 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 integrating our sustainability approach with the embedded UNSDGs, we can take meaningful steps to create and orchestrate technology and beauty in shaping a better world for the next generation.

Decarbonization
Converge Elegantly with our Environment

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 – Converge Elegantly with our Environment" for our green targets.

Technology
Converge Elegantly with our Users

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

Goal:
To focus on research and development for product enhancement and creation, driving the "AIGC+" model and SaaS business to enrich our product portfolio.

Care
Converge Elegantly with our Community

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
Converge Elegantly with our Employees

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

We are committed to creating sustainable value for our stakeholders by upholding strong ESG governance principles. Therefore, we have established 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 information technology ("**IT**"), strategic planning, video and image business, administration and human resources ("**HR**"), software to content operation, assists the Board in monitoring ESG-related issues (including risks).

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

In today's dynamic business landscape, effective ESG risk management is essential for ensuring sustained business success. 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.

During the Reporting Period, we conducted an ESG risk assessment to enhance our risk mitigation and response strategies. The following outlines the steps of the Group's ESG risk management process:

ESG Risk Management

1. Identification

With the assistance of the ESG Working Group and through analysis of the latest market and industry trends, we identified relevant ESG-related risks in the industry and sustainability trends. This encompassed evaluating climate-related risks as well as ESG risks across our supply chain.

2. Evaluation

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

3. Prioritization

We prioritized key ESG risks by assessing their risk levels based on both their potential impact and likelihood.

4. Management and Mitigation

To effectively manage the identified ESG risks and mitigate their impact on our operations, we implemented corresponding risk mitigation and internal control measures. We assigned responsibility for the implementation of these measures to relevant business departments.

5. Reporting

The outcomes of the ESG risk assessment, along with any relevant issues, were presented to the Board for thorough discussion, review, and recommendations.

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

Stakeholder Engagement

We acknowledge the importance of nurturing strong relationships with our stakeholders. Through proactive engagement with our major stakeholders, we seek to understand the sustainability issues that are of greatest significance to them, enabling us to effectively 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 identified a variety of relevant sustainability issues based on the HKEX ESG Reporting Guide, latest industry trends, feedback from stakeholders, and previous materiality analysis. These issues were then categorized into four key themes:

(i) Decarbonization – Converge Elegantly with our Environment
(ii) Dream – Converge Elegantly with our Employees
(iii) Technology – Converge Elegantly with our Users
(iv) Care – Converge Elegantly with our Community

Step 2: Prioritization

We extended invitations to our major internal and external stakeholders to participate in an online questionnaire aimed at assessing the relative importance of 26 ESG topics.

Following the collection of 60 questionnaire responses, we collaborated with a third-party sustainability consultant to analyze the significance and impact of these topics on both stakeholders and the Group.

Subsequently, a total of 26 material issues were identified and displayed in the materiality matrix.

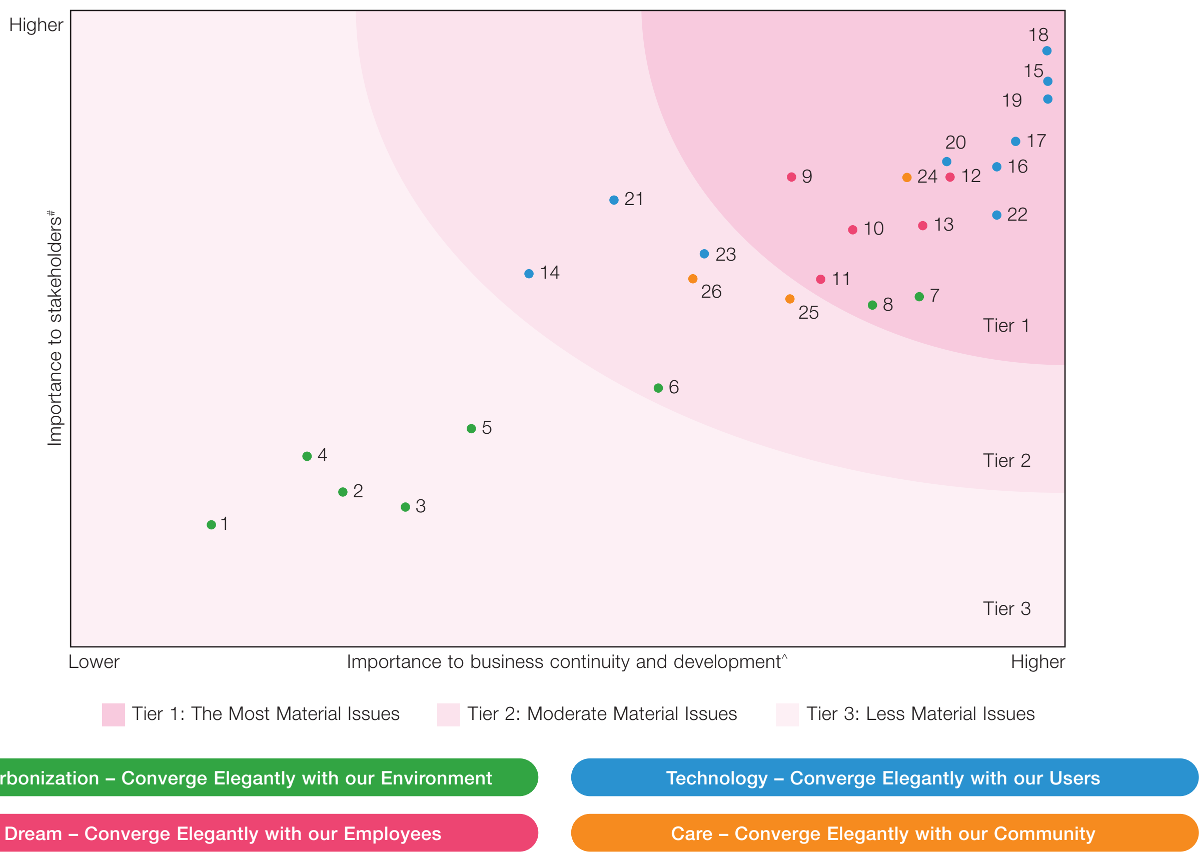
Step 3: Validation

Following a thorough analysis of stakeholder responses, the ESG Working Group reviewed the assessment results and subsequently approved the prioritization of the top 15 material topics.

Materiality Matrix

As shown in the materiality matrix below, we have mapped out and prioritized the 26 sustainability issues according to their importance to stakeholders (y-axis) and their importance to our business continuity and development (x-axis). These rankings are based on the aggregated scores garnered from both internal and external stakeholders via 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. The most material issues are listed in Tier 1 of the matrix, while less material issues are listed in Tier 3. During the Reporting Period, a total of 15 issues from Tier 1 were identified as the most material issues and will be emphasized in this Report.

Materiality Matrix



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.

List of ESG-related Material Issues:

ESG-related material issues	Report Sections
Tier 1: The Most Material Issues	
7. Green procurement	Waste and Packaging Materials
8. Environmental risk in supply chain	Climate Adaptation and Resilience
9. Employee benefits	Protecting Employees' Welfare
10. Equal opportunities, diversity, and inclusion	Fair Employer
11. Occupational health and safety	Safeguarding Employees' Health and Safety
12. Employee training and development	Promoting Career Development
13. Labor compliance	Fair Employer
15. Data protection and cybersecurity	Protecting Privacy
16. Service and Product quality	Product Quality and Health and Safety
17. Customer service and experience	Customer Services
18. Product development and innovation	Achieving Excellence in Product Development
19. Intellectual property protection	Safeguarding Intellectual Property Rights
20. Support industry digital upgrades	Achieving Excellence in Product Development
22. Anti-corruption	Anti-corruption, Whistle-blowing and Business Ethics
24. Digital and technological inclusion	Driving Digital and Technological Inclusion
Tier 2: Moderate Material Issues	
6. Climate resilience and adaptation	
14. Social risks in supply chain	
21. Responsible marketing and advertising	
23. Anti-monopoly and anti-competitive behavior	
25. Community investment	
26. Promotion of environmental protection and sustainable practices in the industry	
Tier 3: Less Material Issues	
1. Air emissions	
2. Waste disposal and recycling	
3. Energy efficient and greenhouse gas emissions	
4. Water efficiency and conservation	
5. Consumption of packaging material	

TECHNOLOGY

Converge Elegantly with our Users

Our effort on "Technology – Converge Elegantly with our Users" contributes to the following UNSDGs:

Direction

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

Goal

To focus on research and development for product enhancement and creation, driving the "AIGC+" model and SaaS business to enrich our product portfolio.

Top material topics

- Data protection and cybersecurity
- Service and Product quality
- Customer service and experience
- Product development and innovation
- Intellectual property protection
- Support industry digital upgrades
- Anti-corruption

Since its founding in 2008, Meitu has maintained its standing as a top Internet enterprise in China, distinguished for its pioneering AI-driven image-and-video processing technologies and fostering a vibrant social community. We are committed to innovating new products while enhancing existing products by strategically focus in resources on research and development ("**R&D**"), with the goal of fostering sustainable growth for our business. In line with our ambition to create and share "beauty" with users globally, we have launched a diverse array of software and hardware products over the years, ranging from *Meitu app, BeautyCam, X-Design, Kaipai,* to *MeituEve*.

During the Reporting Period, there were no material complaints[5] (2022: nil) in relation to products and services, and there were no products sold or shipped subject to recalls for safety and health reasons (2022: nil). We generally provide customers with appropriate remedial solutions in the rare case warranting a hardware product recall. 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 dedicated group was formed to implement mitigation measures, including but not limited to taking down the app products as soon as possible. After the appropriate updates are performed, the app products will be launched again following compliance checking and testing. We are committed to implementing responsible business practices and complying with applicable laws and regulations in relation to health and safety, advertising, labelling and privacy matters related to products and services[6]. We were not aware of any material non-compliance of relevant laws and regulations during the Reporting Period.

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5 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.

6 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

It has always been Meitu's foremost ambition to enable our users to become beautiful through the convergence of art and technology. As such, we tirelessly seek to drive innovation in hardware and software products while enhancing our future product portfolio, demonstrating our leadership in driving digital technology upgrades in our industry. Our talented R&D team members, who are professional in technical development and passionate about the industry, are key to our success, enabling us to present industry-leading products that surpass customer expectations. Guided by our goal of creating a positive user experience, we continued to expand our business by collaborating with globally renowned brands and organizations during the Reporting Period.

Image and Design Products	*Meitu* • Photo and video editor	*BeautyCam* • Trendy cam
	Wink • Video editor	*Meitu PC Version* • Image processing and online design services
	Meitu AI Photo Editing • AI image processing solution	*X-Design* • Intelligent design services
	WHEE • Online AI visual production tool	*Kaipai* • Narrated HD video creation tool
	Meitu AI Open Platform • AI service platform	
Beauty Industry Solutions	*MeituEve* • Technical support and scenario-based solutions based on AI skin analysis algorithm	*Meidd* • Enterprise resource planning ("**ERP**") and supply chain management SaaS focused on retail cosmetics
Technical Support	*MT Lab* • Imaging and vision related algorithms research	

Launching the AI Era at Meitu

Meitu unveiled 7 groundbreaking products at its 2nd Image Festival in 2023. At the core of these innovations is *MiracleVision*, our pioneering large-scale AI vision model that integrates cutting-edge technology with unparalleled aesthetics. Serving as the AI powerhouse across the entire Meitu product line, *MiracleVision* is positioned to redefine industry standards, promising to revolutionize user experience while elevating productivity in the imaging sector.

Transforming Video Creation with Kaipai

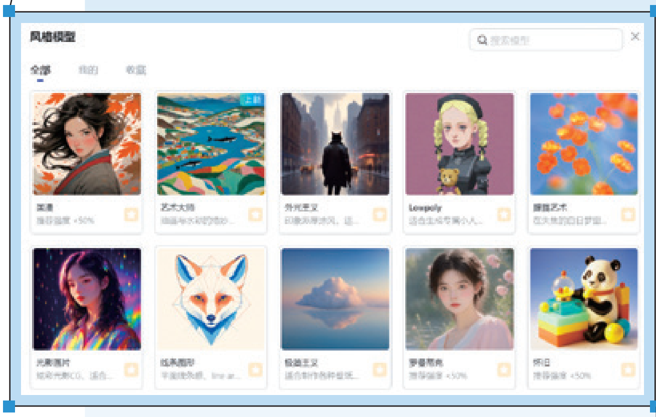
In 2023, our newly launched app *Kaipai* made waves by introducing AI-powered solutions for narrated video creation, significantly boosting video editing efficiency. Leveraging the app's AI features such as "AI Cover" and "AI Editing", video creators are able to create narrated videos rapidly in just 5 minutes. *Kaipai* also integrates Meitu's industry-leading beautification and virtual makeup features to enable narrators to appear their best on screen, showcasing our commitment to let art and technology converge elegantly.

Empowering E-commerce Businesses with AI Solutions

We introduced our cross-platform app *X-Design 2.0* in 2023, featuring its standout offering "*AI Commercial Photography*" (「AI商拍」), an AI-driven, one-stop solution for commercial photography. It not only ensures exceptional aesthetics, but also increases efficiency by an impressive 25,000 times compared to traditional methods. As of 31 December 2023, *AI Commercial Photography* has served 2.18 million e-commerce merchants and generated 116 million commercial product photos.

Inspiring Boundless Creativity and Imagination with WHEE

As trailblazers in visual solutions, we were proud to present our online AI visual production tool *WHEE* in 2023. This innovative platform caters to both casual users and professionals, featuring powerful AIGC functions that unlock limitless creative possibilities. As of 31 December 2023, *WHEE* has produced 3.9 million AI-generated images, underscoring its popularity for visual creation.



Enabling the AI Design Ecosystem with ZCOOL

During the Reporting Period, we were delighted to hold the Meitu Creativity Conference themed “The Future of AI Design” jointly with ZCOOL, a renowned online design community platform, with a focus on the design ecosystem and AI design trends. We were pleased to announce our strategic partnership with ZCOOL to launch the “Emerging AI Designers” program, to join forces and empower designers with AI design tools, learning platforms, professional communities and business opportunities.

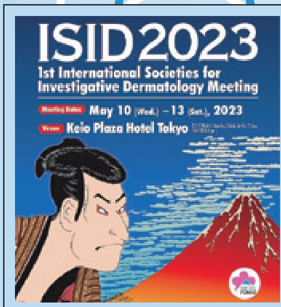
Accelerating Digital Economy Growth through Technology

6th Digital China Summit

As a pioneer in digital imaging technology, Meitu is dedicated to propelling the digital economy to new peaks. During the Reporting Period, we had the honor of attending the 6th Digital China Summit for the 6th consecutive time, where we showcased our impressive AIGC accomplishments in addition to nationally renowned products including *Meitu*, *BeatuyCam, Wink* and *MeituEve.*

2023 China International Fair

We were delighted to present our "AIGC+ Imaging Technology" solutions at the 2023 China International Fair for Trade in Services. Spotlighting innovative products such as *X-Design* and *ID Photo,* the event provided an excellent platform to demonstrate our technological capabilities to a diverse audience hailing from 83 countries and international organizations.



Fostering Beauty through Scientific Breakthroughs

Driving scientific progress is paramount to our pursuit of beauty through innovation. During the Reporting Period, we were proud to attend the International Societies for Investigative Dermatology Meeting where we presented our findings from a collaborative study with the Joint Lab for Skin Analysis and Digitalization. Leveraging AI-driven research, we identified pivotal stages of wrinkle development and severity through an extensive study involving over 400,000 individuals. By enhancing our understanding of skin aging, we were able to pave the way for brands to develop targeted marketing strategies and innovative product solutions.

Safeguarding Intellectual Property Rights

Safeguarding intellectual property rights is crucial to the innovative contributions of our R&D talents and the overall business development of the Group. We strictly abide by the relevant laws and regulations[7], 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 2023, we possess 440 patents in the PRC, 1 in Hong Kong, 2 in the US and 14 in other countries. During the Reporting Period, we registered 26 additional patents to reinforce our intellectual property protection.

Prioritizing the intellectual property rights of users' posts within the *Meitu* and *Meipai* communities is paramount for us. Specific measures have been undertaken to bolster the protection of intellectual property:

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 viewing

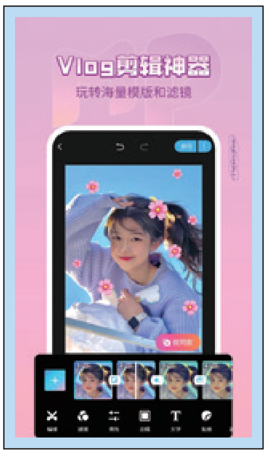
Providing all-round intellectual property protection

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

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

Product Quality and Health and Safety

The Group is dedicated to upholding its obligations as an Internet enterprise that extensively utilizes AI-driven image and video processing technologies and fosters a vibrant social community. We are committed to enhancing the quality as well as health and safety of our software and hardware products, ensuring their compliance with international, national, and industry regulations. We have implemented a comprehensive set of measures 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

- Complete the relevant legal requirements to obtain 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

- Include safety guidelines with *MeituEve* and *MeituKey* to guide users to use the equipment safely and properly

- Guarantee that in the case of hardware problems, users can effectively utilize 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

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MEIDD.COM

Advertising and Labelling

Ensuring the credibility and authenticity of our promotional materials is a top priority for Meitu, exemplifying or commitment to responsible marketing and advertising. To safeguard the rights and interests of our customers, we have established "Advertisement Verification Rules," "Advertisement Placing Agreement," and "Meitu Advertising Review Specifications" as guidelines for our employees to ensure the accuracy of the content in relevant materials.

We have put in place a strict review process to prohibit false descriptions or misleading statements in third-party advertisements placed in our apps and websites, 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 recognize the significance of heeding our users' feedback as an integral aspect of our ongoing commitment to enhance service quality. To uphold excellent customer service, we have implemented various measures:

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, by inviting users to participate in interviews and surveys designed to capture their opinions and suggestions for our continual improvement

Protecting Privacy

Meitu acknowledges the substantial involvement of personal data in our day-to-day operations, especially concerning our apps and websites. Our commitment lies in enhancing our data protection and cybersecurity measures to safeguard customer privacy. We respect users' personal information and the Group's interests in strict compliance with the relevant laws and regulations of applicable jurisdictions[8]. We also clearly state relevant procedures in our Privacy Policy for employees to handle personal data carefully and prevent data leakage. We have adopted multiple measures to ensure the protection of personal data privacy:

- Establishing policies which clearly state 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

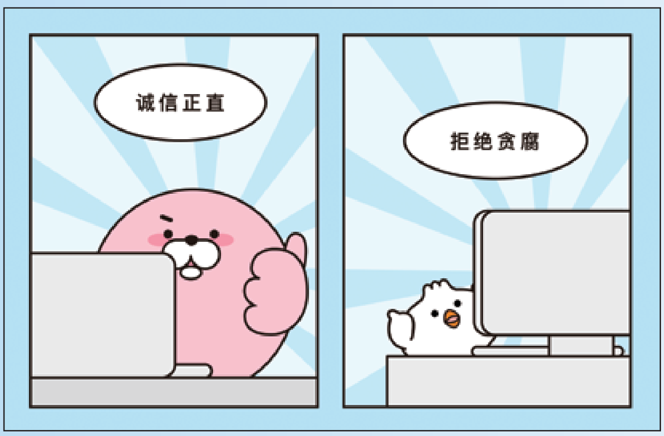
8 Please refer to the Significant Laws and Regulations section for a list of product responsibility-related laws significant to the Group's business operations.

Anti-corruption, Whistle-blowing and Business Ethics

We are dedicated to adhering to ethical principles and maintaining a strict zero-tolerance stance for bribery, extortion, fraud, money laundering, anti-monopoly and anti-competitive behavior. As such, we have established 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.

We have established whistle-blowing channels and handling procedures to further strengthen our business ethics. 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. Such preventive measures and whistleblowing procedures are implemented and monitored by the internal audit department, while the Board holds the overall responsibility for its oversight.

We prioritize the promotion of anti-corruption awareness among both 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

We continued to enhance employees' awareness of business ethics during the Reporting Period through our WeChat account "Clean Meitu" (「廉潔美圖」). By publishing anti-corruption and business ethics tips on the platform, as well as sharing anti-corruption posters during festive seasons, we actively reminded employees to reject briberies and uphold their business integrity.

Since 2019, the Group has been a member of the "Sunshine Integrity Alliance" (「陽光誠信聯盟」) (the "**Alliance**") as a strong supporter of tackling corruption and information security crimes through the Internet. 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[9]. During the Reporting Period, we were not aware of any non-compliance with any law or regulation or legal cases concerning bribery, corruption, extortion, fraud and money laundering.

Responsible Supply Chain

The Group recognizes the pivotal role of responsible supply chain management in our sustainable development. Therefore, we are committed to fostering enduring and harmonious relationships with our suppliers. Our major suppliers provide us with equipment, hardware, marketing services, IT infrastructure and software, etc.

9 Please refer to the Significant Laws and Regulations section for a list of anti-corruption laws 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

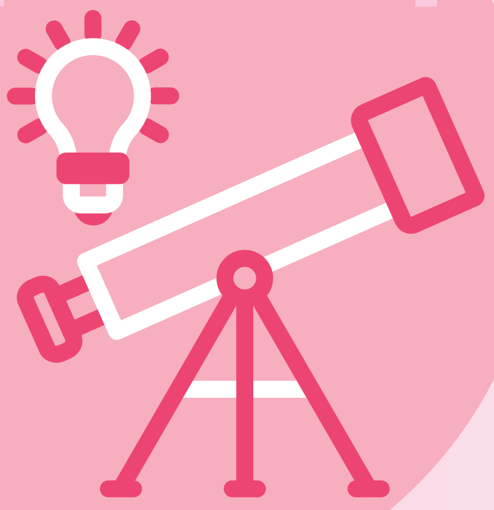
The Group places a strong emphasis on green procurement: we promote environmentally friendly products and services when selecting suppliers, by encouraging practices such as reducing packaging materials, focusing on resource efficiencies of products, avoiding single-use products to reduce waste. Preference 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.

We have established a comprehensive 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 2023, the Group collaborated with 500 major suppliers (2022: 539), of which 476 were located in the PRC, 14 were located in Hong Kong and Taiwan, and 10 were located overseas. Practices relating to engaging suppliers were implemented on all major suppliers.

DREAM

Converge Elegantly with our Employees



Our effort on "Dream – Converge Elegantly with our Employees" 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 opportunities, diversity, and inclusion
- Occupational health and safety
- Employee training and development
- Labor compliance

At Meitu, we recognize that our employees are fundamental to our achievements. We hold their well-being in the highest regard and are unwavering in our commitment to nurturing a supportive and harmonious workplace culture. Central to our values is the prioritization of employee rights and benefits, we strictly adhere to employment and labor-related laws and regulations across all jurisdictions where our business operates[10].

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.

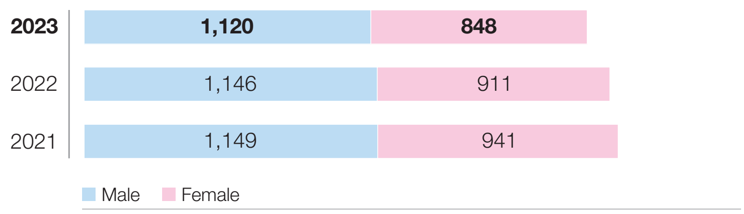
10 Please refer to the Significant Laws and Regulations section for a list of employment and labor standards-related laws and regulations significant to the Group's business operations.

Employee Overview

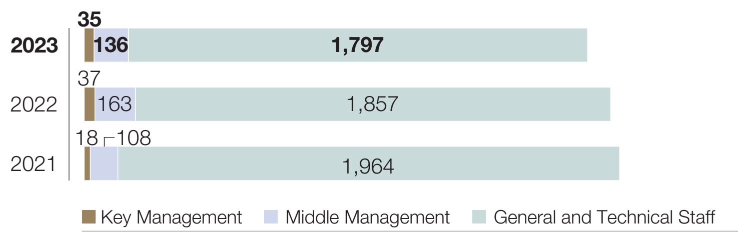
As of 31 December 2023, the Group employed a total of 1,968 full-time employees (2022: 2,057 full-time employees). The distribution of employees by gender, employment type, age group and geographical region is outlined below:

Total workforce[11]

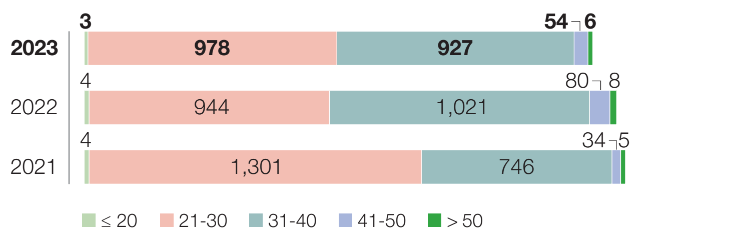
Total workforce by gender



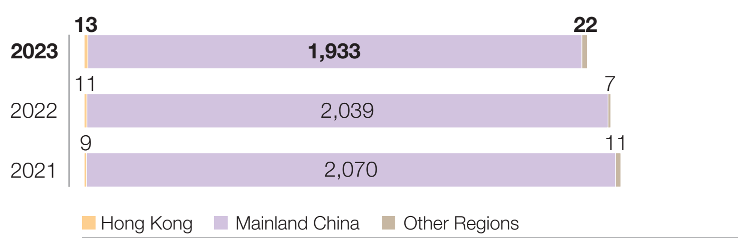
Total workforce by employment type



Total workforce by age group

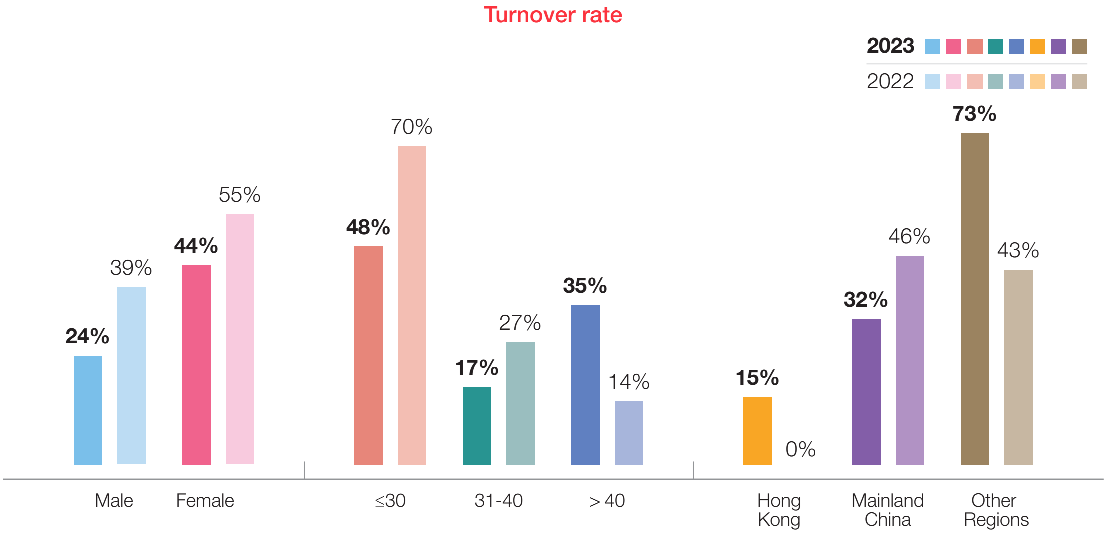


Total workforce by geographical location



[11] Data of the whole Group has been included.

The distribution of employee turnover rate[12] by gender, age group and geographical regions is set out as below:



Fair Employer

To cultivate an equitable and inclusive workplace environment for our employees, we strictly adhere to all relevant laws and regulations[13].

Meitu advocates diversity and upholds the principles of fairness, diversity, and the prohibition of discrimination in any form across all aspects of labor practices, including but not limited to recruitment, remuneration and benefits determination, promotions, training, and dismissals. We conduct recruitment through various channels, such as campus recruitments, job-hunting websites, headhunters, employee referrals, and our office website, in order to enrich 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.

The Group has zero tolerance towards child and forced labor at every stage of the 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, 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 conducts regular reviews of employment practices 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 labor.

12 Data of the whole Group has been included.

13 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

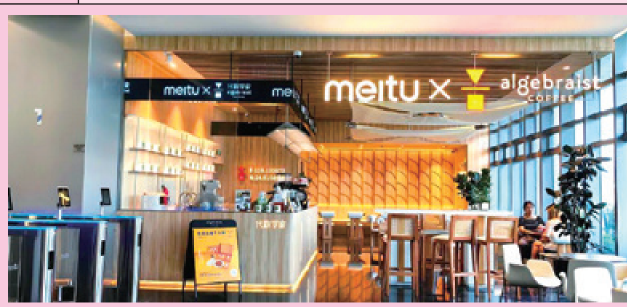
Fostering a sense of belonging within the Group enables us to strengthen the retention and motivation of talents. As such, we allocate resources strategically and offer competitive remuneration packages, encompassing both basic monthly salaries and bonuses, while ensuring compliance with the relevant laws and regulations[14].

The Group regularly reviews and adjusts our packages to align with market levels to ensure the competitiveness of our remunerable packages. 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:

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

Promoting Healthy Workplace

Meitu's new office building in Xiamen offers a variety of amenities dedicated to improving the physical and mental well-being of our employees. These include a meditation room, counselling room, fully equipped fitness facilities, yoga studio, dance studio, relaxation lounge, library, outdoor cinema, and more. These facilities not only provide additional space for activities during lunch breaks and after work but also enable employees to exercise effortlessly. By offering spaces for physical and mental relaxation amidst their busy schedules, we aim to promote employee work-life balance and overall satisfaction.



Empowering Working Mothers

In support of the physical and mental health of working mothers, the new Meitu Building features a dedicated lactation room, providing a convenient and comfortable space for breastfeeding and baby care during working hours. By offering this support, we express our care and support for working mothers, helping them balance their professional and family responsibilities. This initiative not only enhances job satisfaction but also contributes to employee welfare and gender equality within the Group.

Celebrating International Women's Day

During the Reporting Period, in celebration of International Women's Day, we meticulously curated exclusive gift boxes for our female employees. This year, hundreds of gift boxes were distributed, each thoughtfully designed to include a zero-pressure pillow and eye mask, aimed at enhancing the rest quality of our valued female employees. Furthermore, as a gesture of our appreciation, half a day of leave was specially arranged for our female staff members to commemorate this significant occasion.

Cultivating Employee Well-being

At Meitu, we prioritize the well-being of our employees by organizing various staff wellness activities, including festival celebrations. During the Reporting Period, we consistently provided exquisite gifts to our employees during significant holidays and festivals. For instance, during the Mid-Autumn Festival, we introduced a unique Minnan-style dice-game gift box, blending traditional elements with a modern twist. Furthermore, to commemorate our 15th anniversary, Meitu distributed custom-made figurines and uniforms to each employee, and also arranged afternoon tea sessions. These activities not only offer enjoyment but also showcase our commitment to nurturing a culture of care and unity within the Group.

Safeguarding Employees' Health and Safety

We greatly value the health and safety of our employees. To mitigate workplace risks effectively, we ensure strict compliance with relevant laws and regulations[15]. 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. Moreover, we have implemented a range of occupational health and safety measures, such as scheduling regular health checks for employees and conducting regular safety inspections to verify the integrity of fire and safety equipment. Furthermore, regular fire and emergency drills are conducted to enhance employees' awareness and response to emergency situations, such as fires, floods, and electric shocks. We will continue to monitor the implementation of our occupational health and safety measures to promote a safe and healthy workplace.

During the Reporting Period, we did not record any work-related fatalities in our offices while there were 25 lost days (2022: 0 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.

Safeguarding Employees' Health

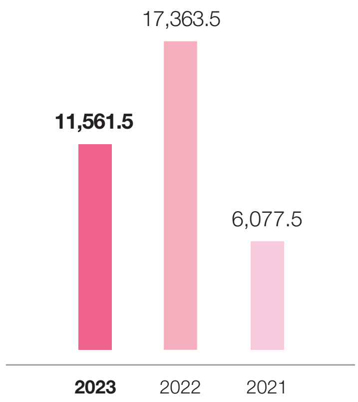
Meitu places a high priority on the physical health of its employees. During the Reporting Period, we provided full-time employees with a complimentary health checkup. These checkups play a crucial role in enhancing employees' awareness of their health status, inspiring them to embrace healthier lifestyles. By offering such proactive measures, we aim to empower our employees to take charge of their well-being and foster a healthier workforce overall.

15 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.

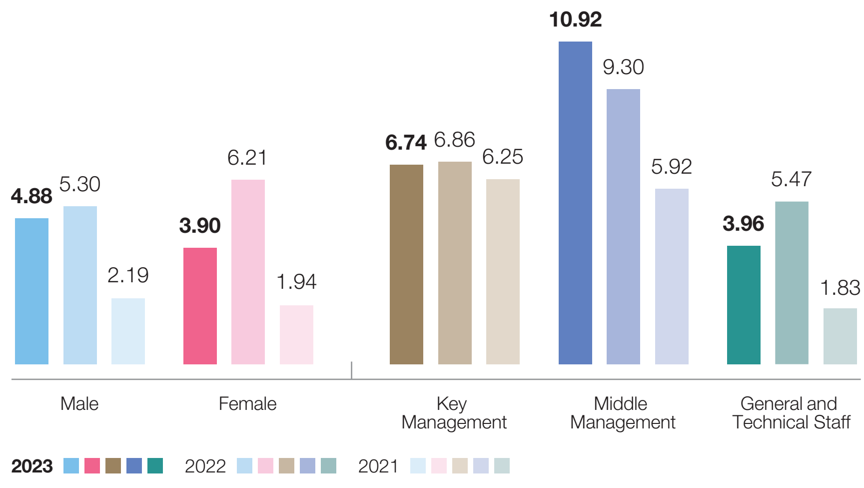
Promoting Career Development

We believe that our sustainable business development and ongoing success are deeply rooted in the invaluable contributions of our employees. Meitu is dedicated to nurturing talent and investing in our employees accordingly. 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[16, 17, 18, 19] is outlined below:

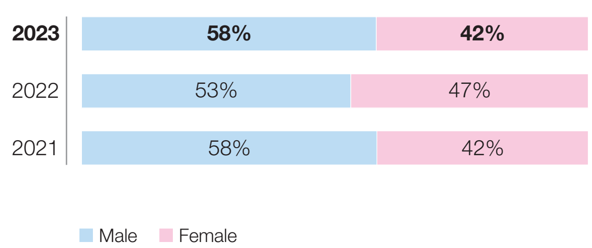
Total training hours



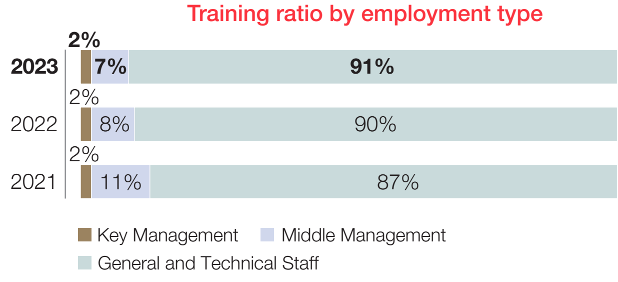
Average training hours completed per employee by gender and employment type



Training ratio by gender



Training ratio by employment type



16 The data also covers the Group's offices in Hangzhou and Chengdu.

17 The data disclosed cannot be directly compared as certain offices were opened in the PRC during 2022 and during the Reporting Period.

18 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.

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

At our Meitu Training Centre ("**MTC**"), we have established a comprehensive 3-level training system tailored to address employees' career and personal development needs. This system offers a diverse array of training activities and opportunities.

Management training

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

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.

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.

During the Reporting Period, we have delivered a wide array of comprehensive and enriching training programs for our employees, including but not limited to:

• Anti-corruption	• ESG
• Best practice sharing	• Management skills
• Business skills	• New-joiner training
• Communication skills	• Product innovation
• Data privacy	• Sales
• Work-related injury handling	• Programming

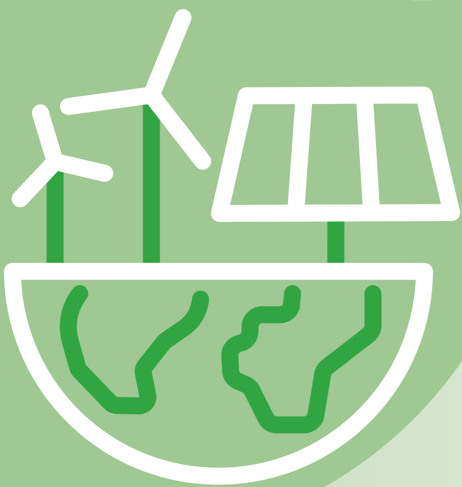
Enhancing employee retention and motivation necessitates the provision of rewarding career paths. Therefore, Meitu focusses on enhancing the career development ladder and promotion opportunities for employees. We conduct performance appraisals twice a year to evaluate employees' work performance. Outstanding employees are promoted in line with their career goals to develop in the management path, management assistant path or the professional path.

Nurturing a Culture of Self-Learning

During the Reporting Period, we introduced the Personal Learning Plan initiative aimed at enhancing individual performance, achieving OKR targets, and improving the personal capabilities of our employees. This initiative serves as a valuable tool for all employees, enabling them to set learning objectives, access learning resources, manage study time effectively, and create personalized learning plans tailored to their professional growth and development. By actively engaging in the process of self-learning and leveraging the resources provided, employees can take proactive steps towards advancing their skills and knowledge.

DECARBONIZATION

Converge Elegantly with our Environment



Our effort on "Decarbonization – Converge Elegantly with our Environment" contributes to the following UNSDGs:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

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 is unwavering in its belief that we have a responsibility to contribute to the global efforts in enhancing climate resilience and fostering a more sustainable future for our future generations. As such, we are committed to conducting our business operations in an environmentally responsible manner, with a keen focus on reducing our carbon footprint and maximizing energy and water efficiency. Accordingly, we have developed relevant policies and procedures aimed at engaging our employees in emissions reduction and promoting responsible use of resources, all in strict adherence to applicable environmental laws and regulations[20].

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

Climate Adaptation and Resilience

As climate change progresses, extreme weather events such as floods and typhoons are expected to intensify and occur more frequently. The increased physical risks to our facilities and the safety of our employees present a potential negative impact to our business continuity. 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.

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

Risk Description	Mitigation Measures
Physical risk	
Acute 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
Chronic Risk	• Advocate for environmental protection in the workplace, promoting low-carbon products, and consistently focusing on innovations and contributions that businesses can make to address climate change • Create a more environmentally friendly work environment, for instance, placing potted plants in the office area, covering elevators, balconies, reception desks, office areas, lounge areas, and bathrooms with greenery
Transition Risks	
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

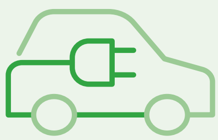
During the Reporting Period, our focus remained steadfast on combating climate change through the pursuit of our green targets outlined below, while concurrently strengthening our resilience against climate-related risks. Details on the steps we have taken to achieve these green targets can be found in the relevant sections of this chapter in this Report.

Our Green Targets		Progress
Air and GHG Emissions	To reduce both air emissions and greenhouse (“**GHG**”) emissions in daily operations	**Achieved**
Waste	To minimize the generation of waste by adhering to the four “Rs” principle of responsible waste management	**Achieved**
Energy	To improve energy efficiency by implementing energy-saving measures to reduce energy consumption	**Achieved**
Water	To enhance water efficiency and reduce unnecessary water use	**Achieved**

Energy, Air and GHG Emissions

The primary sources of air emissions, GHG emissions, and energy consumption originate from the electricity purchased for daily office operations and the fuel consumed by company vehicles. While our operations are primarily office-based and do not result in significant emissions generation and energy usage, we are committed to minimizing our environmental impact and improving energy efficiency in response to the escalating climate crisis.

We are proactive in engaging our employees to enhance 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

In the operation of our office, we have integrated green concepts by incorporating a range of energy-saving measures. These measures are designed to optimize our energy efficiency and reduce 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 shows the Group's air, GHG emissions and energy consumption data[21, 22, 23, 24, 25]:

Emissions	Unit	2023	2022	2021
Total greenhouse gas (GHG) emissions	Tonnes of CO_2e	**2,026.42**	1,140.18	1,221.49
• Direct emissions (Scope 1)	Tonnes of CO_2e	**114.83**	88.77	55.76
• Indirect emissions (Scope 2)	Tonnes of CO_2e	**1,911.59**	1,051.40	1,165.73

21 The environmental data also covers the Group's offices in Hangzhou and Chengdu.

22 The disclosed data cannot be directly compared due to the establishment of certain new office(s) in the PRC in 2022 and during the Reporting Period.

23 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.

24 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.

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

Emissions	Unit	2023	2022	2021
Intensity of total GHG emissions (Scopes 1 and 2)	Tonnes of CO_2e/m^2	**0.04**	0.05	0.06
Nitrogen oxides (NOx)	kg	**22.01**	23.55	12.03
Sulphur oxides (SOx)	kg	**0.63**	0.49	0.31
Particulate matter (PM)	kg	**1.62**	1.73	0.89

Energy	Unit	2023	2022	2021
Total energy consumption	MWh	**3,528.89**	2,029.37	2,104.23
• Purchased electricity	MWh	**3,135.79**	1,725.46	1,913.36
• Unleaded petrol	MWh	**393.10**	303.91	190.87
Intensity of energy consumption	MWh/m^2	**0.07**	0.08	0.10

Water Resources

The Group sources our domestic water from local water suppliers in the regions where we conduct our operations. 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. While water consumption may not be considered a material issue for our business operations, we acknowledge the value of promoting water efficiency and preventing water wastage. We have established a variety of 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

Below outlines the Group's water consumption data[26, 27, 28, 29]:

Water	Unit	2023	2022	2021
Total water consumption	m^3	**11,921.88**	2,719.02	1,617.40
Intensity of water consumption	m^3/m^2	**0.32**	0.33	0.31

26 The environmental data also covers the Group's offices in Hangzhou and Chengdu.

27 The disclosed data cannot be directly compared due to the establishment of certain new office(s) in the PRC in 2022 and during the Reporting Period.

28 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.

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

Waste and Packaging Materials

Given that our operations primarily occur within an office setting, our major types of waste generated include general office refuse, a small quantity of waste batteries, toner and cartridges, as well as packaging materials resulting from our involvement with hardware products. To ensure responsible waste management and prevent environmental damage, we have engaged qualified third parties to collect and handle such waste appropriately.

We adhere to the four "Rs" principle of responsible waste management (Reduce, Reuse, Recycle, Replace) to cultivate a greener office culture. In line with this principle and to minimize waste while maximizing resource efficiency, we have implemented 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

We will remain committed to ensuring the legal compliance of our waste management practices with relevant government policies and regulations in the future. Additionally, we will continue to engage with our employees to enhance awareness and promote responsible waste management throughout our operations.

Below shows the Group's waste and packaging material data[30, 31]:

Waste	Unit	2023	2022	2021
Total non-hazardous waste generated	Tonnes	**33.76**	43.40	41.39
Intensity of non-hazardous waste generated	Tonnes/m^2	**0.001**	0.002	0.002
Total hazardous waste generated	Tonnes	**0.06**	0.13	0.15
Intensity of hazardous waste generated	kg/m^2	**0.001**	0.005	0.007

Packaging Material	Unit	2023	2022	2021
Total packaging material for finished goods	Tonnes	**12.28**	**12.85**	3.02
Packaging material intensity	Tonnes/m^2	**0.0003**	**0.0005**	0.0001

Promoting the Concept of Upcycling

During the Reporting Period, we organized an engaging parent-child DIY event centred on upcycling old clothes, with the goal of nurturing a culture of repurposing and recycling among our employees and their families. Participants were encouraged to creatively redesign clothing items and present their creations on stage for a voting session. With over 900 participants, this initiative underscores our commitment to environmental sustainability.

30 The environmental data also covers the Group's offices in Hangzhou and Chengdu.

31 The disclosed data cannot be directly compared due to the establishment of certain new office(s) in the PRC in 2022 and during the Reporting Period.

Green Operation

While our business operations may not have a significant impact on the environment and natural resources, we recognize our responsibility to actively support environmental and natural resource protection in our daily operations. Therefore, we have implemented a variety of measures aimed at waste reduction and environmental preservation:

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

CARE

Converge Elegantly with our Community

Our effort on "Care – Converge Elegantly with our Community" 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

- Digital and technological inclusion

Meitu is dedicated to instigating positive transformations within the communities where we are active. Upholding our commitment to corporate social responsibility, we proactively participate in community programs that center around five key areas: "Championing Art and Culture," "Empowering Women," "Advancing Rural Education and Development," "Driving Digital and Technological Inclusion," and "Protecting the Environment." Through harnessing the impact of our brand, flagship products, and platforms, we aspire to uplift the communities we engage with and work towards a brighter and more sustainable future together. During the Reporting Period, we launched and supported over 20 community initiatives, with our sustainability themed stickers and filters achieving a total user exposure of over 340 million times.

Championing Art and Culture

Advocating for Love and Peace through Art

In line with our efforts to promote social cohesion through art, *Meitu* partnered with TraditioNow on its metaverse art exhibition "Bloomland: Pocket with Love" during the Reporting Period. Themed "Love and Peace", the exhibition spotlighted the embroidery craft and culture of ethnic minorities in China, receiving a total viewership of 4.52 million. As part of this initiative, culturally-inspired stickers and filters were shared on the *Meitu* app, amassing a total user exposure of 38 million times, contributing to creating a more inclusive society through art.

"Oriental Aesthetics" at the Meitu Museum of Digital Art

Meitu unites creativity with technology to celebrate traditional Chinese art. During the Reporting Period, *Meitu Creator Platform* ("***MCP***") partnered with the cultural organization "Rong Bao Zhai Online"（「榮寶齋在線」）to launch a digital AR art exhibition themed "Oriental Aesthetics" at the Meitu Museum of Digital Art, showcasing the artworks of renowned Chinese masters and gaining a total exposure of over 100 million. Additionally, thematic stickers and filters were published in the *Meitu* app, achieving a total user exposure of over 200 million times.

Celebrating the Beauty of Traditional Chinese Patterns

During the Reporting Period, we launched a campaign to showcase the traditional Chinese patterns associated with the Mid-Autumn Festival. Thematic stickers and filters were published in the *Meitu* app in collaboration with artists to promote the Chinese patterns, gaining a total user exposure of over 32 million times. With a focus on inspiring our future generations, we also launched a Mid-Autumn pattern drawing activity, gathering thousands of children's artworks to share their interpretations of traditional art.

Fostering a Dynamic Photography Community

Cultivating active participation in the arts is pivotal to our mission. During the Reporting Period, we were delighted to support the 29th National Photography Art Exhibition. As part of the initiative, we held a photography competition on the *Meitu* app, featuring the themes of "Timeless Moments", "Unbounded Imagination" and "Beauty of China". The contest was a success with over 23,000 photos being submitted by 7,000 participants, and 180 exceptional works were selected to be exhibited at the Meitu Art Center.

Empowering Women

"Saluting Her Efforts" – Celebrating the Careers of Women

In recognition of the valuable roles that women play in our society, we partnered with All-China Women's Federation to launch the "Saluting Her Efforts" campaign on International Women's Day on the *Meitu* app. Leveraging *Meitu*'s advanced AI technology, users were able to generate unique professional portraits to celebrate the careers of women. The campaign achieved a total exposure of over 64.5 million times, sparking widespread attention and discussions on women's empowerment and equality.

"Women In Charge" Program – Supporting Women in Need

Guided by the All-China Women's Federation, Meitu launched its "Women In Charge" program in Jinzhai County, Anhui Province during the Reporting Period, which aims to provide life and academic support to women and children in need. Meitu donated RMB100,000 and 4,800 books as part of the program, contributing to enabling local women and children to thrive academically and lead fulfilling lives.

Advancing Rural Education and Development

Supporting "Teach for China" to Promote Rural Education

During the Reporting Period, we were pleased to support the charity auction held by "Teach for China"（「美麗中國支教項目」）, an organization dedicated to ensuring quality education for all children irrespective of their backgrounds, with an emphasis on rural areas. As part of the auction, Meitu contributed a total of RMB 330,000 to support the organization's efforts, including sponsoring a study trip for rural children to visit Shenzhen, enabling them to explore the vibrant city and broaden their horizons. In addition, Meitu purchased two valuable artworks at the auction, including the Tibetan artwork "The Chinese Zodiac • Natal Buddha"（「十二生肖 • 本命佛」）and the innovative artwork "Star Link"（「星鏈」）, exemplifying our commitment to advance rural education while supporting art development.

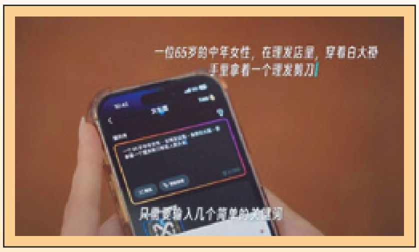
Fostering Rural Art Education in Collaboration with "Guard Smile"

Aligned with our belief in inclusive art, we partnered with "Guard Smile"（「守護笑臉愛心幫扶計劃」）during the Reporting Period to launch thematic stickers and filters on the *Meitu* app, reaching a total user exposure of over 646,000 times and raising awareness of the organization's work to advance art education for children in rural areas. Since its founding in 2020, "Guard Smile" has brought together over 300 celebrities and 1,000 volunteers, positively impacting the lives of over 50,000 students through action.

Driving Digital and Technological Inclusion

Empowering Local Businesses with AI Innovations

Meitu is dedicated to ensuring widespread access to digital technology. In December 2023, we extended our support to local small shop owners in Xiamen, enabling them to acquire the skills to create unique signboards through our AI visual creation tool *WHEE*, which were then professionally printed. A total of 10 individuals benefited from the program, which resulted in the production of 8 complimentary shop signboards designed based on 50 drafts. The entire service, provided at no cost, amounted to a value of RMB150,000, marking our commitment to driving digital inclusion in our local communities.



Protecting the Environment

Raising Awareness on Nature Conservation and Responsible Consumption

We continued to leverage our technological capabilities and platform to foster public awareness of environmental protection during the Reporting Period. We actively released creative stickers and filters on the *Meitu* app in line with themes such as panda protection, ocean protection and plastic reduction, achieving a total user exposure of over 69.9 million times and contributing to our ongoing commitment to promote sustainable practices.

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)
- "Shipping and Port Control Ordinance"(《船舶及港口管制條例》) (Cap. 313 of the laws of Hong Kong)
- "Dumping at Sea Ordinance"(《海上傾倒物料條例》) (Cap. 466 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)
- "Hong Kong Bill of Rights Ordinance"(《香港人權法案條例》) (Cap. 383 of the laws of Hong Kong)

Aspect B2: Health and Safety

- "Indoor Air Quality Standard"(《室內空氣質量標準》)
- "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)
- "Factories and Industrial Undertakings Ordinance"(《工廠及工業經營條例》) (Cap. 59 of the laws of Hong Kong)

SIGNIFICANT LAWS AND REGULATIONS

Aspect B4: Labor 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》）
- "Measures on Internet Advertisement"（《互聯網廣告管理辦法》）
- "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信息保護規定》）
- "Provisions on the Cyber Protection of Children's Personal Information"（《兒童個人信息網路保護規定》）
- "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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ASPECT B4：LABOR STANDARDS	
B4-GENERAL DISCLOSURE	DREAM – CONVERGE ELEGANTLY WITH OUR EMPLOYEES
B-4.1	DREAM – CONVERGE ELEGANTLY WITH OUR EMPLOYEES
B-4.2	DREAM – CONVERGE ELEGANTLY WITH OUR EMPLOYEES
ASPECT B5：SUPPLY CHAIN MANAGEMENT	
B5-GENERAL DISCLOSURE	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-5.1	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-5.2	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-5.3	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-5.4	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
ASPECT B6：PRODUCT RESPONSIBILITY	
B6-GENERAL DISCLOSURE	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-6.1	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-6.2	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-6.3	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-6.4	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-6.5	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
ASPECT B7：ANTI-CORRUPTION	
B7-GENERAL DISCLOSURE	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-7.1	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-7.2	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
B-7.3	TECHNOLOGY – CONVERGE ELEGANTLY WITH OUR USERS
ASPECT B8：COMMUNITY INVESTMENT	
B8-GENERAL DISCLOSURE	CARE – CONVERGE ELEGANTLY WITH OUR COMMUNITY
B-8.1	CARE – CONVERGE ELEGANTLY WITH OUR COMMUNITY
B-8.2	CARE – CONVERGE ELEGANTLY WITH OUR COMMUNITY

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 162 to 270, comprise:

- the consolidated balance sheet as of December 31, 2023;
- 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, comprising material accounting policy information 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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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:

- Impairment assessments of goodwill
- Fair value measurement of financial assets at fair value through profit or loss

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill	
Refer to Notes 4(c), 15(a)(ii) and 38(f) to the consolidated financial statements. As of December 31, 2023, the Group recorded a significant amount of goodwill arising from several acquisitions, composed of original costs of RMB271,272,000 and related impairment provision of RMB188,602,000. The Group recognized impairment loss of RMB155,266,000 during the year ended December 31, 2023. For the purpose of performing impairment assessment, the goodwill balance was allocated to two cash-generating units (“**CGUs**”) of the Group. The recoverable amounts of CGUs were determined based on the higher of value-in-use (“**VIU**”) and fair value less cost of disposal. VIU was determined by applying discounted cash flow model. The key assumptions applied in the model primarily include (i) average expected growth rate of revenue; (ii) average gross margin; (iii) terminal growth rate after 5 years; and (iv) pre-tax discount rate.	• We obtained an understanding of the management’s internal control and valuation processes in relation to 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 evaluated and tested the controls over the impairment assessments of goodwill. • We assessed the appropriateness of the valuation model for the impairment assessments of goodwill with the involvement of our in-house valuation experts. • We assessed and challenged the key assumptions adopted including average expected growth rate of revenue and average 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 after 5 years 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 significance of the balances of goodwill as of December 31, 2023; 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 calculations applied in the valuation models. • We evaluated the sensitivity analysis prepared by management around the key assumptions and estimates to assess the potential impact of a range of possible outcomes. 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.

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	
Refer to Note 3.3(c), 4(a), 16(b) and 38(g) to the consolidated financial statements. As of December 31, 2023, the Group's carrying value of long-term investments classified as financial assets at fair value through profit and loss ("**FVTPL**") amounted to RMB1,404,424,000. For the year ended December 31, 2023, the Group had recognized a net loss on fair value changes of RMB73,531,000 on its financial assets at FVTPL. The fair value of financial assets at FVTPL had been determined using different valuation methodology, namely equity allocation model with market approach, and discounted cash flow method, based on significant unobservable inputs. Fair value measurement had taken into account the estimation of the significant unobservable inputs, including enterprise value-to-sales ratio, marketability discount, terminal growth rate, and weighted average cost of capital.	• We obtained an understanding of the management's internal control and 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 evaluated and tested the controls over the valuation of 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. • We assessed the competence, capabilities and objectivity of the external valuation expert engaged by the Group.

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 significance of the balances of financial assets at FVTPL as of December 31, 2023, and 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.	• We assessed and challenged the reasonableness of the significant unobservable inputs used in the valuation, including enterprise value-to-sales ratio, marketability discount, terminal growth rate, and weighted average cost of capital, by comparing the significant unobservable inputs to available market data with the involvement of our in-house valuation experts. • 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.

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 15, 2024

Consolidated Income Statement

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Revenue	5	**2,695,738**	2,085,329
Cost of sales	8	**(1,039,862)**	(898,057)
Gross profit		**1,655,876**	1,187,272
Selling and marketing expenses	8	**(428,188)**	(403,115)
Administrative expenses	8	**(300,915)**	(271,850)
Research and development expenses	8	**(635,484)**	(586,365)
Net impairment losses on financial assets	3.1(b)	**(18,852)**	(22,310)
Other income	6	**68,642**	130,275
Other (losses)/gains, net	7	**(41,106)**	542,950
Reversal of impairment losses/(impairment losses) on cryptocurrencies	15	**268,069**	(284,848)
Impairment losses on intangible assets	15	**(155,266)**	(118,542)
Finance income, net	10	**44,366**	14,921
Share of losses of investments accounted for using the equity method	16(a)	**(19,057)**	(13,158)
Profit before income tax		**438,085**	175,230
Income tax expense	11	**(71,667)**	(156,339)
Profit for the year		**366,418**	18,891
Profit/(Loss) attributable to:			
– Owners of the Company	12	**378,293**	94,142
– Non-controlling interests		**(11,875)**	(75,251)
		366,418	18,891
Earning per share for profit attributable to owners of the Company for the year (expressed in RMB per share)	12		
– Basic		**0.09**	0.02
– Diluted		**0.08**	0.02

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

Consolidated Statement of Comprehensive Income

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

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

Consolidated Balance Sheet

	Note	As of December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	**464,129**	441,239
Right-of-use assets	14	**75,513**	27,870
Intangible assets	15	**775,754**	659,841
Long-term investments			
– Investments in associates and joint ventures	16(a)	**122,306**	123,733
– Financial assets at fair value through profit or loss	16(b)	**1,404,424**	1,195,064
– Financial assets at fair value through other comprehensive income	16(c)	**36,730**	36,181
Prepayments and other receivables	19	**20,243**	5,643
Deferred tax assets	26(a)	**9,291**	8,937
Term deposits	20	**90,000**	50,000
		2,998,390	2,548,508
Current assets			
Inventories		**53,838**	25,591
Trade receivables	18	**387,747**	350,633
Prepayments and other receivables	19	**919,635**	684,914
Contract costs	5	**92,838**	54,371
Short-term investments	3	**140,850**	40,521
Term deposits	20	**532,959**	352,908
Cash and cash equivalents	21(a)	**640,629**	946,602
Restricted cash	21(b)	**300**	300
		2,768,796	2,455,840
Total assets		**5,767,186**	5,004,348
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	**283**	283
Share premium	22	**7,093,781**	7,174,119
Reserves	23	**83,911**	36,628
Accumulated losses		**(3,069,118)**	(3,441,407)
Non-controlling interests		**4,843**	(60,109)
Total equity		**4,113,700**	3,709,514

	Note	As of December 31, 2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	14	**45,346**	11,370
Deferred tax liabilities	26(b)	**209,151**	214,600
Convertible redeemable preferred shares	28(d)	**134,571**	–
		389,068	225,970
Current liabilities			
Borrowings		**14,980**	10,000
Trade and other payables	25	**735,209**	734,098
Lease liabilities	14	**29,955**	16,784
Income tax liabilities		**60,689**	62,739
Contract liabilities	5	**423,585**	245,243
		1,264,418	1,068,864
Total liabilities		**1,653,486**	1,294,834
Total equity and liabilities		**5,767,186**	5,004,348

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

The consolidated financial statements on pages 162 to 270 were approved by the Board of Directors on March 15, 2024 and were signed on its behalf.

Wu Zeyuan
Director

Hong Yupeng
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, 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(e)	–	–	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(c)	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

		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, 2023		283	7,174,119	36,628	(3,441,407)	3,769,623	(60,109)	3,709,514
Comprehensive income/(loss)								
Profit/(loss) for the year		–	–	–	378,293	378,293	(11,875)	366,418
Other comprehensive income/(loss)								
Currency translation differences	23(a)	–	–	22,031	–	22,031	956	22,987
Total comprehensive (loss)/income for the year		–	–	22,031	378,293	400,324	(10,919)	389,405
Transactions with owners as their capacity as owners								
Value of employee services:								
Post-IPO Share Award Scheme	24(b)	–	–	55,669	–	55,669	–	55,669
Share Option Scheme adopted by a subsidiary	24(d)	–	–	1,014	–	1,014	–	1,014
Share incentive to senior management of subsidiaries	24(e)	–	–	(2,748)		(2,748)	(2,856)	(5,604)
Shares issued upon exercise of employee share options	22(a)	*	1,057	–	–	1,057	–	1,057
Appropriation to statutory reserves	23(b)	–	–	6,004	(6,004)	–	–	–
Dividends		–	(81,395)	–	–	(81,395)	–	(81,395)
Transaction with non-controlling interest	23(c)	–	–	39,470	–	39,470	(39,470)	–
Disposal of a subsidiary	35	–	–	(74,157)	–	(74,157)	118,197	44,040
Total transactions with owners as their capacity as owners		–	(80,338)	25,252	(6,004)	(61,090)	75,871	14,781
Balance as of December 31, 2023		283	7,093,781	83,911	(3,069,118)	4,108,857	4,843	4,113,700

* 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, 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	29(a)	**490,929**	252,670
Interest received		**3,616**	5,340
Interest paid		**(1,800)**	(861)
Income tax paid		**(79,520)**	(23,159)
Net cash generated from/(used in) operating activities		**413,225**	233,990
Cash flows from investing activities			
Purchase of property and equipment		**(51,766)**	(50,407)
Purchase of intangible assets	15	**(4,640)**	(530)
Proceeds from disposal of property and equipment and intangible assets	29(a)	**316**	227
Acquisition in associates in the form of ordinary shares	16(a)	**(6,875)**	(14,000)
Acquisition in a joint venture	16(a)	**(10,000)**	–
Acquisition in financial assets at fair value through profit or loss	16(b)	**(328,067)**	(84,321)
Proceeds from disposal of financial assets at fair value through profit or loss	16(b)	**44,620**	3,527
Purchase of short-term investments, net		**(100,329)**	(32,447)
Investment income received from short-term investments and term deposits		**30,148**	14,173
Placement of term deposits		**(796,602)**	(1,486,184)
Receipt from maturity of term deposits		**591,049**	1,626,095
Prepayments for acquisition of equity investment		**(12,368)**	–
Return from prepayments for acquisition of equity investment		**8,368**	–
Disposal of a subsidiary, net of cash outflow	35	**(5,486)**	–
Loans to investee companies		**(53,000)**	–
Repayments received from an investee company		**50,000**	35,740
Loans to a third party		**–**	(20,000)
Payment for acquisition of subsidiaries, net of cash acquired		**–**	(8,641)
Net cash used in investing activities		**(644,632)**	(16,768)

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Proceeds from short-term borrowings	29(c)	**96,760**	10,000
Repayment of short-term borrowings	29(c)	**(91,780)**	(10,000)
Dividends paid to Company's shareholders		**(81,395)**	–
Payments for acquisition of non-controlling interests in non-wholly owned subsidiaries		**(112,397)**	–
Payments for lease liabilities	29(c)	**(24,075)**	(37,209)
Proceeds from shares issued under employee share option scheme		**1,192**	180
Proceeds from issuance of convertible redeemable preferred shares from a subsidiary	28	**134,571**	–
Transaction costs related to the issuance of convertible redeemable preferred shares from a subsidiary		**(4,037)**	–
Net cash used in financing activities		**(81,161)**	(37,029)
Net (decrease)/increase in cash and cash equivalents		**(312,568)**	180,193
Cash and cash equivalents at the beginning of the year	21	**946,602**	738,732
Effects of exchange rate changes on cash and cash equivalents		**6,595**	27,677
Cash and cash equivalents at the end of the year	21	**640,629**	946,602

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, 2023

1 GENERAL INFORMATION

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

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

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

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

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. All these PRC operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company.

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

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

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

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

Other than those material accounting policies information as disclosed elsewhere in this consolidated financial statements, a summary of the other accounting policies information has been set out in Note 38 to this consolidated financial statements.

2.2 Changes in accounting policies

(a) New and amended standards adopted by the Group

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

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

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

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

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

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

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

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

3 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, cash flow and fair value 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$. The Group's subsidiaries were primarily incorporated in the PRC and Hong Kong, which considered RMB and US$ as their functional currencies, respectively. The Group is primarily exposed to foreign exchange risk arising from foreign currency transactions. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in the Group's PRC and Hong Kong subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners. The Group did not hedge against any fluctuation in foreign currency.

For the Group's PRC and Hong Kong subsidiaries, the balance of foreign currency denominated monetary assets or liabilities is not significant as of December 31, 2023 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 investments, short-term and long-term bank deposits, the Group has no other significant interest-bearing assets or liabilities. Borrowings 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.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk (Continued)

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, 2023 would have been approximately RMB70,221,000 (2022: RMB59,753,000) 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, 2023 would have been approximately RMB28,267,000 lower/higher (2022: RMB37,372,000 lower/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.

(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 advertising and others.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

The assessed expected credit losses for the trade receivables arising from its two main revenue streams as of December 31, 2023 and 2022 are determined as follows:

As of December 31, 2023	0-180 days	180-365 days	Over 365 days	Total
Advertising				
Gross carrying amount (RMB'000)	213,735	4,849	14,446	233,030
Including: assessed on collective basis	213,735	4,849	10,011	228,595
assessed on individual basis	–	–	4,435	4,435
Expected credit loss rate				
Including: assessed on collective basis	0.7%	4.0%	79.9%	4.3%
assessed on individual basis	–	–	100.0%	100.0%
Expected credit loss (RMB'000)	1,580	193	12,437	14,210
Including: assessed on collective basis	1,580	193	8,002	9,775
assessed on individual basis	–	–	4,435	4,435
Others				
Gross carrying amount (RMB'000)	168,647	1,459	3,384	173,490
Expected credit loss rate	0.6%	18.3%	95.2%	2.6%
Expected credit loss (RMB'000)	1,075	267	3,221	4,563

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, 2022	0-180 days	180-365 days	Over 365 days	Total
Advertising				
Gross carrying amount (RMB'000)	229,983	59,327	6,006	295,316
Including: assessed on collective basis	229,983	59,327	1,571	290,881
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)	1,352	1,738	5,381	8,471
Including: assessed on collective basis	1,352	1,738	946	4,036
assessed on individual basis	–	–	4,435	4,435
Others				
Gross carrying amount (RMB'000)	56,815	8,795	3,577	69,187
Expected credit loss rate	0.7%	20.3%	89.5%	7.8%
Expected credit loss (RMB'000)	412	1,785	3,202	5,399

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, 2023 and 2022 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**13,870**	6,079
Increase in allowance recognized in profit or loss during the year	**7,100**	9,722
Receivables written off during the year as uncollectible	**–**	(326)
Reversal of previous impairment losses	**(2,197)**	(1,605)
At the end of the year	**18,773**	13,870

(iii) Credit risk of trade 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, loan to a related party 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 trade 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 trade 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, loan to a third party 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,	
	2023	2022
	RMB'000	RMB'000
Performing	**77,421**	62,380
Non-performing	**20,000**	–
Total gross other receivables due from certain entities	**97,421**	62,380
Less: loss allowance	**(20,665)**	(894)
Other receivables net of expected credit losses	**76,756**	61,486

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 trade receivables (Continued)

The assessed expected credit losses for the other receivables in relation to payment on behalf of advertisers as of December 31, 2023 and 2022 are determined as follows:

As of December 31, 2023	0-180 days	180-365 days	Over 365 days	Total
Gross carrying amount (RMB'000)	722,599	18,701	21,241	762,541
Including: assessed on collective basis	722,599	18,701	3,176	744,476
assessed on individual basis	–	–	18,065	18,065
Expected credit loss rate				
Including: assessed on collective basis	0.5%	8.1%	93.8%	1.1%
assessed on individual basis	–	0.0%	100.0%	100.0%
Expected credit loss (RMB'000)	3,339	1,517	21,045	25,901
Including: assessed on collective basis	3,339	1,517	2,980	7,836
assessed on individual basis	–	–	18,065	18,065

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk of trade receivables (Continued)

The closing loss allowance for other receivables as of December 31, 2023 and 2022 reconcile to the opening loss allowance as follows:

	Other receivables	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**33,942**	24,489
Increase in allowance recognized in profit or loss during the year	**26,573**	18,445
Receivables written off during the year as uncollectible	**(1,326)**	(4,740)
Reversal of previous impairment losses	**(12,624)**	(4,252)
At the end of the year	**46,565**	33,942

(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, 2023					
Borrowings	**15,064**	**–**	**–**	**15,064**	**14,980**
Lease liabilities	**36,874**	**29,145**	**22,659**	**88,678**	**75,301**
Trade and other payables (excluding payroll and welfare payables, other taxes payables and warranty provisions)	**457,175**	**–**	**–**	**457,175**	**457,175**
	509,113	**29,145**	**22,659**	**560,917**	**547,456**
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

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, 2023 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, 2023 and 2022:

As of December 31, 2023	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))	**–**	**–**	**1,404,424**	**1,404,424**
– Financial assets at fair value through other comprehensive income (Note 16(c))	**26,280**	**–**	**10,450**	**36,730**
Short-term investments	**–**	**–**	**140,850**	**140,850**
	26,280	**–**	**1,555,724**	**1,582,004**
Liabilities				
Convertible redeemable preferred shares	**–**	**–**	**134,571**	**134,571**

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

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. The Group did not change any valuation techniques in determining the level 2 and level 3 fair values.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3

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 and for instruments.

Level 3 instruments of the Group's assets and liabilities mainly include convertible redeemable preferred shares, 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 items for the year ended December 31, 2023 and 2022:

	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	Convertible redeemable preferred shares RMB'000	Total RMB'000
Year ended December 31, 2023					
Opening balance as of December 31, 2022	1,195,064	10,276	40,521	–	1,245,861
Additions	328,067	–	1,891,906	134,571	2,354,544
Disposals	(44,620)	–	(1,798,732)	–	(1,843,352)
Changes in fair value (Note 7)	(73,531)	–	7,155	–	(66,376)
Currency translation differences	(556)	174	–	–	(382)
Closing balance as of December 31, 2023	1,404,424	10,450	140,850	134,571	1,690,295
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	(73,531)	–	–	–	(73,531)

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, 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	(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

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 convertible redeemable preferred shares, investments in private companies (Note 16) and short-term investments. As the convertible redeemable preferred shares, 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 equity allocation model with market approach, and discounted cash flow method. These valuation approaches require significant judgements, assumptions and inputs, including terminal growth rate, estimate of weighted average cost of capital ("**WACC**"), marketability discount, enterprise value-to-sales ratio, expected return rate, historical financial results, recent market transactions (such as recent fund-rasing transaction undertaken by the investees) 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 except for the convertible redeemable preferred shares, 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, 2023 (RMB'000)	Fair value as of December 31, 2022 (RMB'000)	Unobservable inputs	Range 2023	Range 2022
Financial assets at fair value through profit or loss (Note 16(b))	1,404,424	1,195,064	Terminal growth rate	2.2%	2.3%-2.5%
			WACC	23.0%-27.0%	18.0%-27.0%
			Marketability discount	20.0%-31.0%	20.0%-30.0%
			Enterprise value-to-sales ratio	1.8-4.3	2.1-4.8
Financial assets at fair value through other comprehensive income (Note 16(c))	10,450	10,276	Terminal growth rate	2.4%	2.0%
			WACC	18.0%	18.0%
Short-term investments	140,850	40,521	Expected return rate	2.1%-5.3%	2.2%-3.1%

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, 2023, 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 RMB124,000 higher/RMB123,000 lower, RMB3,040,000 lower/RMB3,280,000 higher, RMB11,775,000 lower/RMB11,771,000 higher and RMB36,859,000 higher/RMB36,921,000 lower, respectively.

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.

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 is 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.

(a) Fair value measurement of financial instruments at level 3 fair value hierarchy

The fair value of financial instruments that are not traded in an active market (for example, investments in private companies and convertible redeemable preferred shares issued by a subsidiary) 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) 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.

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Contract costs and liabilities

(i) The Group has recognized the following assets and liabilities related to contracts with customers:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Contract costs:		
– Photo, video and design products	**92,838**	54,371
Contract liabilities:		
– Photo, video and design products	**410,552**	208,609
– Solutions for beauty industry and Others	**13,033**	36,634
	423,585	245,243

(ii) No impairment of contract costs was recognized by the Group as of December 31, 2023 (2022: nil).

(iii) During the year ended December 31, 2023, RMB54,371,000 of carried-forward contract costs were recognized as cost of sales in the statement of profit or loss.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Contract costs and liabilities (Continued)

(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,	
	2023	2022
	RMB'000	RMB'000
– Photo, video and design products	**208,609**	122,579
– Solutions for beauty industry and Others	**36,634**	13,263
	245,243	135,842

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.

(b) Accounting policies of revenue recognition

(i) Photo, video and design products

Photo, video and design products revenue are revenues primarily from paid subscriptions and ID photo self-manufacturing service in the application.

The Group provides to users certain subscription packages which entitle paying subscribers with certain privileged or convenient features in the application. The subscription fee for these packages is time-based as well as consumable and is collected upfront from subscribers. Revenues from subscription packages derived from revenue from the premium membership subscription and professional subscription, which are recorded on gross basis. The term of the premium membership subscription ranges 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 subscription can be paid directly by users through various online payment channels. The term of professional subscription primarily ranges from one year to two years. Revenue from professional subscriptions is recognized when subscription service is consumed over the subscription period.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Accounting policies of revenue recognition (Continued)

(i) Photo, video and design products (Continued)

The Group provides ID photo self-manufacturing service which facilitates paid users, instead of going to a photo studio, to turn a selfie into an ID photo and to replace the selfie's background with an appropriate color and trim it to the appropriate size on their own. This revenue, recorded on gross basis, is generating from single-purchase features in the application and is recognized at point-in-time when the ID photo is delivered.

The Group recognizes service fees levied by online payment channels as the cost of sales. 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.

(ii) Solutions for beauty industry

The Group generates revenues of solutions for beauty industry 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 or logistics party in accordance with the terms of sales contracts.

The Group also provides enterprise resource planning 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.

(iii) Advertising

The Group offers advertising placements to advertisers through the Group's platforms and apps and mobile value-added services offerings.

Advertising revenues from the Group's platforms and apps comprise mainly display-based and performance-based advertisements.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Accounting policies of revenue recognition (Continued)

(iii) Advertising (Continued)

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.

Revenue from these above 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 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.

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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Accounting policies of revenue recognition (Continued)

(iii) Advertising (Continued)

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.

(iv) Others

Other revenues are primarily earned from influencer marketing solutions business which is 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.

The Group is primarily responsible for the fulfillment of the contracts entered into with the advertisers, and 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 the influencer marketing solutions 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.

(v) 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.

6 OTHER INCOME

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Value-added tax refund	**42,515**	73,878
Government grants	**26,127**	56,397
	68,642	130,275

7 OTHER GAINS/(LOSSES), NET

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Gains on disposal of a subsidiary (Note 35)	**67,300**	–
Gains on short-term investments	**7,155**	7,695
Fair value changes of financial assets at fair value through profit or loss (Note 16(b))	**(73,531)**	519,821
Remeasurement (losses)/gains on consideration payable to non-controlling shareholders of a subsidiary (Note (a))	**(40,970)**	17,017
Others	**(1,060)**	(1,583)
	(41,106)	542,950

(a) On January 25, 2018, the Group acquired an aggregate 50.48% equity interests of Ruisheng Tianhe (Beijing) Media and Technology Co., Ltd. ("**Ruisheng Tianhe**") and it became the Group's subsidiary accordingly. There was a contractual undertaking in the sales and purchase agreement that the Group was obliged to acquire the remaining 49.52% equity interests in Ruisheng Tianhe. The purchase price would be determined at the time of the future acquisition dates, through different tranches, according to a formula based on the future performance of Ruisheng Tianhe, which reflect the respective fair values of the interests.

As of December 31, 2022, the Group would be obliged to purchase the remaining 19.81% equity interests. During the year ended December 31, 2023, the consideration due to the non-controlling shareholders for the remaining 19.81% equity interests of Ruisheng Tianhe had been remeasured from RMB63,392,000 to RMB104,362,000 based on the adjusted performance result, which is agreed by management of the Group and non-controlling shareholders of Ruisheng Tianhe. As a result, remeasurement losses of RMB40,970,000 were recognized for the years ended December 31, 2023.

8 EXPENSES BY NATURE

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	**909,516**	911,949
Inventories consumed and recognized as cost of sales	**513,059**	402,058
Revenue sharing fee to payment channels	**294,103**	184,722
Promotion and advertising expenses	**235,669**	187,985
Bandwidth and storage related costs	**182,821**	97,644
Depreciation of property and equipment and right-of-use assets (Note 13 and Note 14)	**42,825**	42,701
Professional service fees	**39,152**	18,646
Remuneration paid to influencers	**31,372**	146,640
Tax and levies	**28,592**	32,860
Travelling and entertainment expenses	**27,366**	15,235
Utilities and office expenses	**14,593**	12,228
Amortisation of intangible assets (Note 15)	**7,993**	20,082
Auditors' remuneration		
– Annual audit services	**5,650**	5,740
– Non-audit services	**932**	50
Others	**70,806**	80,847
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	**2,404,449**	2,159,387

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	**707,951**	724,955
Other social security costs, housing benefits and other employee benefits	**103,133**	95,216
Share-based compensation expenses (Note 24)	**51,079**	47,324
Pension costs – defined contribution plans	**47,353**	44,454
	909,516	911,949

(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,	
	2023	2022
	RMB'000	RMB'000
Share-based compensation expenses	**18,360**	8,638
Wages, salaries and bonuses	**7,232**	7,445
Pension costs – defined contribution plans	**64**	21
Other social security costs, housing benefits and other employee benefits	**11**	100
	25,667	16,204

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, 2023	2022
HK$1,000,001 to HK$5,000,000	–	1
HK$5,000,001 to HK$10,000,000	–	2
HK$10,000,001 to HK$15,000,000	1	–
HK$15,000,001 to HK$20,000,000	1	–
	2	3

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 1 director (2022: 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, 2023 (2022: nil). The emoluments payable to the 4 non-director (2022: 4) and 1 director (2022: 1) individuals for the year ended December 31, 2023 are as follows:

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Share-based compensation expenses	28,886	15,198
Wages and salaries	9,370	8,648
Bonuses	7,094	4,679
Pension costs – defined contribution plans	33	203
Other social security costs, housing benefits and other employee benefits	193	79
	45,576	28,807

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,	
	2023	2022
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$6,500,001 to HK$7,000,000	**–**	2
HK$9,500,001 to HK$10,000,000	**–**	1
HK$10,500,001 to HK$11,000,000	**1**	–
HK$11,000,001 to HK$11,500,000	**1**	–
HK$17,500,001 to HK$18,000,000	**1**	–
	5	5

10 FINANCE INCOME, NET

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Interest income	**46,681**	16,145
Foreign exchange gains, net	**2,474**	7,695
Interest expenses	**(2,145)**	(861)
Finance charges paid/payable for lease liabilities and others	**(2,644)**	(8,058)
	44,366	14,921

11 INCOME TAX EXPENSE

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Current income tax	**77,470**	29,938
Deferred income tax (Note 26)	**(5,803)**	126,401
	71,667	156,339

The tax on the Group's profit 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,	
	2023	2022
	RMB'000	RMB'000
Profit before income tax:	**438,085**	175,230
Tax calculated at statutory income tax rates applicable to profit of the consolidated entities in their respective jurisdictions	**4,392**	118,688
Tax effects of:		
– Preferential income tax rates applicable to subsidiaries	**(7,210)**	3,024
– Tax losses and temporary differences for which no deferred income tax asset was recognized	**40,113**	62,464
– Utilization of previously unrecognized deductible tax losses	**(608)**	(36,650)
– Super Deduction for research and development expenses (Note (d))	**(17,801)**	(2,323)
– Expenses not deductible for income tax purposes	**51,729**	11,101
– Others	**1,052**	35
Income tax expense	**71,667**	156,339

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, 2023, 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 RMB655,955,000 in respect of losses to RMB4,101,408,000 that can be carried forward against future taxable income. The tax losses as of December 31, 2023 amounting to RMB179,488,000 can be carried forward indefinitely, and the remaining amount of RMB3,921,920,000 will expire from 2024 to 2033.

(a) Cayman Islands and BVI Income Tax

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

(b) Hong Kong Income Tax

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

(c) Corporate income tax in other countries

Income tax rate for subsidiaries in other jurisdictions, including the United States, Japan and Singapore were ranging from 17% to 30%. No provision for profits tax has been made as the Group did not have any assessable profits subject to these jurisdictions for the year.

(d) PRC Enterprise Income Tax ("EIT")

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

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

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

12 EARNING PER SHARE

(a) Basic

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

(b) Diluted

The shares options awarded under Pre-IPO ESOP (Note 24), awarded shares under the Post-IPO Share Award Scheme (Note 24), shares options awarded under Share Option Scheme adopted by a subsidiary (Note 24), awarded shares under Share Incentive to Senior Management of Subsidiaries (Note 24), and convertible redeemable preferred shares have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options, awarded shares granted by the Company and convertible redeemable preferred shares (collectively forming the denominator for computing the diluted EPS).

12 EARNING/(LOSS) PER SHARE (CONTINUED)

(b) Diluted (Continued)

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

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

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

13 PROPERTY AND EQUIPMENT

	Construction in progress RMB'000	Servers and other equipment RMB'000	Buildings RMB'000	Furniture and office equipment, motor vehicles and others RMB'000	Total RMB'000
As of January 1, 2023					
Cost	428,376	60,367	–	24,089	512,832
Accumulated depreciation and impairment	–	(51,299)	–	(20,294)	(71,593)
Net book amount	428,376	9,068	–	3,795	441,239
Year ended December 31, 2023					
Opening net book amount	428,376	9,068	–	3,795	441,239
Additions	35,389	8,410	–	3,564	47,363
Transfer from construction in progress to buildings and others	(459,022)	17,007	426,258	13,632	(2,125)
Disposals	–	(139)	–	(239)	(378)
Disposal of a subsidiary	–	(960)	–	(282)	(1,242)
Depreciation charges	–	(7,278)	(9,522)	(3,928)	(20,728)
Closing net book amount	4,743	26,108	416,736	16,542	464,129
As of December 31, 2023					
Cost	4,743	83,938	426,258	38,322	553,261
Accumulated depreciation and impairment	–	(57,830)	(9,522)	(21,780)	(89,132)
Net book amount	4,743	26,108	416,736	16,542	464,129
As of January 1, 2022					
Cost	365,793	60,040	–	55,541	481,374
Accumulated depreciation and impairment	–	(48,999)	–	(49,192)	(98,191)
Net book amount	365,793	11,041	–	6,349	383,183
Year ended December 31, 2022					
Opening net book amount	365,793	11,041	–	6,349	383,183
Additions	62,583	1,920	–	728	65,231
Disposals	–	(77)	–	(150)	(227)
Depreciation charges	–	(3,816)	–	(3,132)	(6,948)
Closing net book amount	428,376	9,068	–	3,795	441,239
As of December 31, 2022					
Cost	428,376	60,367	–	24,089	512,832
Accumulated depreciation and impairment	–	(51,299)	–	(20,294)	(71,593)
Net book amount	428,376	9,068	–	3,795	441,239

13 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charges were expensed in the following categories in the consolidated income statement:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Research and development expenses	**13,799**	4,110
Administrative expenses	**6,473**	2,442
Selling and marketing expenses	**415**	396
Cost of sales	**41**	–
	20,728	6,948

(i) Depreciation methods and useful lives

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:

– Buildings	35 years
– Servers and other equipment	3 years
– Furniture and office equipment	5 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.

14 LEASE

(i) Amounts recognized in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Right-of-use assets		
Buildings	**75,513**	27,870
Lease liabilities		
Current	**29,955**	16,784
Non-current	**45,346**	11,370
	75,301	28,154

Additions to the right-of-use assets during the year ended December 31, 2023 were RMB 80,297,000 (2022: RMB 30,104,000).

(ii) Amounts recognized in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Buildings	**22,097**	35,753
Interest expense (included in finance cost)	**1,454**	1,880
Expense relating to short-term leases and leases of low value assets	**10,867**	4,439

The total cash outflow for leases during the year ended December 31, 2023 was RMB34,942,000 (2022: RMB41,648,000).

14 LEASE (CONTINUED)

(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	Customer relationship, software and others RMB'000	Total RMB'000
As of January 1, 2023					
Cost	696,460	433,311	60,845	252,907	1,443,523
Accumulated amortization and impairment	(328,350)	(195,375)	(60,136)	(199,821)	(783,682)
Net book amount	368,110	237,936	709	53,086	659,841
Year ended December 31, 2023					
Opening net book amount	368,110	237,936	709	53,086	659,841
Additions	–	–	–	4,640	4,640
Transfer from construction in progress to Intangible assets	–	–	–	2,125	2,125
Disposal of a subsidiary	–	–	–	(32)	(32)
Amortization	–	–	(185)	(7,808)	(7,993)
Currency translation differences	4,282	–	–	88	4,370
Reversal of impairment loss/(impairment loss) (Note (a))	268,069	(155,266)	–	–	112,803
Closing net book amount	640,461	82,670	524	52,099	775,754
As of December 31, 2023					
Cost	708,270	271,272	1,645	113,229	1,094,416
Accumulated amortization and impairment	(67,809)	(188,602)	(1,121)	(61,130)	(318,662)
Net book amount	640,461	82,670	524	52,099	775,754
As of January 1, 2022					
Cost	637,570	211,779	60,816	211,076	1,121,241
Accumulated amortization and impairment	(27,891)	(195,375)	(13,083)	(107,490)	(343,839)
Net book amount	609,679	16,404	47,733	103,586	777,402
Year ended December 31, 2022					
Opening net book amount	609,679	16,404	47,733	103,586	777,402
Additions	–	–	–	530	530
Acquisition of a subsidiary (Note 34)	–	221,532	–	40,000	261,532
Amortization	–	–	(6,083)	(13,999)	(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	252,907	1,443,523
Accumulated amortization and impairment	(328,350)	(195,375)	(60,136)	(199,821)	(783,682)
Net book amount	368,110	237,936	709	53,086	659,841

15 INTANGIBLE ASSETS (CONTINUED)

Copyrights, 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 (3 to 10 years).

Amortization charges were expensed in the following categories in the consolidated income statement:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Selling and marketing expenses	**3,602**	3,612
Administrative expenses	**2,079**	7,839
Cost of sales	**1,681**	8,053
Research and development expenses	**631**	578
	7,993	20,082

(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 impairment loss is recovered or 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, 2023 RMB'000
Ethers	357,791
Bitcoins	350,479
	708,270

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.

15 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment loss (Continued)

(i) Impairment tests for cryptocurrencies (Continued)

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, 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 December 31, 2023 were higher than that of December 31, 2022, and, therefore the reversal of impairment losses of RMB268,069,000 in total was recognized in profit or loss by the Group for the year ended December 31, 2023 (2022: impairment losses of RMB284,848,000).

(ii) Impairment test for goodwill

Goodwill is measured as described in Note 38(a). 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.

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 two CGUs, CGU A engaged in advertising agency services and CGU B engaged in solutions for beauty industry.

15 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment loss (Continued)

(ii) Impairment test for goodwill (Continued)

As of December 31, 2023, goodwill was allocated to the Group's CGUs identified as follows:

	Year ended December 31, 2023	
	RMB'000	RMB'000
	CGU A	CGU B
Cost	49,740	221,532
Accumulated impairment	(33,336)	(155,266)
Net book amount	16,404	66,266

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 B are as follows:

	Year ended December 31, 2023 CGU B	Year ended December 31, 2022 CGU B
Average expected growth rate of revenue	23.70%	52.90%
Average gross margin	5.71%	4.10%
Terminal growth rate after 5 years	2.20%	2.50%
Pre-tax discount rate	17.60%	16.00%

Based on the assessment of the performance of the CGU B, the recoverable amount was lower than its carrying amount. Therefore, goodwill impairment loss of RMB155,266,000 was recognized during the year ended December 31, 2023 (2022: nil).

If the average expected growth rate of revenue and average gross margin for each year during the forecast period used in business of solutions for beauty industry' value-in-use calculation had been five percentage point respectively lower than management's estimates on 31 December 2023, the estimated recoverable amount of the CGU should be lowered by approximately RMB14,290,000 and RMB28,015,000 respectively. If the terminal growth rate after 5 years applied had been five percentage point lower than management's estimates on 31 December 2023, the estimated recoverable amount of the CGU should be lowered by approximately RMB1,037,000. If the pre-tax discount rate applied to the cash flow projections had been five percentage point higher than management's estimates on 31 December 2023, the estimated recoverable amount of the CGU should be lowered by approximately RMB16,785,000.

(iii) Impairment test for other intangible assets

The intangible assets of copyrights and brand names related to Others business amounting RMB 118,542,000 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 JOINT VENTURES

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

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

16(b) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
As of January 1	**1,195,064**	801,005
Additions	**328,067**	84,321
Converted from a financial asset to a subsidiary (Note (i))	**–**	(210,321)
Disposals	**(44,620)**	(3,527)
Changes in fair value (Note 7)	**(73,531)**	519,821
Currency translation differences	**(556)**	3,765
As of December 31	**1,404,424**	1,195,064

(i) On January 7, 2022 , the Group acquired an additional 20.67% equity interest in Meidd Technology (Shenzhen) Co., Ltd.("**Meidd**"), a then investment in an associate in the form of preferred shares of the Group. After the acquisition, the Group effectively obtained the right to control its business together with the previously held 42.68% equity interests transferred from preferred shares, which was recognized as financial assets at fair value through profit or loss.

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

The Group performs assessment on the fair value of these financial assets periodically. Management reviews the investees' financial/operating performances and forecasts, and applies the appropriate valuation techniques, where applicable, in order to determine their respective fair values. During the year ended December 31, 2023, change in fair value amounting to RMB73,531,000 was recognized as other losses in the consolidated income statement (2022: other gain RMB519,821,000) (Note 7).

16(c) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

The Group made investments in some ordinary shares of a certain private company and of a listed company, and these investments are not held for trading. The Group has made an irrevocable election at the time of initial recognition of these instruments to account them as equity investments at fair value through other comprehensive income.

During the year ended December 31, 2023, no change in fair value was recognized as other comprehensive income in the consolidated statement of comprehensive income (2022: RMB4,412,000) (Note 23).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As of December 31, 2023 RMB'000	As of December 31, 2022 RMB'000
Financial assets		
Financial assets at amortized cost:		
– Term deposits (Note 20)	**622,959**	402,908
– Cash and cash equivalents (Note 21(a))	**640,629**	946,602
– Trade and other receivables (excluding prepayments and deductible value-added tax)	**1,189,638**	923,335
– Restricted cash (Note 21(b))	**300**	300
Financial assets at fair value through profit or loss:		
– Long-term investments (Note 16(b))	**1,404,424**	1,195,064
– Short-term investments	**140,850**	40,521
Financial assets at fair value through other comprehensive income	**36,730**	36,181
	4,035,530	3,544,911

	As of December 31, 2023 RMB'000	As of December 31, 2022 RMB'000
Financial liabilities at amortized cost:		
– Trade and other payables (excluding payroll and welfare payables and other taxes payables)	**457,175**	373,914
– Borrowings	**14,980**	10,000
– Lease liabilities (Note 14)	**75,301**	28,154
Financial liabilities at fair value through profit or loss:		
– Convertible redeemable preferred shares	**134,571**	–
	682,027	412,068

18 TRADE RECEIVABLES

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables from contracts with customers	**406,520**	364,503
Less: loss allowance (Note 3.1(b))	**(18,773)**	(13,870)
	387,747	350,633

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

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

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

(i) Classification as 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.

19 PREPAYMENTS AND OTHER RECEIVABLES

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Included in non-current assets		
Rental and other deposits	**13,261**	3,072
Others	**7,115**	2,624
Less: loss allowance (Note 3.1(b))	**(133)**	(53)
	20,243	5,643
Included in current assets		
Other receivables in relation to payment on behalf of advertisers	**762,541**	544,264
Prepayment to advertising platform for advertising agency services	**66,691**	66,063
Rental and other deposits	**31,510**	32,088
Deductible value-added tax	**32,118**	30,216
Loan to a third party	**20,000**	20,000
Interest receivables	**25,436**	5,427
Others	**27,771**	20,745
Less: loss allowance (Note 3.1(b))	**(46,432)**	(33,889)
	919,635	684,914

As of December 31, 2023 and 2022, 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,	
	2023	2022
	RMB'000	RMB'000
Included in non-current assets:		
Long-term bank deposits	**90,000**	50,000
Included in current assets:		
Short-term bank deposits	**490,463**	322,908
Current portion of long-term bank deposits	**42,496**	30,000
	532,959	352,908
	622,959	402,908

As of December 31, 2023, short-term bank deposits amounting RMB490,463,000 (December 31, 2022: RMB322,908,000) are bank deposits with original maturities over three months but less than one year and redeemable upon maturity, while long-term bank deposits amounting RMB132,496,000 (December 31, 2022: RMB80,000,000) are bank deposits with original maturities over one year and redeemable on maturity. As of December 31, 2023, the principal amount of RMB42,496,000 would mature within 12 months and accordingly, 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 4.86% per annum for the year ended December 31, 2023 (December 31, 2022: 3.99%).

21 CASH AND BANK BALANCES

(a) Cash and cash equivalents

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

(b) Restricted cash

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

(i) Classification as 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.

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, 2023 and 2022, the authorized share capital of the Company comprises 6,000,000,000 ordinary shares with par value of US$0.00001 per share.

	Note	Number of ordinary shares '000	Nominal value of ordinary shares US$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:					
As of January 1, 2023		**4,442,705**	**43**	**283**	**7,174,119**
Employee share option scheme under Pre-IPO ESOP					
– Shares issued and proceeds received	(a)	**4,974**	*	**	**1,057**
Post-IPO Share Award Scheme					
– Shares issued	(b)	**30,000**	**–**	**–**	**–**
Dividends	27	**–**	**–**	**–**	**(81,395)**
As of December 31, 2023		**4,477,679**	**43**	**283**	**7,093,781**
As of January 1, 2022		4,352,403	43	281	7,136,647
Employee share option scheme under Pre-IPO ESOP					
– Shares issued and proceeds received	(a)	849	*	**	173
Post-IPO Share Award Scheme:					
– Shares issued	(b)	60,000	–	–	–
Consideration of business acquisition					
– Shares issued	(c)	29,453	*	2	37,299
As of December 31, 2022		4,442,705	43	283	7,174,119

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

** The amount is less than RMB1,000.

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

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

(c) On January 7, 2022, the Group acquired an additional 20.67% equity interest in Meidd, a then investment in an associate in the form of preferred shares of the Group, at an approximately aggregate consideration of RMB77,172,000, RMB37,301,000 of the total consideration was settled by the allotment and issue of 29,452,667 consideration shares and the remaining RMB39,871,000 was settled by cash.

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, 2023	33,449	546,515	8,619	(375,979)	(175,976)	36,628
Value of employee services:						
– Post-IPO Share Award Scheme (Note 24(b))	–	55,669	–	–	–	55,669
– Share Option Scheme adopted by a subsidiary (Note 24(d))	–	1,014	–	–	–	1,014
Share incentive to senior management of subsidiaries	–	(2,748)	–	–	–	(2,748)
Currency translation differences (Note (a))	–	–	–	22,031	–	22,031
Appropriation to statutory reserves (Note (b))	6,004	–	–	–	–	6,004
Transaction with non-controlling interest (Note (c))	–	–	–	–	39,470	39,470
Disposal of a subsidiary (Note 35)	–	–	–	–	(74,157)	(74,157)
As of December 31, 2023	39,453	600,450	8,619	(353,948)	(210,663)	83,911
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

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) As detailed in Note 7, in June 2023, the Group acquired the remaining 19.81% equity interests of Ruisheng Tianhe. Accordingly, the non-controlling interest was reduced by RMB39,470,000 and the other reserves were credited by the same amount.

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 ten 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 2023 (2022: 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,	
		2023	**2022**
At the beginning of the year		**17,843,520**	18,692,770
Exercised (Note (i))	$0.03	**(4,973,520)**	(849,250)
At the end of the year		**12,870,000**	17,843,520

Notes:

(i) As a result of the options exercised during the year ended December 31, 2023, 4,973,520 ordinary shares (2022: 849,250 ordinary shares) were issued by the Company (Note 16). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$2.77 per share (equivalent to RMB2.49 per share) (2022: HK$1.09 per share (equivalent to RMB0.94 per share)).

As of December 31, 2023, all share options granted are vested and exercisable, and will expire no later in 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, 2023 and 2022 are as follows:

	Post-IPO Share Award Scheme Number of shares Year ended December 31,	
	2023	2022
At the beginning of the year	**32,661,188**	38,779,803
Granted	**31,025,305**	26,873,871
Vested	**(31,125,381)**	(30,328,753)
Forfeited	**(4,563,567)**	(2,663,733)
At the end of the year	**27,997,545**	32,661,188

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, 2023 was HK$2.67 per share (equivalent to approximately RMB2.34 per share) (2022: HK$0.98 per share (equivalent to approximately RMB0.80 per share)).

During the year ended December 31, 2023, the Group recorded share-based compensation of RMB55,669,000 (2022: RMB39,493,000) related to Post-IPO Share Award Scheme.

The outstanding awarded shares as of December 31, 2023 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, 2023, 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, 2023, the Expected Retention Rate, excluding senior management, was assessed to be 94% (2022: 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, 2023, no options have been granted by the Group under the Post-IPO Share Option Scheme.

(d) Share Option Scheme adopted by a subsidiary

A subsidiary of the Company operate its own share-based compensation plan (share options scheme) in 2023. Its exercise prices of the share options, as well as the vesting periods of the share options are determined by the board of directors of the subsidiary at the sole discretion and in accordance with the relevant rules. The share options of the subsidiary granted are normally vested by several tranches. The granted options have a contractual option term of 10 years. The subsidiary has no legal or constructive obligation to repurchase or settle the options in cash. The total expense recognized in the consolidated income statement for share options granted to employees for the year ended December 31, 2023 are RMB1,014,000 (2022: Nil).

(e) Share Incentive to Senior Management of Subsidiaries

Certain share incentive was offered to several senior management of subsidiaries with a service period or based on the future performance forecast. During the year ended December 31, 2023, the senior management of a subsidiary failed to meet the performance condition, the cumulative share-based compensation previously recognized was reversed, and therefore the Group net reversed share-based compensation for share incentive of RMB5,604,000 (2022: the Group recorded share-based compensation for share incentive of RMB7,831,000).

25 TRADE AND OTHER PAYABLES

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

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Included in current liabilities		
Payroll and welfare payables	**265,952**	311,455
Payables to platforms for agency services	**244,876**	80,984
Trade payables	**140,604**	135,315
Deposits payable	**30,377**	33,650
Other tax payables	**12,082**	48,729
Payables to non-controlling shareholders of a subsidiary (Note 7(a))	**–**	71,427
Others	**41,318**	52,538
	735,209	734,098

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

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

26 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Deferred tax assets:		
– Impairment of trade and other receivables	**11,587**	15,910
– Lease liabilities	**18,617**	6,689
Total deferred tax assets	**30,204**	22,599
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(20,913)**	(13,662)
Net deferred tax assets	**9,291**	8,937

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.

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, 2022	14,007	8,783	22,790
Credited/(Charged) to profit or loss	1,903	(2,094)	(191)
As of January 1, 2023	**15,910**	**6,689**	**22,599**
(Charged)/Credited to profit or loss	**(4,323)**	**11,928**	**7,605**
As of December 31, 2023	**11,587**	**18,617**	**30,204**

26 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred tax liabilities

	As of December 31, 2023 RMB'000	2022 RMB'000
Deferred tax liabilities		
– Change in fair value of financial assets at fair value through profit or loss	**206,712**	216,291
– Right-of-use assets	**18,672**	6,631
– Appreciation on intangible assets from business combination	**4,680**	5,340
Total deferred tax liabilities	**230,064**	228,262
Set-off of deferred tax liabilities pursuant to set-off provisions	**(20,913)**	(13,662)
Net deferred tax liabilities	**209,151**	214,600

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, 2022	67,623	8,783	19,646	96,052
Charged to profit or loss	–	–	6,000	6,000
Charged/(Credited) to profit or loss	148,668	(2,152)	(20,306)	126,210
As of January 1, 2023	**216,291**	**6,631**	**5,340**	**228,262**
(Credited)/charged to profit or loss	**(9,579)**	**12,041**	**(660)**	**1,802**
As of December 31, 2023	**206,712**	**18,672**	**4,680**	**230,064**

27 DIVIDENDS

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

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

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

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES

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

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

(a) Dividends rights

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

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

(b) Conversion feature

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

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

(c) Redemption feature

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

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

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

(d) Liquidation preferences

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

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

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

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

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

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

29 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	**438,085**	175,230
Adjustments for:		
– Depreciation of property and equipment (Note 13)	**20,728**	6,948
– Amortization of intangible assets (Note 15)	**7,993**	20,082
– Depreciation of right–of–use assets (Note 14)	**22,097**	35,753
– Share–based compensations (Note 24)	**51,079**	47,324
– Fair value changes on financial assets at fair value through profit or loss (Note 16(b))	**73,531**	(519,821)
– Impairment of receivables (Note 3.1(b))	**18,852**	22,310
– Impairment of intangible assets (Note 15)	**155,266**	118,542
– (Reversal of impairment loss)/impairment loss of cryptocurrencies (Note 15)	**(268,069)**	284,848
– Share of losses of associates and a joint venture (Note 16(a))	**19,057**	13,158
– Investment income on short-term investments (Note 7)	**(7,155)**	(7,695)
– Remeasurement gains or losses on consideration payable to non-controlling shareholders of a subsidiary (Note 7)	**40,970**	(17,017)
– Finance charges and foreign exchange gains, net	**2,420**	5,018
– Interest income (Note 10)	**(46,681)**	(16,145)
– Gains on disposal of a subsidiary	**(67,300)**	–
– Transaction costs related to the issuance of convertible redeemable preferred shares from a subsidiary	**10,840**	–
– Others	**970**	739
Changes in working capital:		
– Decrease in inventories	**(29,154)**	345
– Increase in trade receivables	**(62,984)**	(4,417)
– (Increase)/decrease in prepayments and other receivables	**(251,254)**	231,215
– Increase in contract costs	**(38,467)**	(24,491)
– Increase/(decrease) in trade and other payables	**200,425**	(198,500)
– Increase in contract liabilities	**199,680**	79,044
– Decrease in restricted cash	**–**	200
Cash generated from operations	**490,929**	252,670

29 CASH FLOW INFORMATION (CONTINUED)

(a) Cash 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, 2023 RMB'000	2022 RMB'000
Net book amount	**378**	227
Loss on disposals of property and equipment and intangible assets, net	**(62)**	–
Proceeds	**316**	227

(b) Non-cash investing and financing activities

	As of December 31, 2023 RMB'000	2022 RMB'000
Purchase of property and equipment	**10,174**	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.

Net debt	As of December 31, 2023 RMB'000	2022 RMB'000
Borrowings	**14,980**	10,000
Lease liabilities	**75,301**	28,154
Net debt	**90,281**	38,154

29 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, 2022	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
Cash flows	4,980	(24,075)	(19,095)
Disposal of a subsidiary	–	(10,289)	(10,289)
Acquisition – leases	–	80,297	80,297
Foreign exchange adjustments	–	(240)	(240)
Finance expense recognized	–	1,454	1,454
Net debt as of December 31, 2023	14,980	75,301	90,281

30 COMMITMENTS

(a) Capital Commitments

Capital expenditure contracted as of December 31, 2023 but not yet incurred is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Investment commitments	**6,184**	4,000
Construction in progress	**–**	17,850
	6,184	21,850

31 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,	
	2023	2022
	RMB'000	RMB'000
(i) Sales of goods and services:		
An associate	**2,074**	8,576
Associates in form of preferred shares	**181**	332
Others	**1**	7
	2,256	8,915
(ii) Purchases of goods and services:		
Associates	**5,216**	5,839
Others	**137**	836
	5,353	6,675

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Year end balances with related parties

		As of December 31,	
		2023	2022
		RMB'000	RMB'000
(i)	Contract liabilities from:		
	Associates in form of preferred shares	**18**	89
(ii)	Trade payables to:		
	An associate	**284**	1,136
	Others	**–**	86
		284	1,222
(iii)	Other payables to:		
	Associates in form of preferred shares	**26,091**	26,130
(iv)	Trade receivables from:		
	Associates	**2,780**	8,328

Balances with other related parties were all unsecured and repayable on demand.

(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,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	**13,369**	12,967
Share based compensation expenses	**25,165**	11,734
Other social security costs, housing benefits and other employee benefits	**148**	189
Pension costs – defined contribution plan	**91**	106
	38,773	24,996

32 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, 2023 (2022: nil). The remuneration of each director for the year ended December 31, 2023 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 (Note (a))	941	–	–	69	5	9	1,024
Wu Zeyuan (Note (b))	1,307	752	1,480	11	64	6,787	10,401
Independent Non- executive Directors							
Zhou Hao	326	–	–	–	–	–	326
Lai Xiaoling	326	–	–	–	–	–	326
Kui Yingchun	326	–	–	–	–	–	326
Non-executive Directors							
Guo Yihong	–	–	–	–	–	–	–
Lee Kai-fu	163	–	–	–	8	–	171
Chen Jiarong	326	–	–	–	–	9	335
Hong Yupeng (Note (c))	190	–	–	–	7	–	197
	3,905	752	1,480	80	84	6,805	13,106

32 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, 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 (Note (a))	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

Notes:

(a) Resigned as Chairman on June 1, 2023.

(b) Appointed as Chairman on June 1, 2023.

(c) Appointed on June 1, 2023.

32 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 (2022: 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 (2022: 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 (2022: 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 (2022: 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 (2022: nil).

33 CONTINGENCIES

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

34 SUBSEQUENT EVENTS

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

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

35 DISPOSAL OF A SUBSIDIARY

On August 11, 2023, the Group disposed 20% equity interests of a subsidiary, Dajie Net Investment Holdings Ltd. ("**Dajie Net**"), to Rapid Recruitment Limited at a cash consideration of US$1 (equivalent to approximately RMB7).

After the completion of the disposal transaction, the Group's shareholding in Dajie Net reduced from 58.98% to 38.98% and the Group lost the control over Dajie Net and only maintains significant influence in Dajie Net. Accordingly, Dajie Net started to be recognized as an investment in associate. Details of the disposal are as follows:

35 DISPOSAL OF A SUBSIDIARY (CONTINUED)

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

* The amount is less than RMB1,000.

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

36 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As of December 31, 2023 RMB'000	2022 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**3,833,080**	3,685,609
Amount due from subsidiaries	**649,336**	969,030
Financial assets at fair value through other comprehensive income	**26,280**	25,905
Financial assets at fair value through profit or loss	**21,390**	–
	4,530,086	4,680,544
Current assets		
Amount due from subsidiaries	**561,401**	505,257
Prepayments and other receivables	**7,376**	1,811
Short-term investments	**70,827**	–
Short-term bank deposits	**133,717**	175,577
Cash and cash equivalents	**72,577**	66,051
	845,898	748,696
Total assets	**5,375,984**	5,429,240
EQUITY AND LIABILITIES		
Equity		
Share capital	**283**	283
Share premium	**7,093,781**	7,174,119
Reserves (Note 36(b))	**625,838**	486,821
Accumulated loss (Note 36(b))	**(2,344,320)**	(2,261,980)
Total equity	**5,375,582**	5,399,243
Liabilities		
Current liabilities		
Amount due to subsidiaries	**–**	29,886
Trade and other payables	**402**	111
Total liabilities	**402**	29,997
Total equity and liabilities	**5,375,984**	5,429,240

The balance sheet of the Company was approved by the Board of Directors on March 15, 2024 and was signed on its behalf.

Wu Zeyuan
Director

Hong Yupeng
Director

36 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, 2023	**486,821**	**(2,261,980)**
Loss for the year	**–**	**(82,340)**
Value of employee services	**47,878**	**–**
Currency translation differences (Note (i))	**91,139**	**–**
As of December 31, 2023	**625,838**	**(2,344,320)**
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)

(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.

37 SUBSIDIARIES

The following is a list of the principal subsidiaries as of December 31, 2023:

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%*
Pixocial Holdings Ltd	The Caymen Island/ Limited liability company	Provision of information technology services, the Caymen Island	US$50,000.00	100%
Pixocial Hong Kong Limited	Hong Kong/ Limited liability company	Provision of information technology services, Hong Kong	HK$1	100%

37 SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries as of December 31, 2023: (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	100%*
Xiamen Ruisheng Tianhe Media and Technology Co., Ltd.	The PRC/ Limited liability company	Advertising agency, the PRC	RMB5,000,000	100%*
Meidd Technology (Shenzhen) Co., Ltd.	The PRC/ Limited liability company	Solutions for beauty industry, the PRC	RMB4,267,422	63.35%
Meishichengpin Supply Chain Management (Shenzhen) Co., Ltd.	The PRC/ Limited liability company	Solutions for beauty industry, the PRC	RMB1,000,000	63.35%

* These companies are the Group's consolidated structured entities

38 SUMMARY OF OTHER ACCOUNTING POLICIES

(a) Principles of consolidation and equity accounting

(i) Subsidiaries

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.

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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(a) Principles of consolidation and equity accounting (Continued)

(i) Subsidiaries (Continued)

Consolidation (Continued)

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.

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.

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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(a) Principles of consolidation and equity accounting (Continued)

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.

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.

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.

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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(a) Principles of consolidation and equity accounting (Continued)

Separate financial statements (Continued)

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.

(ii) 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.

(iii) 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.

(iv) 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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(a) Principles of consolidation and equity accounting (Continued)

(iv) Equity accounting (Continued)

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.

(v) Changes in ownership interests

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.

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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(a) Principles of consolidation and equity accounting (Continued)

(vi) 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.

(vii) 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.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM.

(c) Foreign currency translation

(i) 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).

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

(ii) 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.

(iii) 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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(d) 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.

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 38(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(e) Intangible assets

(i) 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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets (Continued)

(ii) 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, 2023 (2022: 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.

(f) 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.

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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(g) Investment and other financial assets

(i) 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.

(ii) 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.

(iii) 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 SPPI.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(g) Investment and other financial assets (Continued)

(iii) Measurement (Continued)

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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(g) Investment and other financial assets (Continued)

(iii) 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.

(iv) 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.

(h) Offsetting financial assets and financial liabilities

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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) Trade receivables

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.

(k) 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.

(l) 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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(l) Share capital (Continued)

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.

(m) 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. 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.

(n) 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.

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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(o) 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.

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.

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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(o) Current and deferred income tax (Continued)

Deferred income tax (Continued)

(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.

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.

(p) Employee benefits

(i) 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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(q) Share-based payments

(i) 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.

(ii) 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.

(r) 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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(r) Provisions (Continued)

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.

(s) 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.

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) Interest income

Interest income from financial assets at fair value through profit or loss is included in "Other gains, net", see Note 7 above. 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.

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).

38 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) 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.

(w) 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.

Five Year Financial Summary

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Restated*)				
Revenue	977,867	1,194,020	1,666,029	2,085,329	**2,695,738**
Gross profit	699,283	793,871	1,125,087	1,187,272	**1,655,876**
Profit/(Loss) for the year	(344,061)	(60,132)	(77,430)	18,891	**366,418**
Adjusted Net Profit/(Loss)	(194,346)	48,855	64,217	81,949	**354,933**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	1,274,787	1,597,574	2,214,791	2,548,508	**2,998,390**
Current assets	3,340,923	2,909,586	2,532,523	2,455,840	**2,768,796**
Total assets	4,615,710	4,507,160	4,747,314	5,004,348	**5,767,186**
Equity and liabilities					
Equity attributable to owners of the Company	3,637,858	3,553,930	3,516,359	(3,441,407)	**(3,069,118)**
Total equity	3,735,200	3,567,835	3,515,802	3,709,514	**4,113,700**
Non-current liabilities	149,259	125,730	182,623	225,970	**389,068**
Current liabilities	731,251	813,595	1,048,889	1,068,864	**1,264,418**
Total liabilities	880,510	939,325	1,231,512	1,294,834	**1,653,486**
Total equity and liabilities	4,615,710	4,507,160	4,747,314	5,004,348	**5,767,186**

* Financial metrics of 2019 are restated to exclude discontinued business "MeituBeauty" and smartphone business.

Definitions

"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 5, 2024
"AI"	artificial intelligence
"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 9.88% 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 C1 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
"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 (US)"	EveLab Insight USA Ltd., formerly known as Meitu Technology, Inc., MagicV, Inc., or MIXVID, Inc., a limited liability company incorporated under the laws of the State of Delaware, on August 29, 2014, and a subsidiary of the Company
"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
"Former Zcool Founders"	collectively, Mr. Lu Wei (蘆偉) and Ms. Tian Caixia (田彩霞)
"Former Zcool Founder Holdcos"	collectively, Yixuan Club Limited (a company incorporated in the British Virgin Islands with limited liability) and TianFamilyTree Limited (a company incorporated in the British Virgin Islands with limited liability), which are wholly-owned by Mr. Lu Wei (蘆偉) and Ms. Tian Caixia (田彩霞) respectively
"Group", "our Group", or "the Group"	the Company, its subsidiaries, 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) and the MeituEve 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 18, 2024, 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
"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, 2023, and by virtue of the Existing Contractual Arrangements, accounted for as our subsidiary

Definitions

"Meitu Trust"	Beautiful Space Ltd., a limited liability company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which are beneficially owned by the Company through a professional trustee
"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 limited liability company established in the PRC on May 19, 2021, wholly-owned by Xiamen Hongtian as at December 31, 2023 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 limited liability 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 C3 of the Listing Rules
"Mr. Cai"	Mr. CAI Wensheng (蔡文胜), a substantial shareholder of the Company
"Mr. Chen"	Mr. CHEN Jiarong (陳家荣), our non-executive Director and a substantial shareholder of the Company

"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, Chairman, Chief Executive Officer and executive Director
"Ms. Cai"	Ms. CAI Shuting, the daughter of Mr. Cai and Ms. Wang Baoshan, the spouse of Mr. Cai
"Ms. Chen"	Ms. CHEN Cuie, the Group's finance director who has been employed by the Group for over 9 years and a director of a number of the Group's subsidiaries
"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
"Ordinary Zcool Vendors"	collectively, the Zcool Founder Holdcos and the Former Zcool Founder Holdcos
"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 a subsidiary of the Company
"Pixocial Share Option Scheme"	the share option scheme adopted by Pixocial Holdings on December 1, 2023
"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 a subsidiary of the Company
"Pixocial Technology (US)"	Pixocial Technology (US), LLC, formerly known as Meitu Technology (US), LLC or Commsource, LLC, a limited liability company incorporated under the laws of the State of California, on April 1, 2015, and a subsidiary of the Company

"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
"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
"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
"Prospectus"	the prospectus of the Company dated December 5, 2016
"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, AI skin analysis SaaS under the brand of EveLab Insight (and MeituEve (美圖宜膚) in the PRC), MeituKey (a contact skin analyser), MeituSpa (an AI cleansing brush) and Meitu Genius (an AI smart mirror)
"Starii Global"	Starii Global Limited (formerly known as EveLab Insight Global Limited or 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
"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 12.50% of the issued share capital of our Company as at the Latest Practicable Date
"Zcool Founders"	collectively, Mr. Liang Yaoming (梁耀明), Ms. Zhao Lili (趙俐俐) and Mr. Ji Xiaoliang (紀曉亮)
"Zcool Founder Holdcos"	collectively, Ming and Lily Design Limited (a company incorporated in the British Virgin Islands with limited liability), Lily Advertising Limited (a company incorporated in the British Virgin Islands with limited liability) and JXL Advertising Co., Ltd. (a company incorporated in the British Virgin Islands with limited liability), which are wholly-owned by Mr. Liang Yaoming (梁耀明), Ms. Zhao Lili (趙俐俐) and Mr. Ji Xiaoliang (紀曉亮) respectively
"Zcool Founder Parties"	collectively, the Zcool Founders and the Zcool Founder Holdcos
"Zcool Investor Vendors"	collectively, (i) IDG China Media Fund II L.P., (ii) HES Ventures II, LLC, (iii) Shutterstock (UK) LTD, and (iv) VNTR V Holdings Limited
"Zcool Network"	Zcool Network Technology Limited, an exempted limited company incorporated under the laws of the Cayman Islands

“Zcool Network Group Companies”	Zcool Network and its subsidiaries, namely, Zcool Network Technology Hong Kong Limited (站酷網絡科技有限公司), Beijing Zcool Creative Technology Co., Ltd.* (北京站酷創意科技有限公司), Beijing Zcool Network Technology Co., Ltd.* (北京站酷網絡科技有限公司), Beijing Zcool Education Technology Co., Ltd.* (北京站酷教育科技有限公司), Xi'an Zcool Fengqi Network Technology Co., Ltd.* (西安站酷風起網絡科技有限公司) and Nanjing Zcool Intellectual Property Agency Co., Ltd.* (南京站酷知識產權代理有限公司)
“Zcool Vendors”	the Ordinary Zcool Vendors and the Zcool Investor Vendors
“%”	per cent

* *For identification purpose only*

Meitu, Inc.
美图公司