Meitu, Inc.
美图公司
(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "美圖之家")
(Stock Code: 1357)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board of directors (the "**Board**") of Meitu, Inc. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company, its subsidiaries, Xiamen Meitu Networks Technology Co., Ltd. ("**Meitu Networks**") and Xiamen MeituEve Networks Services Co., Ltd. ("**MeituEve Networks**") and their respective subsidiaries (collectively the "**Group**") for the six months ended June 30, 2024.

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

KEY HIGHLIGHTS

- For the six months ended June 30, 2024, Adjusted Net Profit attributable to Owners of the Company reached approximately RMB272.8 million, growing 80.3% year-over-year. This metric is a true reflection of the growth momentum and profitability of our core business as it excludes non-operating items such as reversal of impairment losses on cryptocurrencies. Revenue growth of the Company for the six months ended June 30, 2024 was also very strong at approximately 28.6% year-over-year, reaching a revenue of approximately RMB1.62 billion.

- The total Monthly Active Users ("**MAU**") of the applications under the Group was approximately 258 million as of June 30, 2024, growing 4.3% year-over-year. This represents an acceleration of growth compared with the 2.6% year-over-year growth as of December 31, 2023. Such growth is predominantly driven by MAU outside of Mainland China. Currently, the number of MAU in countries and regions outside of Mainland China accounts for approximately 32.9% of our total MAU base.

- Our investment in Artificial Intelligence ("**AI**") has continued to pay off across multiple fronts. For example, our AI-powered *美圖設計室* (known as "*X-Design*" outside of Mainland China) has become the market leader in AI-powered design tools in Mainland China as measured by MAU.

- More importantly, our AI-powered video editing app *Wink* saw its MAU grew close to approximately 99% year-over-year. Currently it is the third largest app within our portfolio after the *Meitu app* and *BeautyCam*. This is particularly meaningful as it has proved our ability to continuously launch successful products.

KEY FINANCIAL DATA

	Six months ended June 30,		Year on year
	2024	2023	change
	RMB'000	*RMB'000*	*(%)*
Revenue	**1,621,159**	1,260,881	28.6%
– Photo, video and design products	**930,573**	602,190	54.5%
– Solutions for beauty industry	**270,574**	286,444	–5.5%
– Advertising	**412,914**	349,161	18.3%
– Others	**7,098**	23,086	–69.3%
Gross Profit	**1,052,613**	754,022	39.6%
Gross Margin	**64.9%**	59.8%	+5.1p.p.
Profit for the period	**303,721**	209,469	45.0%
Adjusted Net Profit attributable to Owners of the Company[1]	**272,800**	151,296	80.3%

KEY OPERATIONAL DATA

	Six months ended June 30,		Year on year
	2024	2023	change
	'000	*'000*	*(%)*
Total MAU	**257,726**	247,061	4.3%
Breakdown by application use case:			
– Life[2][4]	**238,523**	233,541	2.1%
– Productivity[3][5][6]	**19,203**	13,520	42.0%
Breakdown by geography:			
– Mainland China	**172,995**	173,373	–0.2%
– Global (excluding Mainland China)	**84,731**	73,688	15.0%

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

(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 focusing 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 six months ended June 30, 2023 had been reclassified and included in "Life" for the six months ended June 30, 2024.

(5) Certain MAU under "Others" reported for the six months ended June 30, 2023 had been reclassified and included in "Productivity" based on the product use cases for the six months ended June 30, 2024.

(6) Certain MAU under "Meitu" reported for the six months ended June 30, 2023, 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 six months ended June 30, 2024.

STRATEGIC HIGHLIGHTS

We are pleased to report strong half-year results for the six months ended June 30, 2024 with Adjusted Net Profit attributable to Owners of the Company reaching approximately RMB272.8 million, reflecting a growth of approximately 80.3% year-over-year. Revenue was also very strong at approximately RMB1,621.2 million, growing approximately 28.6% year-over-year. Apart from our strong financial results, our MAU also continued its growth trajectory, reaching 258 million as of June 30, 2024. Its year-over-year growth of approximately 4.3% as of June 30, 2024 represents an acceleration of growth compared to approximately 2.6% as of December 31, 2023.

Such strong MAU growth in the first half of 2024 was primarily driven by our successful execution of our globalisation strategy. Some of our AI-powered features such as the "Quality Restoration"had propelled one of our apps, *Wink*, to reach the #1 positions with respect to MAU in the iOS App Store in both Thailand and Indonesia. MAU outside of Mainland China as of June 30, 2024 accounted for approximately 32.9% of our MAU base, compared to approximately 30% a year ago.

A product that we would like to highlight is *Wink*, an AI-powered video editing app that we launched in March 2022. As of June 30, 2024, it was still growing at approximately 99% year-over-year in terms of MAU, and has currently become the third largest app measured by MAU within our portfolio after the *Meitu app* and *BeautyCam*. Firstly, the exceptional performance of *Wink* has proven our ability to develop successful products in the photo, video and design market. Secondly, the MAU growth of *Wink* outside of Mainland China is significantly faster than that of its growth in Mainland China, showing that we have the ability to drive significant growth of both old and new products in the global market. As we believe that video as a form of media will become much more proliferate and strategic in the future for both social use among consumers, and professional use within the creator economy, we have also launched a number of video-focused apps both domestically and internationally to seize such growth opportunity.

In terms of productivity tools, we have also launched *X-Design* (known as "*美圖設計室*" in Mainland China) in the United States, Canada, Australia, United Kingdom and other countries.

The acquisition of Zcool Network Technology Limited ("**Zcool Network**") and its subsidiaries and their respective contractually controlled entities and their subsidiaries (collectively, "**Zcool**") successfully completed during the first half of 2024. Both our team and the Zcool team are very excited about what could be achieved together. Within a short span of a few months, we have already launched a new online marketplace for freelance designing services. There has also been an increase in professional content and tutorials around our Generative AI ("**GenAI**") tools on the Zcool community, which is crucial in promoting the usage of our AI tools.

As we continue to invest in our product and AI capabilities, we anticipate that the growth in paying subscription rates will underpin our strong revenue growth for the remainder of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30, 2024 compared to six months ended June 30, 2023

	Unaudited Six months ended June 30, 2024 *RMB'000*	Unaudited Six months ended June 30, 2023 *RMB'000*
Revenue	**1,621,159**	1,260,881
Cost of sales	**(568,546)**	(506,859)
Gross profit	**1,052,613**	754,022
Selling and marketing expenses	**(204,970)**	(221,599)
Administrative expenses	**(177,578)**	(144,105)
Research and development expenses	**(425,274)**	(294,264)
Net impairment losses on financial assets	**(2,633)**	(8,314)
Reversal of impairment losses on cryptocurrencies	**68,145**	185,563
Other income	**21,500**	37,973
Other gains/(losses), net	**1,448**	(83,404)
Finance income, net	**23,896**	23,578
Shares of losses of investments accounted for using the equity method	**(13,489)**	(12,892)
Profit before income tax	**343,658**	236,558
Income tax expense	**(39,937)**	(27,089)
Profit for the period	**303,721**	209,469
Profit/(Loss) attributable to:		
– Owners of the Company	**303,428**	227,627
– Non-controlling interests	**293**	(18,158)
	303,721	209,469
Non-IFRSs measure:		
Adjusted Net Profit/(Loss) attributable to		
– Owners of the Company[1]	**272,800**	151,296
– Non-controlling interests	**978**	(16,045)
	273,778	135,251

[1] For details of Adjusted Net Profit attributable to Owners of the Company, please refer to the section headed "Management Discussion and Analysis – Profit for the period and Non-IFRSs Measure: Adjusted Net Profit".

Revenue

Centering on the core strategies of "Productivity and Globalisation", we focus on the photo and video industry to provide our numerous creators 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 purchase. In addition, we 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.

	Six months ended June 30,			
	2024		2023	
	Amount *RMB'000*	**% of total revenues**	Amount *RMB'000*	% of total revenues
Photo, video and design products	**930,573**	**57.4%**	602,190	47.8%
Solutions for beauty industry	**270,574**	**16.7%**	286,444	22.7%
Advertising	**412,914**	**25.5%**	349,161	27.7%
Others	**7,098**	**0.4%**	23,086	1.8%
Total	**1,621,159**	**100.0%**	1,260,881	100.0%

The above table presents our revenue lines and each line as percentages of our total revenues for the periods presented. For the six months ended June 30, 2024, our total revenue increased by approximately 28.6% to approximately RMB1,621.2 million from approximately RMB1,260.9 million for the six months ended June 30, 2023. Such increase was primarily driven by the continued enhancement of product effectiveness through GenAI technology, which encouraged user payments. As a result, revenue from subscription-based photo, video and design products continued to grow rapidly.

Photo, video and design products

Our photo, video and design products business continued its strong growth trend. Revenue increased by approximately 54.5% year-on-year to approximately RMB930.6 million for the six months ended June 30, 2024 (six months ended June 30, 2023: revenue of approximately RMB602.2 million).

The growth logic of photo, video and design products has become very clear. The increase of paying subscription rate is the most critical growth metric for this business at the current stage. As of June 30, 2024, our apps had over 10.81 million paying subscribers, with a paying subscription rate of approximately 4.2%.

From a product perspective, the increase was mainly driven by products for casual use cases, such as the *Meitu app*, *Wink*, and *BeautyCam*. The increasing number of subscribers from these three applications together accounted for approximately 81% of the increase in total paying subscribers in the first half of the year. The *Meitu app*, *Wink*, and *BeautyCam* are our core products in the fields of image editing, video editing, as well as camera and photoshooting. These products contain numerous GenAI features that continuously provide users with creativity and boost product strength, thereby driving users to pay for subscription.

For example, focusing on the needs of both "Photo Retouch" and "Portrait Beautification" in the image editing field, the *Meitu app* continuously integrates GenAI technology in the app to iterate the effects of features (especially paying features) to attract users to pay. In terms of "Photo Retouch", the recently launched "Clay" filter in AI Art has been widely favored by users. In terms of "Portrait Beautification", GenAI features such as "Height and Reshape" performed outstandingly in driving conversion of subscriptions.

As we continue to invest in product and AI technology capabilities, we expect the growth in paying subscription rates will continue to support the strong momentum in future revenue growth.

Notwithstanding the good performance of products for casual use cases in the first half of the year, in terms of productivity tools, we also focused on building productivity tools around the "AI workflows for vertical scenes in digital content creation" and made noticeable progress. As of June 30, 2024, *美圖設計室* (known as "*X-Design*" outside of Mainland China), which focuses on "AI workflow for e-commerce design", had approximately 0.96 million paying subscribers (as of December 31, 2023: approximately 0.87 million) with product revenue growing by over approximately 152% year-on-year in the first half of this year, also contributing incremental revenue to photo, video and design products. In addition, *Kaipai(開拍)*, which focuses on the "AI workflow for podcast videos production", also performed well. Since its launch, *Kaipai's(開拍)* users have created over 50 million pieces of content cumulatively.

On June 12, 2024, we held the third Meitu Multimedia Festival, releasing and upgrading six productivity tools, further expanding our photo and video product portfolios from "content creation tools" to "digital marketing analysis". In the content creation field, besides upgrading our existing core productivity products, such as the team version of *美圖設計室* (known as "*X-Design*" outside of Mainland China) with new visual asset management functions, we also expanded into the video production field. In the digital marketing analysis field, we released a new product, *QIMI*, providing clients with a one-stop solution from material creation to placement, which is currently prioritized and applied in the game advertising industry.

At the beginning of this year, we completed the acquisition of the leading visual creative community Zcool in the People's Republic of China ("**PRC**"), developing the ecosystem in the photo and video field. Currently, Zcool's revenue mainly comes from the sale of commercial copyrighted materials. The attributes of the Zcool community are expected to enhance our photo, video and design products. For example, we can increase the exposure and usage of Meitu GenAI productivity tools among design and creativity community via GenAI education in Zcool, which will enhance usage in Meitu products and strengthen the brand image related to GenAI. Meanwhile, as a commercial copyright platform, Zcool HelloRF under Zcool can also enrich the material resources of Meitu's productivity tools, such as *美圖設計室* (known as "*X-Design*" outside of Mainland China).

Solutions for beauty industry

For the six months ended June 30, 2024, revenue from solutions for beauty industry decreased by 5.5% year-on-year to RMB270.6 million (six months ended June 30, 2023: revenue of RMB286.4 million). Given the performance of this business in the past year, we will be more cautious in our future revenue growth expectations for this business. However, as it is a non-strategic core business in its own right, coupled with a very low gross profit margin, it will not have a significant impact on the Group's net profit even if it grows slowly in the future.

Currently, a majority of the revenues of this business is generated from our solutions for beauty industry. 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 have further developed our solutions for beauty industry to help our customers to optimize their cosmetic purchasing decisions.

We also provide AI skin analysis solutions for the beauty industry to skincare brands, medical aesthetic clinics and beauty salons under the brand *EveLab Insight* (and *MeituEve* within the PRC). Using our skin analyser hardware and related AI skin analysis software, 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.

Advertising

Our revenue from advertising increased by 18.3% year-on-year to RMB412.9 million for the six months ended June 30, 2024 (six months ended June 30, 2023: revenue of RMB349.2 million). Our advertising business continued its growth trend.

In terms of the type of advertisement, our programmatic advertisement performed particularly well, with a revenue growth rate of 45% year-on-year. We continuously optimize our programmatic advertising operations, such as increasing ad fill rates without significantly disturbing users, promoting rapid growth in advertising revenue.

Due to successful progress of globalisation of products in the first half of the year, global advertisement revenue (excluding Mainland China) increased by 129% year-on-year.

Others

For the six months ended June 30, 2024, other revenue from the Group decreased by 69.3% year-on-year to RMB7.1 million (six months ended June 30, 2023: revenue of RMB23.1 million). Focusing on the core strategy of "Productivity and Globalisation", our resource allocation has increasingly focused on photo, video and design products related businesses.

Cost of sales

Our cost of sales increased to RMB568.5 million for the six months ended June 30, 2024, up 12.2% from RMB506.9 million for the six months ended June 30, 2023,

The expansion of our core business (photo, video and design products) has led to a 49.5% year-on-year increase in subscription-related channel sharing fees. Additionally, due to our product features, especially with the integration of more GenAI technology into paid subscription features, the use of these features by users will also drive up costs related to GenAI inference. In the first half of the year, our foundational cloud and GenAI inference-related costs increased by 35.2% year-on-year.

Gross Profit and Margin

Our gross profit for the six months ended June 30, 2024 was RMB1,052.6 million, a 39.6% increase from RMB754.0 million for the six months ended June 30, 2023. Our gross margin increased to 64.9% for the six months ended June 30, 2024, from 59.8% for the same period last year, due to the increased revenue from relatively high gross margin businesses, such as photo, video and design products and advertising businesses.

Research and Development Expenses

Research and development expenses were approximately RMB425.3 million for the six months ended June 30, 2024, representing a 44.5% increase from approximately RMB294.3 million for the same period last year, mainly due to increased expenses related to GenAI training (such as arithmetic power expenses and expense for hiring employees on research and development).

Selling and Marketing Expenses

Selling and marketing expenses were approximately RMB205.0 million for the six months ended June 30, 2024, representing a 7.5% decrease from approximately RMB221.6 million for the six months ended June 30, 2023, mainly due to a decrease in related selling and marketing staff costs and an increase in promotion expenses.

Administrative Expenses

Administrative expenses were approximately RMB177.6 million for the six months ended June 30, 2024, representing a 23.2% increase from approximately RMB144.1 million for the same period last year, mainly due to increased staff costs.

Reversal of Impairment Losses on Cryptocurrencies

As of June 30, 2024, the fair values of Ether and Bitcoin acquired by the Group determined based on the then prevailing market prices were approximately US$105.21 million and US$57.95 million, respectively. In accordance with the relevant accounting standards under IFRSs, the Group accounted for the acquired cryptocurrencies as intangible assets and adopted the cost model for the measurement.

Based on impairment tests by comparing the recoverable amounts of cryptocurrencies to their carrying amounts, a reversal of impairment losses on the acquired cryptocurrencies of approximately RMB68.1 million was recognized, which was the reversal of impairment losses in relation to the Bitcoin acquired by the Group.

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.

Other Income

Other income was RMB21.5 million for the six months ended June 30, 2024, down from RMB38.0 million for the six months ended June 30, 2023, mainly due to a decrease in subsidy.

Other Gains/(Losses), Net

Other gains, net were approximately RMB1.4 million for the six months ended June 30, 2024, compared to a net loss of approximately RMB83.4 million for the six months ended June 30, 2023, primarily attributable to (i) an increase of approximately RMB1.6 million in fair value of the Group's long-term investments (six months ended June 30, 2023: loss on fair value changes of approximately RMB42.7 million); (ii) a one-off remeasurement loss of approximately RMB41.0 million on consideration payable to non-controlling shareholders of a subsidiary for the six months ended June 30, 2023.

Finance Income, Net

Finance income, net mainly comprised of bank interest income and foreign exchange gains. Our finance income, net increased by approximately 1.3% to approximately RMB23.9 million for the six months ended June 30, 2024, from approximately RMB23.6 million for the six months ended June 30, 2023, primarily due to the increase in bank interest income.

Income Tax Expense

Income tax expenses for the six months ended June 30, 2024 were RMB39.9 million, compared to RMB27.1 million for the six months ended June 30, 2023, mainly attributable to the growing profitability driven by the continuous improvement in revenue from the Group's principal business.

Profit for the Period and Non-IFRSs Measure: Adjusted Net Profit

Net profit for the six months ended June 30, 2024 rose to RMB303.7 million, compared to RMB209.5 million for the six months ended June 30, 2023, mainly due to the incremental profit contribution from the core business. Under the empowerment of GenAI technology, the strong growth momentum in the revenue of our photo, video and design products business, which have relatively high gross margins, contributed to the steady release of operating leverage.

To supplement our consolidated financial statements which are presented in accordance with the IFRSs, we also use a non-IFRSs financial measure, "Adjusted Net Profit/(Loss)", as an additional financial measure, which is not required by, or presented in accordance with IFRSs. For the purpose of this announcement, "Adjusted Net Profit/(Loss)" will be used interchangeably with "Non-GAAP Net Profit/(Loss)". We believe that this additional financial measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that this measure provides useful information to 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 such non-IFRSs measure has limitations as an analytical tool, and should not be considered 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 for the six months ended June 30, 2024 was RMB272.8 million, compared to RMB151.3 million for the six months ended June 30, 2023. This increase was primarily driven by the sustained release of operating leverage due to revenue growth in our high-margin core business of photo, video and design products powered by GenAI technologies. From the fourth quarter of 2019, we started to make a positive Adjusted Net Profit attributable to Owners of the Company for consecutive fiscal reporting periods.

The following table reconciles our adjusted net profit/(loss) for the six months ended June 30, 2024, and 2023 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Six months ended June 30,					
	2024			2023		
(RMB'000, unless specified)	**Total**	**Owners of the Company**	**Non-controlling interests**	Total	Owners of the Company	Non-controlling interests
Profit/(Loss) for the period	**303,721**	**303,428**	**293**	209,469	227,627	(18,158)
Excluding:						
Share-based compensation	**33,636**	**33,636**	**–**	32,983	31,555	1,428
Changes in fair value of long-term investments	**(1,580)**	**(1,580)**	**–**	44,789	44,789	–
Remeasurement losses on consideration to non-controlling shareholders of a subsidiary	**–**	**–**	**–**	40,970	40,970	–
Amortization of intangible assets and other expenses related to acquisition	**4,482**	**3,675**	**807**	2,200	1,394	806
Reversal of impairment losses on cryptocurrencies	**(68,145)**	**(68,145)**	**–**	(185,563)	(185,563)	–
Tax effects	**(1,480)**	**(1,358)**	**(122)**	(9,597)	(9,476)	(121)
Other one-off gains	**3,144**	**3,144**	**–**	–	–	–
Adjusted net profit/(loss) for the period	**273,778**	**272,800**	**978**	135,251	151,296	(16,045)

Non-controlling Interests

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

Liquidity, Financial Resources and Gearing

Our cash and other liquid financial resources as of June 30, 2024, and December 31, 2023 were as follows:

	June 30, 2024	December 31, 2023
	RMB'000	*RMB'000*
Cash and cash equivalents	**351,504**	640,629
Short-term bank deposits and current portion of long-term bank deposits	**770,759**	532,959
Long-term bank deposits	**40,000**	90,000
Short-term investments	**136,240**	140,850
Cash and other liquid financial resources	**1,298,503**	1,404,438

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 of generating 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 Renminbi, United States dollar and Hong Kong dollar.

Treasury Policy

We have adopted a prudent financial management approach towards our treasury policies and thus maintained a healthy liquidity position for the six months ended June 30, 2024. 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 computer software.

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Purchase of property and equipment	**32,823**	28,602
Purchase of intangible assets	**5,537**	242
Total	**38,360**	28,844

Long-term Investment Activities

We have made minority investments that we believe have technologies or businesses that complement and benefit our businesses. 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.

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Investment in financial assets at fair value through profit or loss	**157,530**	5,000
Investment in associates	**8,178**	4,875
Investment in a joint venture	**–**	10,000
Total	**165,708**	19,875

Foreign Exchange Risk

Our Group's subsidiaries are 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 business partners outside of Mainland China. We did not hedge against any fluctuation in foreign currency for the six months ended June 30, 2024 and 2023.

Pledge of Assets

As of June 30, 2024, we pledged a restricted deposit of approximately RMB300,000 (as of December 31, 2023: approximately RMB300,000) to guarantee payment of certain operating expenses and pledged a term deposit of approximately RMB20,000,000 (as of December 31, 2023: nil) to guarantee a bank borrowing.

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities (as of December 31, 2023: nil).

Borrowings and Gearing Ratio

As of June 30, 2024, we made bank borrowings of approximately RMB93.80 million at an annualized interest rate of 2.32% (as of December 31, 2023: approximately RMB14.98 million at an annualized interest rate of 3.77%). Therefore, the gearing ratio of the Group was 2.10% as of June 30, 2024 (as of December 31, 2023: 0.36%). The gearing ratio was calculated as the total borrowings divided by the total equity on the respective reporting date. For this purpose, total debt is defined as bank loan as shown in the consolidated balance sheet. The Group's gearing ratio remained at a relatively low level as the Group did not place material reliance on borrowings to finance the Group's operation.

Employee and Remuneration Policy

The Group had a total of 2,285 full-time employees as of June 30, 2024 (as of June 30, 2023: 2,212), a majority of whom were based in various cities in the PRC, including Xiamen (headquarter), 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 (which had expired and terminated on February 15, 2024), Post-IPO Share Option Scheme of the Company (which was terminated on June 5, 2024), Post-IPO Share Award Scheme of the Company, 2024 Share Award Scheme of the Company, the EveLab Insight Share Award Scheme and the Pixocial Holdings Share Option Scheme. During the six months ended June 30, 2024, 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.

Significant Investments Held

Investments in Cryptocurrency

During the six months ended June 30, 2024, 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 June 30, 2024, the fair values of the Acquired Ether and the Acquired Bitcoin determined based on the then prevailing market prices were approximately US$105.21 million and US$57.95 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 six months ended June 30, 2024, we did not conduct any acquisitions or disposals that constituted notifiable transactions for the Company.

Minority Investments

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

Details of this investment will be disclosed in the interim report of the Company for the six months ended June 30, 2024 to be published in September 2024.

Save as disclosed above, there were no other significant investments held by the Group during the six months ended June 30, 2024.

Future Plans for Material Investments and Capital Assets

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

Save as disclosed in this announcement, the Group did not have any other plans for material investments and capital assets as of June 30, 2024.

Material Acquisition and Disposal of Subsidiaries, Associates and/or Joint Ventures

On February 2, 2024, Meitu Investment Ltd (a wholly-owned subsidiary of the Company) ("**Meitu Investment**"), Ming and Lily Design Limited ("**Liang Holdco**"), Lily Advertising Limited ("**Zhao Holdco**"), JXL Advertising Co., Ltd. ("**Ji Holdco**", together with Liang Holdco and Zhao Holdco, the "**Founder Holdcos**"), Yixuan Club Limited ("**Lu Holdco**"), TianFamilyTree Limited ("**Tian Holdco**", together with Lu Holdco, the "**Former Founder Holdcos**", and the Founder Holdcos together with the Former Founder Holdcos, the "**Ordinary Vendors**"), IDG China Media Fund II L.P. ("**IDG**"), HES Ventures II, LLC ("**Hearst**"), Shutterstock (UK) LTD ("**Shutterstock (UK)**"), VNTR V Holdings Limited ("**Hillhouse**", together with IDG, Hearst and Shutterstock (UK), the "**Investor Vendors**", and the Ordinary Vendors together with the Investor Vendors, the "**Zcool Vendors**"), Mr. Liang Yaoming(梁耀明)("**Mr. Liang**"), Ms. Zhao Lili(趙俐俐)("**Ms. Zhao**"), Mr. Ji Xiaoliang(紀曉亮)("**Mr. Ji**", together with Mr. Liang and Ms. Zhao, the "**Zcool Founders**"), Mr. Lu Wei(蘆偉)("**Mr. Lu**"), Ms. Tian Caixia(田彩霞), Zcool Network and its subsidiaries, namely, Zcool Network Technology Hong Kong Limited ("**Zcool HK**"), Beijing Zcool Creative Technology Co., Ltd. ("**Beijing Zcool**"), Beijing Zcool Network Technology Co., Ltd. (the "**Domestic Company**"), Beijing Zcool Education Technology Co., Ltd. ("**Zcool Education**"), Xi'an Zcool Fengqi Network Technology Co., Ltd. ("**Xi'an Zcool**"), and Nanjing Zcool Intellectual Property Agency Co., Ltd. ("**Nanjing Zcool**", together with Zcool Network, Zcool HK, Beijing Zcool, the Domestic Company, Zcool Education, Xi'an Zcool and Nanjing Zcool, "**Zcool Network Group**"), entered into a sale and purchase agreement (the "**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 Zcool Network Group ("**Zcool ESOP Holders**") pursuant to the employee share incentive plans adopted by the Zcool Network Group prior to the date of the Zcool SPA ("**Zcool ESOP Plans**")), (ii) 24,590,164 series A 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 (collectively, the "**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) were satisfied by allotment and issue of 52,992,166 new shares of the Company to certain Zcool Vendors and the remaining balance of approximately US$21,856,324 (equivalent to approximately HK$170,870,555) were 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, were 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) were payable to the Zcool ESOP Holders, out of which US$803,394 (equivalent to approximately HK$6,280,854) were 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) were satisfied by allotment and issuance of 3,990,232 new shares of the Company to 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 (for the benefits of the Zcool ESOP Holders).

Completion of the Zcool Acquisition took place on March 27, 2024 and Zcool Network has become an indirect wholly-owned subsidiary of the Company, the financial results of which had been 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, we did not conduct any other material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended June 30, 2024.

Important Events after the Reporting Date

There were no important events affecting the Company which occurred after June 30, 2024 and up to the date of this announcement.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited Six months ended June 30, 2024** *RMB'000*	Unaudited Six months ended June 30, 2023 *RMB'000*
Revenue	*3*	**1,621,159**	1,260,881
Cost of sales	*4*	**(568,546)**	(506,859)
Gross profit		**1,052,613**	754,022
Selling and marketing expenses	*4*	**(204,970)**	(221,599)
Administrative expenses	*4*	**(177,578)**	(144,105)
Research and development expenses	*4*	**(425,274)**	(294,264)
Net impairment losses on financial assets		**(2,633)**	(8,314)
Reversal of impairment losses on cryptocurrencies	*9*	**68,145**	185,563
Other income		**21,500**	37,973
Other gains/(losses), net	*5*	**1,448**	(83,404)
Finance income, net		**23,896**	23,578
Share of losses of investments accounted for using the equity method		**(13,489)**	(12,892)
Profit before income tax		**343,658**	236,558
Income tax expense	*6*	**(39,937)**	(27,089)
Profit for the period		**303,721**	209,469
Profit/(loss) attributable to:			
– Owners of the Company		**303,428**	227,627
– Non-controlling interests		**293**	(18,158)
		303,721	209,469
Earnings per share for profit attributable to owners of the Company for the period (expressed in RMB per share)	*7*		
– Basic		**0.07**	0.05
– Diluted		**0.06**	0.05

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended June 30, 2024	Unaudited Six months ended June 30, 2023
	RMB'000	*RMB'000*
Profit for the period	**303,721**	209,469
Other comprehensive (loss)/income, net of tax		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**2,285**	12,002
Items that will not be reclassified to profit or loss		
Currency translation differences	**5,004**	33,465
Change in fair value of financial assets at fair value through other comprehensive income	**(6,024)**	(2,397)
Other comprehensive income for the period, net of tax	**1,265**	43,070
Total comprehensive income for the period, net of tax	**304,986**	252,539
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	**304,693**	269,741
– Non-controlling interests	**293**	(17,202)
	304,986	252,539

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited June 30, 2024** *RMB'000*	Audited December 31, 2023 *RMB'000* (Restated) *(Note 2)*
ASSETS			
Non-current assets			
Property and equipment	*9*	**481,435**	464,129
Right-of-use assets		**63,731**	75,513
Intangible assets	*9*	**1,237,512**	775,754
Long-term investments			
– Investments in associates and joint ventures		**117,908**	122,306
– Financial assets at fair value through profit or loss		**1,557,377**	1,404,424
– Financial assets at fair value through other comprehensive income		**31,226**	36,730
Prepayments and other receivables		**11,170**	20,243
Deferred tax assets		**13,058**	9,291
Term deposits		**40,000**	90,000
		3,553,417	2,998,390
Current assets			
Inventories		**42,103**	53,838
Trade receivables	*10*	**443,813**	387,747
Prepayments and other receivables		**951,419**	919,635
Contract costs		**151,528**	92,838
Short-term investments		**136,240**	140,850
Term deposits		**770,759**	532,959
Restricted cash		**300**	300
Cash and cash equivalents		**351,504**	640,629
		2,847,666	2,768,796
Total assets		**6,401,083**	5,767,186

	Note	Unaudited June 30, 2024 *RMB'000*	Audited December 31, 2023 *RMB'000* (Restated) *(Note 2)*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**287**	283
Share premium		**7,104,222**	7,093,781
Reserves		**118,811**	83,911
Accumulated losses		**(2,765,690)**	(3,069,118)
		4,457,630	4,108,857
Non-controlling interests		**5,136**	4,843
Total equity		**4,462,766**	4,113,700
Liabilities			
Non-current liabilities			
Lease liabilities		**35,332**	45,346
Deferred tax liabilities		**212,952**	209,151
		248,284	254,497
Current liabilities			
Borrowings		**93,804**	14,980
Trade and other payables	*11*	**689,893**	735,209
Lease liabilities		**26,978**	29,955
Income tax liabilities		**91,599**	60,689
Contract liabilities		**652,350**	423,585
Convertible redeemable preferred shares	*12*	**135,409**	134,571
		1,690,033	1,398,989
Total liabilities		**1,938,317**	1,653,486
Total equity and liabilities		**6,401,083**	5,767,186

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended June 30, 2024	Unaudited Six months ended June 30, 2023
	RMB'000	*RMB'000*
Net cash generated from operating activities	**265,973**	144,626
Net cash used in investing activities	**(461,996)**	(300,172)
Net cash used in financing activities	**(94,495)**	(138,269)
Net decrease in cash and cash equivalents	**(290,518)**	(293,815)
Cash and cash equivalents at the beginning of the period	**640,629**	946,602
Effects of exchange rate changes on cash and cash equivalents	**1,393**	11,786
Cash and cash equivalents at the end of the period	**351,504**	664,573

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

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, solutions for beauty industry and advertising services in the People's Republic of China (the "**PRC**") and other countries or regions.

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

The interim condensed consolidated balance sheet as of June 30, 2024, and the related interim condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended, and selected explanatory notes (collectively defined as the "**Interim Financial Information**") of the Group have been approved for issue by the Board of Directors ("**Board**") on August 28, 2024.

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

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

2 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2023, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2023, as described in those annual financial statements, except for the adoption of new and amended IFRS Accounting Standards effective for the financial period beginning on January 1, 2024.

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

(a) The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2024:

Amendments to IAS 1 *(Note(i))*	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current liabilities with covenants
Amendments to IFRS 16	Leases liability in a sale and leaseback
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements

(i) As a result of the adoption of the amendments to IAS 1 – Classification of Liabilities as Current or Non-current, the Group changed its accounting policy for the classification of convertible redeemable preferred shares as below:

Convertible redeemable preferred shares are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments to IAS 1 has also clarified what IAS 1 aims to mean when it refers to 'settlement' of a liability. Under the amendments to IAS 1, terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an 'equity instrument'. However, conversion options that are classified as a 'liability' must be considered when determining the current/non-current classification of a convertible instrument. In the past, such conversion options, whether classified as an equity instrument or liability, did not affect the current/non-current classification of its host liability. The adoption of the amendments to IAS 1 has resulted in a change in the Group's accounting policy on current/non-current classification of convertible instruments and the impact of which is summarised below.

On October 12, 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**") and the fair value of RMB134,571,000 was classified as a non-current liability as of December 31, 2023. The conversion option does not meet the definition of an equity instrument and can be exercised at holder's discretion at any time. Due to the abovementioned change in the Group's accounting policy, the convertible redeemable preferred shares has been reclassified as a current liability retrospectively by restating the balances as of December 31, 2023 as follows:

	As previously reported	**Effect of change in accounting policy**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
As of 31 December 2023			
Convertible redeemable preferred shares – current	–	134,571	134,571
Convertible redeemable preferred shares – non-current	134,571	(134,571)	–

This change in accounting policy does not have any impact to Group's profit or earnings per share for the six months ended June 30, 2024.

Except for those as mentioned above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or revised interpretation.

(b) The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning January 1, 2024 and have not been early adopted:

New standards, amendments, improvement and interpretation		**Effective for accounting periods beginning on or after**
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3 Revenue and segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director of the Company that makes strategic decisions. The Group does not distinguish between markets or segments for the purpose of internal reporting. As of June 30, 2024, the total non-current assets other than financial instruments and deferred tax assets located in the PRC and other countries or regions amounted to RMB828,022,000 (December 31, 2023: RMB686,934,000) and RMB965,826,000 (December 31, 2023: RMB648,706,000), respectively.

The results of the revenue for the six months ended June 30, 2024 and 2023 are as follows:

	Unaudited Six months ended June 30, 2024	Unaudited Six months ended June 30, 2023
	RMB'000	*RMB'000*
Photo, video and design products	**930,573**	602,190
Solutions for beauty industry *(Note (i))*	**270,574**	286,444
Advertising	**412,914**	349,161
Others	**7,098**	23,086
Total revenue	**1,621,159**	1,260,881

(i) Solutions for beauty industry was mainly generated from sales of cosmetic and smart hardware products amounting to RMB258,559,000 during the six months ended June 30, 2024 (six months ended June 30, 2023: RMB273,914,000).

	Unaudited Six months ended June 30, 2024	Unaudited Six months ended June 30, 2023
	RMB'000	*RMB'000*
Timing of revenue recognition		
Over time	**1,288,782**	902,283
At a point in time	**332,377**	358,598
	1,621,159	1,260,881

No revenue from any customer exceeded 10% or more of the Group's revenue for the six months ended June 30, 2024 and 2023.

4 Expenses by nature

	Unaudited Six months ended June 30, 2024	Unaudited Six months ended June 30, 2023
	RMB'000	*RMB'000*
Employee benefit expenses	**529,832**	468,655
Inventories consumed and recognized as cost of sales	**243,570**	260,650
Revenue sharing fee to payment channels	**193,578**	128,044
Promotion and advertising expenses	**114,861**	101,413
Bandwidth and storage related costs	**153,420**	71,409
Depreciation of property and equipment and right-of-use assets	**31,547**	20,986
Tax and levies	**11,464**	16,941
Travelling and entertainment expenses	**10,826**	10,935
Amortization of intangible assets *(Note 9)*	**6,566**	3,779
Others	**80,704**	84,015
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	**1,376,368**	1,166,827

5 Other gains/(losses), net

	Unaudited Six months ended June 30, 2024	Unaudited Six months ended June 30, 2023
	RMB'000	*RMB'000*
Fair value changes on financial assets at fair value through profit or loss	**1,611**	(42,651)
Gains on short-term investments	**3,848**	3,451
Remeasurement losses on consideration to non-controlling shareholders of a subsidiary	**–**	(40,970)
Others	**(4,011)**	(3,234)
	1,448	(83,404)

6 Income tax expense

The income tax expense of the Group for the six months ended June 30, 2024 and 2023 are analyzed as follows:

	Unaudited Six months ended June 30, 2024 *RMB'000*	Unaudited Six months ended June 30, 2023 *RMB'000*
Current income tax	**42,892**	37,867
Deferred income tax	**(2,955)**	(10,778)
	39,937	27,089

(i) Cayman Islands and BVI Income Tax

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

(ii) Hong Kong Income Tax

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.

(iii) Corporate income tax in other countries

Income tax rates for subsidiaries in other jurisdictions, including the United States, Japan, Australia, France 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 period.

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

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

Meitu Home and Beijing Zcool Network Technology Co., Ltd. have been qualified as an "High and New Technology Enterprise" ("**HNTE**") under the EIT Law and was entitled to a preferential income tax rate of 15% for the six months ended June 30, 2024.

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**").

7 Earnings per share

(a) Basic

	Unaudited Six months ended June 30, 2024	Unaudited Six months ended June 30, 2023
Earnings attributable to owners of the Company for the calculation of basic EPS *(RMB'000)*	**303,428**	227,627
Weighted average number of ordinary shares in issue *(thousand)*	**4,468,204**	4,405,516
Basic earnings per share *(in RMB/share)*	**0.07**	0.05

(b) Diluted

The shares options awarded under Pre-IPO ESOP, awarded shares under the Post-IPO Share Award Scheme, awarded shares under Share Incentive to Senior Management of Subsidiaries, awarded share arising from a business combination 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).

The calculation of diluted EPS for the six months ended June 30, 2024 and 2023 are as follows:

	Unaudited Six months ended June 30, 2024	Unaudited Six months ended June 30, 2023
Earnings attributable to owners of the Company for the calculation of basic EPS *(RMB'000)*	**303,428**	227,627
Dilution effect arising from convertible redeemable preferred shares issued by a subsidiary	**(15,660)**	—
Earnings attributable to owners of the Company for the calculation of diluted EPS *(RMB'000)*	**287,768**	227,627
Weighted average number of ordinary shares in issue *(thousand)*	**4,468,204**	4,405,516
Adjustments for share options and awarded shares *(thousand)*	**15,927**	57,700
Weighted average number of ordinary shares for the calculation of diluted EPS *(thousand)*	**4,484,131**	4,463,216
Diluted EPS *(RMB per share)*	**0.06**	0.05

8 Dividends

Final dividend amounting to RMB148,827,000 had been approved by the shareholders of the Company on June 5, 2024, out of which RMB146,085,000 was paid and claimed during the six months ended June 30, 2024 (six months ended June 30, 2023: RMB81,395,000), while the remaining RMB2,742,000 remained unclaimed as of June 30, 2024.

A final dividend in respect of the year ended December 31, 2023 of Hong Kong dollars ("**HK$**") 0.036 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 15, 2024 and approved by the shareholders of the Company at the 2024 annual general meeting of the Company held on June 5, 2024.

9 Property and equipment and intangible assets

(a) 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 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
Unaudited Six months ended June 30, 2024					
Opening net book amount	4,743	26,108	416,736	16,542	464,129
Acquisition of a subsidiary	–	634	–	22	656
Additions	23,570	7,443	–	1,810	32,823
Transfer from construction in progress to buildings and others	(24,710)	753	4,694	19,263	–
Depreciation charges	–	(5,358)	(5,909)	(4,459)	(15,726)
Disposals	–	(396)	–	(51)	(447)
Closing net book amount	3,603	29,184	415,521	33,127	481,435
As of June 30, 2024					
Cost	3,603	89,046	430,952	58,564	582,165
Accumulated depreciation and impairment	–	(59,862)	(15,431)	(25,437)	(100,730)
Net book amount	3,603	29,184	415,521	33,127	481,435

(b) Intangible assets

	Crypto-currencies *RMB'000*	Goodwill *(Note (ii))* *RMB'000*	Brand name *RMB'000*	Computer software *RMB'000*	Copyrights and Others *RMB'000*	Total *RMB'000*
As of December 31, 2023						
Cost	708,270	271,272	–	19,026	87,806	1,086,374
Accumulated amortization and impairment	(67,809)	(188,602)	–	(10,213)	(43,996)	(310,620)
Net book amount	640,461	82,670	–	8,813	43,810	775,754
Unaudited						
Six months ended June 30, 2024						
Opening net book amount	640,461	82,670	–	8,813	43,810	775,754
Additions	–	–	–	3,805	1,732	5,537
Acquisition of a subsidiary	–	313,673	59,800	16,337	717	390,527
Amortization charges	–	–	(1,377)	(1,914)	(3,275)	(6,566)
Reversal of impairment losses *(Note (i))*	68,145	–	–	–	–	68,145
Currency translation differences	4,074	–	–	–	41	4,115
Closing net book amount	712,680	396,343	58,423	27,041	43,025	1,237,512
As of June 30, 2024						
Cost	712,680	584,945	59,800	39,168	90,370	1,486,963
Accumulated amortization and impairment	–	(188,602)	(1,377)	(12,127)	(47,345)	(249,451)
Net book amount	712,680	396,343	58,423	27,041	43,025	1,237,512

(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 are higher than its carrying amount.

The costs of cryptocurrencies of the Group are presented below:

	As of June 30, 2024 *RMB'000*
Ethers	**360,018**
Bitcoins	**352,662**
	712,680

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

As of June 30, 2024, the Group carried out impairment tests for Ethers and Bitcoins, respectively. Based on these impairment tests by comparing the recoverable amounts of cryptocurrencies to their carrying amounts, the reversal of impairment losses of RMB68,145,000 in total was recognized in profit or loss by the Group for the six months ended June 30, 2024 (for the six months ended June 30, 2023: reversal of impairment losses of RMB185,563,000).

(ii) Impairment tests for goodwill

As of June 30, 2024, goodwill was allocated to the Group's cash-generating units ("**CGUs**") identified as follows:

	Unaudited As of June 30, 2024 *RMB'000*	Audited As of December 31, 2023 *RMB'000*
Photo and video copyright trading and design services	**313,673**	–
Cosmetic stores ERP SaaS and supply chain business	**66,266**	66,266
Advertising agency services	**16,404**	16,404
	396,343	82,670

Goodwill of the Group is tested for impairment whenever there is any indication of impairment or annually at year-end. As there were no indicators for impairment of any of above CGUs, management has not updated any impairment calculations for the six months ended June 30, 2024.

10 Trade receivables

The Group grants a credit period of 30 to 120 days to its customers. As of June 30, 2024 and December 31, 2023, the aging analysis of trade receivables (net of allowance for doubtful debts) based on transaction date were as follows:

	Unaudited As of June 30, 2024 *RMB'000*	Audited As of December 31, 2023 *RMB'000*
Trade receivables		
Up to 6 months	**435,938**	379,726
6 months to 1 year	**5,788**	5,848
Over 1 year	**2,087**	2,173
	443,813	387,747

As of June 30, 2024 and December 31, 2023, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

11 Trade and other payables

	Unaudited As of June 30, 2024 *RMB'000*	Audited As of December 31, 2023 *RMB'000*
Included in current liabilities		
Payroll and welfare payables	**223,932**	265,952
Trade payables	**173,752**	140,604
Payables to platforms for agency services	**171,827**	244,876
Other tax payables	**33,479**	12,082
Deposits payable	**29,183**	30,377
Contingent cash consideration for a business combination	**15,132**	–
Others	**42,588**	41,318
	689,893	735,209

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

	Unaudited As of June 30, 2024 *RMB'000*	Audited As of December 31, 2023 *RMB'000*
Up to six months	**134,198**	98,990
Over six months	**39,554**	41,614
	173,752	140,604

12 Convertible redeemable preferred shares

As mentioned in note 2(a), a wholly owned subsidiary of the Company, Pixocial, entered into a share subscription agreement with certain third party investors to issue 17,043,417 shares of 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.

(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) a 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.

(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:

	Unaudited As of June 30, 2024 *RMB'000*
As of January 1, 2024	**134,571**
Currency translation differences	**838**
As of June 30, 2024	**135,409**
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 current liabilities as of June 30, 2024 because the convertible redeemable preferred shares may, at the option of the holders thereof, be converted at any time.

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.

OTHER INFORMATION

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

During the six months ended June 30, 2024, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, to 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.

Except for code provision C.2.1 ("**Code Provision C.2.1**") in Part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules, during the six months ended June 30, 2024, the Company has complied with the applicable code provisions of the CG Code for the time being in force.

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 the management and operation of the Group. Further, the Board has also considered and is of the view that the composition of the executive Directors, the non-executive Directors and the independent non-executive Directors on the Board and the various committees of the Board formed to oversee different aspects of the Company's affairs would provide adequate safeguard to ensure a balance of power and authority. As such, the Board considers that the deviation from Code Provision C.2.1 is appropriate in the current situation.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the code of conduct regarding directors' dealings in the securities of the Company. Having made specific enquiry with all the directors, all directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended June 30, 2024 regarding their dealings in the securities of the Company.

The Board has also adopted the Model Code and established internal written guidelines pursuant thereto to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information in respect of securities in the Company as referred to in code provision C.1.3 in Part 2 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the six months ended June 30, 2024 after making reasonable enquiry.

Audit Committee and Review of Financial Statements

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

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended June 30, 2024 and this announcement. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of the senior management and the Company's auditor. Based on the review and discussions with the management, the Audit Committee was satisfied that the Group's unaudited interim financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended June 30, 2024.

Interim Dividend

The Board did not recommend the distribution of interim dividend for the six months ended June 30, 2024.

Use of Net Proceeds from Listing

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

Publication of Interim Results and Interim Report

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.meitu.com. The interim report of the Company for the six months ended June 30, 2024 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

APPRECIATION

Finally, on behalf of everyone at Meitu, we would like to express our sincere gratitude to all our users. We would also like to thank all our employees and management team for demonstrating Meitu's core values in every day's work, and in executing the Group's strategy with professionalism, integrity, and dedication. We will strive to "let art and technology converge elegantly", helping our users to become more beautiful and assisting with the digital transformation of the beauty industry.

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

Hong Kong, August 28, 2024

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

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