2017 Interim Report

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Wensheng *(Chairman of the Board)*
Mr. Wu Zeyuan

Non-Executive Directors

Dr. Guo Yihong
Dr. Lee Kai-Fu

Independent Non-Executive Directors

Mr. Ko Chun Shun Johnson
Mr. Zhou Hao
Ms. Lo Po Man

AUDIT COMMITTEE

Mr. Zhou Hao *(Chairman)*
Mr. Ko Chun Shun Johnson
Dr. Guo Yihong

REMUNERATION COMMITTEE

Mr. Ko Chun Shun Johnson *(Chairman)*
Dr. Lee Kai-Fu
Ms. Lo Po Man

NOMINATION COMMITTEE

Mr. Cai Wensheng *(Chairman)*
Mr. Zhou Hao
Ms. Lo Po Man

JOINT COMPANY SECRETARIES

Mr. Ngan King Leung Gary
Ms. Lee Ka Man

AUTHORIZED REPRESENTATIVES

Mr. Cai Wensheng
Mr. Ngan King Leung Gary

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

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

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Xiamen, Fujian
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon, Hong Kong

LEGAL ADVISORS

As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom

As to PRC law
Jingtian & Gongcheng

As to Cayman Islands law
Conyers Dill & Pearman

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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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

corp.meitu.com

Key Financial and Operational Data

KEY FINANCIAL DATA

	Six months ended June 30, 2017 RMB'000	2016 RMB'000	Year on year change (%)
Revenue	**2,179,791**	585,477	272.3%
— Internet Services and Others	**246,790**	28,630	762.0%
— Smart Hardware	**1,933,001**	556,847	247.1%
Gross Profit	**435,252**	74,481	484.4%
— Internet Services and Others	**38,918**	(34,227)	N/A
— Smart Hardware	**396,334**	108,708	264.6%
Gross Margin	**20.0%**	12.7%	+7.3 p.p.
— Internet Services and Others	**15.8%**	-119.5%	N/A
— Smart Hardware	**20.5%**	19.5%	+1.0 p.p.
Adjusted Net Loss*	**(33,176)**	(255,190)	-87.0%

Note:

* For details of Adjusted Net Loss, please refer to the section headed "Management Discussion and Analysis — Loss for the Period and Non-IFRS Measure: Adjusted Net Profit/(Loss)".

KEY OPERATIONAL DATA

	As of June 30, 2017 '000	2016 '000	Year on year change (%)
Total MAUs	**481,344**	446,359	7.8%
MAU[1] breakdown by product:			
Meitu	**112,570**	102,618	9.7%
BeautyCam	**114,320**	112,862	1.3%
Meipai[2]	**152,129**	141,037	7.9%
Others	**102,325**	89,842	13.9%
MAU breakdown by geography:			
Mainland China	**387,601**	377,369	2.7%
Overseas	**93,743**	68,990	35.9%

(1) MAU of apps other than *Meipai* include in-app users only.

(2) As of June 30, 2017, the MAU of *Meipai* included in-app users of 32.8 million (as of June 30, 2016: 24.6 million) and mobile web users of 119.3 million (as of June 30, 2016: 116.4 million).

Chairman's Statement

Dear Shareholders,

On behalf of the Board of the Company, I hereby present the interim results of the Group for the six months ended June 30, 2017.

In the first half of 2017, we continued to carry out our mission to empower our users to become more beautiful. We are making progress in our platformization effort, as reflected by growing our accumulated unified registered accounts, MTid, to approximately 200 million as of June 30, 2017. In addition, we have also rolled out a unique device identifier system that enables us to gain better insight into our users' preferences across different apps, whether or not they are logged in with the MTid.

On the technology side, we have started to incorporate our artificial intelligence ("**AI**") technologies into various products. For example, the "Creative Backdrop" (百變背景) filter on *Meipai* employed an AI-based video segmentation technology to remove the background from a user-generated video in real-time. This not only empowered users to create a lot of fun and creative videos, but also opened doors for *Meipai* to work with advertisers in creating branded backdrop filters for more interactive marketing. In addition, we upgraded our recommendation algorithms in early 2017, which were one of the key drivers for *Meipai's* significantly increased in-app traffic. We also plan to apply this recommendation engine to serve targeted advertisements in the future.

Our Internet services and others segment generated RMB246.8 million of revenues for the six months ended June 30, 2017, representing growth of 762.0% year on year. Online advertising and Internet value-added services ("**IVAS**") were the two primary growth drivers for this segment. We are pleased to report that the Internet services and others segment has turned profitable at the gross level, generating a gross profit margin of 15.8% for the six months ended June 30, 2017, compared to a gross loss margin of 119.5% for the six months ended June 30, 2016. Operating leverage was the main reason for the quick turnaround in profitability and gross margin expansion.

In addition, according to our unaudited monthly management accounts, we generated positive net profits in two of the six months during the first half of 2017, namely March and May, demonstrating our ability to achieve profitability. However, we believe that in order to maximize long-term shareholder value, it is necessary to accelerate investment, mostly in terms of expenses, in the second half of 2017, of our people, technology and user growth. As a result, we expect to incur a net loss for the year ending December 31, 2017, an outlook that is unchanged from what we have discussed in the prospectus of the Company dated December 5, 2016 (the "**Prospectus**").

The user trend of our first platform product, *Meipai*, was encouraging. As of June 30, 2017, in-app MAU grew 33.3% year on year, indicating much higher user engagement. We have been very focused on building *Meipai's* ecosystem, aiming at incentivizing content creators to produce more videos. Firstly, we have upgraded our recommendation algorithms to not only match user with videos of their interests, but also to predict and cultivate new interests for them. Secondly, we have also rolled out a number of initiatives to help content creators to monetize their talents. This in turn starts a virtuous cycle to incentivize them financially to create more contents. For example, through the launch of the "Project M" platform, KOLs (or key opinion leaders, i.e. content creators with a large number of followers) are efficiently matched with brand advertisers, so they can earn money by producing videos that incorporate marketing elements from those brand advertisers.

For our photo apps, we have focused most of our product development resources in preparation of their platformization, as opposed to launching multiple utility features to fuel user growth in the first half of 2017. As a result, MAU growth rate of *Meitu* and *BeautyCam* has moderated to 9.7% and 1.3% year on year, respectively. However, we see this as a necessary investment phase for the long-term prospects of these apps. By transforming these photo apps into platforms, we will be able to increase the engagement and retention of users, as well as generate more monetization opportunities through better understanding of our user preferences.

APPRECIATION

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 all our employees and management team for demonstrating Meitu's core values in everyday work, and executing our strategy with professionalism, integrity and dedication. I am also thankful for the continued support and trust from our Shareholders and stakeholders. We will strive to make the world a more beautiful place.

Mr. Cai Wensheng
Chairman

Hong Kong
August 24, 2017

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Revenue	**2,179,791**	585,477
Cost of sales	**(1,744,539)**	(510,996)
Gross profit	**435,252**	74,481
Selling and marketing expenses	**(240,398)**	(196,760)
Administrative expenses	**(95,175)**	(70,424)
Research and development expenses	**(199,133)**	(90,511)
Other income	**18,322**	4,498
Other gains/(losses), net	**(65,122)**	(418)
Finance income/(costs), net	**47,811**	2,069
Fair value loss of convertible redeemable preferred shares	**—**	(1,912,208)
Shares of profits/(losses) of investments accounted for using the equity method	**302**	(351)
Loss before income tax	**(98,141)**	(2,189,624)
Income tax expense	**(33,640)**	(115)
Loss for the period	**(131,781)**	(2,189,739)
Loss attributable to:		
— Owners of the Company	**(131,781)**	(2,189,739)
Non-IFRS measure:		
Adjusted Net Loss	**(33,176)**	(255,190)

Revenue

Total revenue increased by 272.3% year on year to RMB2,179.8 million for the six months ended June 30, 2017, compared to RMB585.5 million for the six months ended June 30, 2016. Revenue growth of the Internet services and others segment greatly exceeded that of the smart hardware business, as a result, the Internet services and others segment accounted for 11.3% of total revenues in the first half of 2017, compared to 4.9% in the first half of 2016.

	Six months ended June 30,			
	2017		2016	
	Amount RMB'000	% of total revenues	Amount RMB'000	% of total revenues
Internet services and others	**246,790**	**11.3%**	28,630	4.9%
Smart hardware	**1,933,001**	**88.7%**	556,847	95.1%
Total	**2,179,791**	**100.0%**	585,477	100.0%

Internet services and others

The breakdown of segment revenue of Internet services and others is as follows:

	Six months ended June 30,		Year on year
	2017	2016	change
	RMB'000	RMB'000	(%)
Online advertising	**82,630**	25,903	219.0%
Internet value-added services and others	**164,160**	2,727	5,919.8%
Total	**246,790**	28,630	762.0%

Online advertising

Although the most important factor driving advertising revenue growth was an increase in the number of brand advertisers, we are still adopting the strategy of quality over quantity, prioritizing large brand advertisers to launch innovative marketing campaigns over driving the business through high volume of advertisers. We aim to further grow our advertising business through (i) increasing our advertising inventory fill rate through bringing in more quality advertisers; (ii) launching new advertising format such as branded filters and stickers; (iii) introducing promoted feed advertisements to *Meipai*, and other products after platformization; and (iv) introducing targeted advertisement products to enable advertisers to reach specific audience group base on their demographics or preferences.

Internet value-added services and others

Revenue from IVAS and others increased by more than 59 times year on year to RMB164.2 million for the six months ended June 30, 2017. Our IVAS business mainly composes of sales of virtual items on *Meipai's* live streaming. Such revenue growth was driven by both an increase of (i) average monthly paying users, which increased to 324,773 for the first half of 2017, compared to 58,000 for the first half of 2016; as well as (ii) an increase in average revenue per paying user. *Meipai's* live streaming continued to differentiate itself from other live streaming products through its diversified, lifestyle-related content offerings.

We have also launched a beta test of our e-commerce platform in the second quarter of 2017, gaining tremendous insight into our users' spending preferences and experience in e-commerce operations such as logistics, sourcing and marketing.

Smart hardware

Revenue from the smart hardware segment increased by 247.1% year on year to RMB1,933.0 million for the six months ended June 30, 2017, from RMB556.8 million for the six months ended June 30, 2016 due to an increase in both volume and ASP. The number of smartphone units sold was 847,090 for the six months ended June 30, 2017, as compared to 289,079 for the six months ended June 30, 2016. Timing of new product launch significantly impacts the sales volume of our smartphones in a particular financial period, as typically the monthly sales volume of a new model will be highest in the few months immediately after its launch, and gradually decreases over its product lifecycle. In the first half of 2017, we launched two new models, *Meitu T8* and *Meitu M8*, in February and May, respectively. We currently do not expect to launch as many new models in the second half of 2017.

ASP was RMB2,272 for the six months ended June 30, 2017, as compared to RMB1,903 for the six months ended June 30, 2016. Product mix is a key factor that drives ASP. In February 2017, we introduced *Meitu T8*, a model with a suggested retail price of RMB3,299, which is higher priced compare to the M Series. *Meitu T8* accounted for a meaningful portion of revenues for the first half of 2017. We expect the proportion of sales of the higher priced *Meitu T8* model to reduce in the second half of 2017 as compared to the first half of 2017.

The ASP of a smartphone is calculated by dividing the total revenue from smartphone sales by the number of units sold during the period. Suggested prices aforementioned include applicable value added taxes.

Cost of Sales

Our cost of sales increased by 241.4% year on year to RMB1,744.5 million for six months ended June 30, 2017, compared to RMB511.0 million for the six months ended June 30, 2016.

Internet services and others

Segment cost for Internet services and others increased by 230.7% year on year to RMB207.9 million for the six months ended June 30, 2017, primarily due to (i) revenue-sharing of RMB115.7 million with content creators on the sale of virtual gifts on *Meipai*, a business which we commenced in June 2016; and (ii) an increase in bandwidth and storage related costs by 28.6% to RMB58.5 million, which is primarily correlated to the size and engagement level of our user base on *Meipai*.

Smart hardware

Segment cost for smart hardware increased by 242.9% to RMB1,536.7 million for the six months ended June 30, 2017, from RMB448.1 million ended June 30, 2016, primarily due to the increase in the number of smartphone units sold. The average cost per smartphone, calculated by dividing the total cost of smartphone components by the number of units sold during the period, increased to RMB1,717 for the six months ended June 30, 2017 from RMB1,518 for the six months ended June 30, 2016. The increase was mainly due to introduction of the more premium priced model *Meitu T8* into the business mix which used higher-priced key components as compared to the phones launched in the first half of 2016.

Gross Profit and Margin

Our gross profit increased by 484.4% to RMB435.3 million for the six months ended June 30, 2017, from RMB74.5 million for the six months ended June 30, 2016. Our overall gross margin increased to 20.0% for the six months ended June 30, 2017, from 12.7% for the six months ended June 30, 2016.

	Six months ended June 30,			
	2017		2016	
	Amount RMB'000	Gross margin %	Amount RMB'000	Gross margin %
Internet services and others	**38,918**	**15.8%**	(34,227)	(119.5%)
Smart hardware	**396,334**	**20.5%**	108,708	19.5%
Total	**435,252**	**20.0%**	74,481	12.7%

Internet services and others

Our Internet services and others segment has achieved profitability at the gross level for the first time since our initial public offering ("**IPO**"), generating a gross profit of RMB38.9 million for the six months ended June 30, 2017, compared to a gross loss of RMB34.2 million for the six months ended June 30, 2016.

Gross profit margin was at 15.8% for the six months ended June 30, 2017, compared to gross loss margin of 119.5% for the six months ended June 30, 2016. Operating leverage was the primary reason for the fast expansion of gross margin. Two of the major costs items for this segment, (i) bandwidth and storage related costs and (ii) video content monitoring fee, were primarily correlated to the size and engagement of the user base of *Meipai*. As a result, when revenues ramped up during the first half of 2017, these costs did not grow as fast, thereby generating strong operating leverage.

Smart hardware

Gross profit and margin of our smart hardware segment increased to RMB396.3 million and 20.5% for the six months ended June 30, 2017, from RMB108.7 million and 19.5% for the six months ended June 30, 2016, respectively. Similar to ASP, gross margin of this segment is primarily driven by product mix. The introduction of our higher-priced *Meitu T8*, which also carried a higher gross margin, was the main driver for margin expansion of this segment.

Selling and Marketing Expenses

Selling and marketing expenses increased by 22.2% to RMB240.4 million for the six months ended June 30, 2017, from RMB196.8 million for the six months ended June 30, 2016, primarily due to an increase in personnel related expenses which include share-based compensation. There was no significant fluctuation in the overall promotion and advertising expenses between the two periods.

Research and Development Expenses

Research and development expenses increased by 120.0% to RMB199.1 million for the six months ended June 30, 2017, from RMB90.5 million for the six months ended June 30, 2016, primarily due to an increase in personnel related expenses which include share-based compensation.

Administrative Expenses

Administrative expenses increased by 35.1% to RMB95.2 million for the six months ended June 30, 2017, from RMB70.4 million six months ended June 30, 2016, primarily due to an increase in personnel related expenses which include share-based compensation.

Other Income

Other income increased by 307.3% to RMB18.3 million for the six months ended June 30, 2017, from RMB4.5 million for six months ended June 30, 2016, primarily due to (i) an increase in investment income generated from short-term investments placed with banks; and (ii) an increase in the amount of government grants received during the first half of 2017. The short-term investments placed with banks are redeemable at any time and are principal-guaranteed.

Other Gains/(Losses), Net

Other losses for the six months ended June 30, 2017 increased to RMB65.1 million for the six months ended June 30, 2017, from RMB0.4 million for the six months ended June 30, 2016, primarily due to recognition of net unrealized fair value losses of RMB97.6 million on several early-stage investments. Their financial performances and liquidity positions were below expectation and were therefore written down to their estimated recoverable amount. Such fair value losses were partially offset by the realized gains on disposal of long-term investments of RMB32.7 million, which were also early-stage investments.

Finance Income/(Costs), Net

Finance income/(costs), net mainly comprised of bank interest income and foreign exchange gains/(losses). Our net finance income increased by 2,210.8% to RMB47.8 million for the six months ended June 30, 2017, from RMB2.1 million for the six months ended June 30, 2016, primarily due to an increase in interest income to RMB38.1 million generated by the proceeds from our IPO.

Income Tax Expense

Income tax expenses for the six months ended June 30, 2017 were RMB33.6 million, compared to RMB115,000 for the six month ended June 30, 2016. Although the Group was loss-making on a consolidated level for the six months ended June 30, 2017, some of our entities generated positive net profits and therefore increased our income tax expenses for the Reporting Period.

Loss for the Period and Non-IFRS Measure: Adjusted Net Profit/(Loss)

Net loss for the six months ended June 30, 2017 decreased significantly by 94.0% year on year to RMB131.8 million, compared to RMB2,189.7 million for the six months ended June 30, 2016, mainly because a fair value loss on the convertible redeemable preferred shares of RMB1,912.2 million was recognized for the six months ended June 30, 2016, but did not recur in the six months ended June 30, 2017, as the convertible redeemable preferred shares were automatically converted into ordinary shares upon listing in December 2016.

To supplement our consolidated financial information which is 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 and future interim reports, "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 and company to company by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We also believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the "Adjusted Net Profit/(Loss)" may not be comparable to a similarly titled measure presented by other companies. The use of this non-IFRS 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 Loss decreased by 87.0% to RMB33.2 million for the six months ended June 30, 2017, compared to RMB255.2 million for the six months ended June 30, 2016, primarily due to strengthening business fundamentals. The following table reconciles our Adjusted Net Profit/(Loss) for the six months ended June 30, 2017 and 2016 to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the period:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Loss for the period	**(131,781)**	(2,189,739)
Excluding:		
Fair value loss of convertible redeemable preferred shares	**—**	1,912,208
Share-based compensation	**33,651**	19,911
Changes in fair value on long-term investments	**97,631**	—
Gains on disposal of long-term investments	**(32,677)**	—
One-off listing expenses	**—**	2,430
Adjusted Net Loss	**(33,176)**	(255,190)

Liquidity, Financial Resources and Gearing

Our cash and other liquid financial resources as of June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017 RMB'000	December 31, 2016 RMB'000
Cash and cash equivalents	**1,284,560**	4,508,522
Short-term bank deposits	**4,008,412**	725,229
Short-term investments placed with banks	**—**	280,820
Cash and other liquid financial resources	**5,292,972**	5,514,571

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

Most of our cash and cash equivalents, short-term bank deposits and short-term investments placed with banks are denominated in the 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 six months ended June 30, 2017. 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

	Six months ended June 30, 2017 RMB'000	2016 RMB'000
Purchase of property and equipment	**24,163**	20,804
Purchase of intangible assets	**650**	964
Total	**24,813**	21,768

Our capital expenditures primarily included expenditures for purchases of property and equipment such as servers and computers and intangible assets such as domain names and computer software.

Long-term Investment Activities

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

Foreign Exchange Risk

Our Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners. We did not hedge against any fluctuation in foreign currency for the six months ended June 30, 2017 and 2016.

Pledge of Assets

As of June 30, 2017, we pledged a restricted deposit of RMB1.4 million (as of December 31, 2016: RMB0.4 million) to guarantee payment of certain operating expenses.

Contingent Liabilities

As of June 30, 2017, we did not have any material contingent liabilities (as of December 31, 2016: nil).

Dividends

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2017.

Borrowings

As of June 30, 2017, we did not have any outstanding bank loans and other borrowings. Accordingly, no gearing ratio is presented.

SIGNIFICANT INVESTMENTS HELD

As of June 30, 2017, we did not hold any significant investments in the equity interests of any other companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of June 30, 2017, we did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended June 30, 2017, we did not have any materials acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 1,715 employees as of June 30, 2017, majority of whom were based in various cities in China, including Xiamen (headquarters), Beijing, Shenzhen, Hangzhou 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 ESOP, Post-IPO Share Option Scheme, and Post-IPO Share Award Scheme (as defined below). During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities.

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

As of June 30, 2017, 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 the Stock Exchange pursuant to the Model Code were as follows:

Interest in Shares of the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding[(2)]
Mr. Cai Wensheng[(1)]	Interest of a party to an agreement regarding interest in the Company	1,666,666,670	39.14%
Mr. Wu Zeyuan[(1)]	Interest of a party to an agreement regarding interest in the Company	1,666,666,670	39.14%
Lee Kai-Fu	Interest in a controlled corporation	65,988,303	1.55%

Notes:

(1) Pursuant to the a concert party agreement entered into among Mr. Wu Zeyuan, Mr. Cai Wensheng and Ms. Wang Baoshan (including, where applicable, any entities directly or indirectly controlled by them that directly holds the Shares) (the "**Concert Group**") on August 17, 2016 (the "**Concert Party Agreement**"), 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. The entire interest of Baolink Capital is held by Mr. Cai and the entire interest of Longlink Capital is held by Longlink Limited, which in turn is held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Cai.

(2) The calculation is based on the total number of Shares in issue as of June 30, 2017.

Save as disclosed above, as of June 30, 2017, 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 the Stock Exchange pursuant to Model Code.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2017, the following persons (other than the Directors whose interests have been disclosed in this interim 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:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of holding
Easy Prestige Limited[2][3]	Interest of a party to an agreement regarding interest in the Company[1]	1,666,666,670	39.14%
Xinhong Capital[2]	Interest of a party to an agreement regarding interest in the Company[1]	1,666,666,670	39.14%
Baolink Capital[2]	Interest of a party to an agreement regarding interest in the Company[1]	1,666,666,670	39.14%
Longlink Limited[2][3]	Interest of a party to an agreement regarding interest in the Company[1]	1,666,666,670	39.14%
Longlink Capital[2]	Interest of a party to an agreement regarding interest in the Company[1]	1,666,666,670	39.14%
Lion Trust (Singapore) Limited[2][3]	Trustee of a discretionary trust	1,398,366,670	32.84%
IDG-Accel China Growth Fund GP III Associates Ltd.[4]	Corporate Interest	325,453,690	7.64%
Ho Chi Sing	Corporate Interest	325,453,690	7.64%
Zhou Quan	Corporate Interest	325,453,690	7.64%
IDG-Accel China Growth Fund III L.P.[4]	Beneficial Interest	303,908,660	7.14%
IDG-Accel China III Investors L.P.[4]	Beneficial Interest	21,545,030	0.50%
IDG-Accel China Growth Fund III Associates L.P.[4]	Corporate Interest	303,908,660	7.14%
Qiming Corporate GP III, Ltd.[5]	Corporate Interest	279,512,180	6.56%
Qiming Venture Partners III, L.P.[5]	Beneficial Interest	270,971,410	6.36%
Qiming Managing Directors Fund III, L.P.[5]	Beneficial Interest	8,540,770	0.20%
Qiming GP III, L.P.[5]	Corporate Interest	270,971,410	6.36%
Coleman III Charles P.[6]	Corporate Interest	399,995,180	9.39%
Tiger Global Management, LLC[6]	Investment Manager	399,995,180	9.39%
Tiger Global PIP Management VIII, Ltd.[6]	Corporate Interest	399,995,180	9.39%

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of holding
Tiger Global PIP Performance VIII, L.P.(6)	Corporate Interest	399,995,180	9.39%
Tiger Global Private Investment Partners VIII, L.P.(6)	Corporate Interest	399,995,180	9.39%
Internet Fund Holding II, Ltd.(6)	Corporate Interest	399,995,180	9.39%
Internet Fund II Pte. Ltd.(6)	Beneficial Interest	399,995,180	9.39%
Shleifer Scott	Other	399,995,180	9.39%
Fixel Lee	Other	399,995,180	9.39%
Kingkey Enterprise Holdings Limited	Beneficial Interest	503,324,680	11.82%

Notes:

(1) Pursuant to the Concert Party Agreement.

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

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

(4) To the best of our Directors' knowledge, IDG-Accel China Growth Fund III L.P. ("**IDG-Accel Growth Fund**") and IDG-Accel China III Investors L.P. ("**IDG-Accel Investors Fund**") are both exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of IDG-Accel Growth Fund is IDG-Accel China Growth Fund III Associates L.P., an exempted limited partnership registered under the laws of the Cayman Islands, whose general partner is IDG-Accel China Growth Fund GP III Associates Ltd. ("**IDG-Accel GP III**"), an exempted company incorporated in the Cayman Islands with limited liability. IDG-Accel GP III also serves as the general partner of IDG-Accel Investors Fund. IDG-Accel Growth Fund and IDG-Accel Investors Fund collectively hold 7.64% of the voting rights of the Company as at the date of this interim report.

(5) To the best of our Directors' knowledge, each of Qiming Venture Partners III, L.P. and Qiming Managing Directors Fund III, L.P. is an exempted limited partnership registered in the Cayman Islands on May 6, 2011. The general partner of Qiming Venture Partners III, L.P. is Qiming GP III, L.P., an exempted limited partnership registered under the laws of Cayman Islands whose general partner is Qiming Corporate GP III, Ltd., an exempted company incorporated in the Cayman Islands with limited liability. The general partner of Qiming Managing Directors Fund III, L.P., is Qiming Corporate GP III, Ltd., an exempted company incorporated in the Cayman Islands with limited liability. Qiming Venture Partners III, L.P. and Qiming Managing Directors Fund III, L.P. collectively hold 6.56% of the voting rights of the Company as at the date of this interim report.

(6) To the best of our Directors' knowledge, Coleman III Charles P. is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Tiger Global Management, LLC and Tiger Global PIP Management VIII, Ltd., which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Tiger Global PIP Performance VIII, L.P., which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Tiger Global Private Investment Partners VIII, L.P., which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Internet Fund Holding II, Ltd., which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Internet Fund II Pte. Ltd.

Save as disclosed herein, as of June 30, 2017, no person (other than the Directors whose interests are set out in this interim 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.

SHARE OPTION SCHEMES

1. Employee Share Option Plan

An employee share option plan (the "**ESOP**") was approved and adopted by the Company on February 15, 2014 and amended by resolution of the Board on November 18, 2015. The purpose of the 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 ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of recipients upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent. The terms of the ESOP are not subject to the provisions of Chapter 17 of the Listing Rules as the ESOP was adopted prior to the Listing and all options thereunder were granted prior to the Listing.

As of June 30, 2017, outstanding options representing 95,674,571 underlying Shares were granted to eligible participants pursuant to the ESOP. Details of the ESOP are set out in Note 20 to the interim consolidated financial information.

2. Post-IPO Share Option Scheme

A share option scheme (the "**Post-IPO Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders passed on November 25, 2016.

The purpose of the Post-IPO Share Option Scheme is to enable the Company to grant options to the eligible participants including any employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the Directors determine, as an incentive or a reward for their contribution to the Group.

As of June 30, 2017, 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 10% of the issued share capital of the Company as at the Listing Date.

SHARE AWARD SCHEME

The Company has also adopted a share award scheme (the "**Post-IPO Share Award Scheme**") pursuant to the written resolutions of the Shareholders passed on November 25, 2016.

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.

As of June 30, 2017, 9,571,000 Shares had been granted under the Post-IPO Share Award Scheme. Details of the Post-IPO Share Award Scheme are set out in Note 20 to the interim consolidated financial information.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the six months ended June 30, 2017, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended June 30, 2017.

The Board has also established written guidelines to regulate 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 A.6.4 of the CG Code.

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

Neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's shares for the six months ended June 30, 2017.

USE OF NET PROCEEDS FROM LISTING

Our Shares were listed on the Stock Exchange on December 15, 2016 and the net proceeds raised during our IPO were approximately RMB4,211.5 million. As of June 30, 2017, the Group had:

- deployed approximately RMB1,283 million as working capital for component and raw material sourcing to produce smartphones;
- used approximately RMB33.7 million to invest in or acquire businesses that are complementary to our business;
- used approximately RMB228.9 million to implement sales and marketing initiatives in both China and overseas market;
- used approximately RMB71.1 million to expand Internet services business; and
- used approximately RMB185.2 million to expand research and development capabilities.

The remaining balance of the net proceeds was placed with banks. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, namely Mr. Zhou Hao, Mr. Ko Chun Shun Johnson and Dr. Guo Yihong. Mr. Zhou Hao is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2017. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Auditor. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group's unaudited interim financial information was prepared in accordance with applicable accounting standards.

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 and February 6, 2016. 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, a 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 proven track record of business operations overseas (the "**Qualification Requirements**"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant's interim reports for the past three years, satisfactory proof of the Qualification Requirements and business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC legal advisor has advised us that, (i) this guidance memorandum has no legal or regulatory effect under the PRC laws and (ii) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements.

Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in Meitu Networks when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in China. We are in the process of expanding our overseas value-added telecommunications business through our overseas subsidiaries. We have taken the following measures to meet the Qualification Requirements:

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

Subject to the discretion of the competent authority on whether the Group has fulfilled the Qualification Requirements, our PRC legal advisor is of the view that the above steps taken by us are reasonable, appropriate and sufficient in relation to the Qualification Requirements as the Company has experience in providing value added telecommunications services in overseas markets, which is in accordance with the FITE Regulations and the guidance memorandum.

Our PRC legal advisor conducted a consultation with the relevant government authority, being the MIIT, during which it confirmed that steps such as those taken by us above (e.g. establishing overseas offices, holding overseas domain names and conducting operation of websites and other businesses in relation to value-added telecommunication services) are generally deemed to prove that the Qualification Requirements are fulfilled, subject to a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations.

On July 13, 2006, the MIIT issued the Notice on Strengthening the Administration of Foreign Investment in Operating Value-added Telecommunications Business (the "**MIIT Notice**"). The MIIT Notice further strengthened regulation over foreign investment in value-added telecommunication services, including prohibiting domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or requiring domain names and trademarks used by any value-added telecommunication service providers to be held by either the holder of the ICP License or Shareholders of such ICP License holder. Furthermore, domestic telecommunication service providers are prohibited from providing any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications businesses in China. If the ICP License holder fails to comply with the requirements in the MIIT Notice and fails to remedy its non-compliance within a specified period of time, the MIIT or its local branches may take measures against such license holder, including revoking its ICP License.

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 was not viable for the Company to hold Meitu 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 Meitu Networks and its subsidiaries through the Contractual Arrangements between Meitu Home, the Company's wholly-owned subsidiary in the PRC, on the one hand, and Meitu Networks and its respective shareholders, on the other hand. The Contractual Arrangements allow the results of operations and assets and liabilities of Meitu Networks and its subsidiaries to be consolidated into our results of operations and assets and liabilities under IFRS as if they were wholly-owned subsidiaries of our Group.

Further details of the Contractual Arrangements are set out in the Prospectus and the Company's 2016 annual report published on April 27, 2017.

IMPORTANT EVENTS AFTER REPORTING DATE

Save as disclosed above, no important events affecting the Company occurred after June 30, 2017 and up to the date of this interim report.

Report on Review of Interim Financial Information

To the Board of Directors of Meitu, Inc.

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 24 to 56, which comprises the interim condensed consolidated balance sheet of Meitu, Inc. (the "**Company**") and its subsidiaries (together, the "**Group**") as of June 30, 2017 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 24, 2017

Interim Condensed Consolidated Statement of Income

	Note	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Revenue	6	**2,179,791**	585,477
Cost of sales	7	**(1,744,539)**	(510,996)
Gross profit		**435,252**	74,481
Selling and marketing expenses	7	**(240,398)**	(196,760)
Administrative expenses	7	**(95,175)**	(70,424)
Research and development expenses	7	**(199,133)**	(90,511)
Other income		**18,322**	4,498
Other gains/(losses), net	8	**(65,122)**	(418)
Finance income/(costs), net	9	**47,811**	2,069
Fair value loss of convertible redeemable preferred shares	10	**—**	(1,912,208)
Share of profits/(losses) of investments accounted for using the equity method	11	**302**	(351)
Loss before income tax		**(98,141)**	(2,189,624)
Income tax expense	12	**(33,640)**	(115)
Loss for the period		**(131,781)**	(2,189,739)
Loss attributable to:			
— Owners of the Company		**(131,781)**	(2,189,739)
Loss per share (expressed in RMB per share)	13		
— Basic		**(0.03)**	(1.11)
— Diluted		**(0.03)**	(1.11)

The notes on pages 32 to 56 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Loss for the period		**(131,781)**	(2,189,739)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets			
— Short-term investments		**(820)**	(259)
— Long-term investments		**—**	(4,432)
Currency translation differences		**(121,352)**	(130,706)
Other comprehensive loss for the period		**(122,172)**	(135,397)
Total comprehensive loss for the period, net of tax		**(253,953)**	(2,325,136)
Total comprehensive loss attributable to:			
— Owners of the Company		**(253,953)**	(2,325,136)

The notes on pages 32 to 56 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
ASSETS			
Non-current assets			
Property and equipment	15	**84,802**	79,647
Intangible assets	15	**21,174**	21,705
Long-term investments			
— Investments in associates in the form of ordinary shares	11(a)	**29,575**	6,128
— Financial assets at fair value through profit or loss	11(b)	**239,802**	300,279
Prepayments and other receivables		**46,732**	50,319
		422,085	458,078
Current assets			
Deferred tax assets		**12,288**	—
Inventories		**648,513**	374,342
Trade receivables	16	**236,299**	86,138
Prepayments and other receivables		**175,514**	116,736
Short-term investments placed with banks		**—**	280,820
Short-term bank deposits	17	**4,008,412**	725,229
Restricted cash		**1,400**	400
Cash and cash equivalents		**1,284,560**	4,508,522
		6,366,986	6,092,187
Total assets		**6,789,071**	6,550,265

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**278**	277
Share premium	18	**7,675,978**	17,015,854
Reserves	19	**(182,364)**	(666,751)
Accumulated losses		**(1,692,784)**	(10,332,138)
Total equity		**5,801,108**	6,017,242
Liabilities			
Current liabilities			
Trade payables	21	**665,181**	394,820
Other payables and accruals		**284,017**	137,346
Income tax liabilities		**38,765**	857
		987,963	533,023
Total liabilities		**987,963**	533,023
Total equity and liabilities		**6,789,071**	6,550,265

The notes on pages 32 to 56 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to owners of the Company				
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at January 1, 2017		**277**	**17,015,854**	**(666,751)**	**(10,332,138)**	**6,017,242**
Comprehensive loss						
Loss for the period		**—**	**—**	**—**	**(131,781)**	**(131,781)**
Other comprehensive loss						
Available-for-sale financial assets						
— Short-term investments		**—**	**—**	**(820)**	**—**	**(820)**
Currency translation differences		**—**	**—**	**(121,352)**	**—**	**(121,352)**
Total comprehensive loss for the period ended June 30, 2017		**—**	**—**	**(122,172)**	**(131,781)**	**(253,953)**
Total transactions with owners, recognized directly in equity						
Value of employee services:						
— Pre-IPO ESOP Scheme	20(a)	**—**	**—**	**24,432**	**—**	**24,432**
— Post-IPO Share Award Scheme	20(b)	**—**	**—**	**9,219**	**—**	**9,219**
Shares issued upon exercise of employee share options	18	**1**	**4,167**	**—**	**—**	**4,168**
Share premium set off the accumulated losses	18,19	**—**	**(9,344,043)**	**572,908**	**8,771,135**	**—**
Total transactions with owners as their capacity as owners		**1**	**(9,339,876)**	**606,559**	**8,771,135**	**37,819**
Balance at June 30, 2017		**278**	**7,675,978**	**(182,364)**	**(1,692,784)**	**5,801,108**

Interim Condensed Consolidated Statement of Changes in Equity

		Audited Attributable to owners of the Company				
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at January 1, 2016		121	—	(176,787)	(4,071,141)	(4,247,807)
Comprehensive loss						
Loss for the period		—	—	—	(2,189,739)	(2,189,739)
Other comprehensive loss						
Available-for-sale financial assets						
— Short-term investments		—	—	(259)	—	(259)
— Long-term investments		—	—	(4,432)	—	(4,432)
Currency translation differences	19	—	—	(130,706)	—	(130,706)
Total comprehensive loss for the period ended June 30, 2016		—	—	(135,397)	(2,189,739)	(2,325,136)
Total transactions with owners, recognized directly in equity						
Value of employee services						
— Pre-IPO ESOP Scheme	20(a)	—	—	19,911	—	19,911
Total transactions with owners as their capacity as owners		—	—	19,911	—	19,911
Balance at June 30, 2016		121	—	(292,273)	(6,260,880)	(6,553,032)

The notes on pages 32 to 56 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Cash flows used in operating activities			
Cash used in operations		**(50,351)**	(276,621)
Income tax paid		**(8,021)**	(615)
Net cash used in operating activities		**(58,372)**	(277,236)
Cash flows from investing activities			
Purchase of property and equipment	15	**(24,163)**	(20,804)
Purchase of intangible assets	15	**(650)**	(964)
Proceeds from disposal of property and equipment		**349**	3,065
Investments in associates in the form of ordinary shares		**(23,940)**	—
Payment for restricted cash		**(1,000)**	—
Investments in financial assets at fair value through profit or loss		**(8,772)**	(128,292)
Proceeds from disposal of financial assets at fair value through profit or loss		**5,008**	2,000
Investments in available-for-sale financial assets		**—**	(43,103)
Proceeds from disposal/ (purchase) of short-term investments placed with banks, net		**280,000**	115,000
Investment income received from short-term investments placed with banks		**11,630**	2,765
Placement of short-term bank deposits		**(4,146,799)**	(1,123,518)
Receipt from maturity of short-term bank deposits		**789,080**	60,000
Interest received		**9,540**	1,991
Loans to an associate in form of preferred shares	24	**(7,500)**	(3,316)
Loans to a third party		**(6,774)**	—
Repayment from an investee company		**—**	8,347
Loans to shareholders of investee companies		**—**	(2,000)
Repayments received from shareholders of investee companies		**—**	7,000
Others		**(956)**	—
Net cash used in investing activities		**(3,124,947)**	(1,121,829)

Interim Condensed Consolidated Statement of Cash Flows

	Note	**Unaudited Six months ended June 30, 2017 RMB'000**	Audited Six months ended June 30, 2016 RMB'000
Cash flows from financing activities			
Proceeds from issuance of convertible redeemable preferred shares		**–**	879,920
Payment of issuance cost of convertible redeemable preferred shares		**–**	(42)
Payment of issuance cost of ordinary shares relating to the initial public offering		**(7,201)**	–
Proceeds from shares issued under employee share option scheme		**1,945**	–
Net cash (used in)/generated from financing activities		**(5,256)**	879,878
Net decrease in cash and cash equivalents		**(3,188,575)**	(519,187)
Cash and cash equivalents at the beginning of the period		**4,508,522**	989,874
Exchange (losses)/gains		**(35,387)**	27,835
Cash and cash equivalents at the end of the period		**1,284,560**	498,522

The notes on pages 32 to 56 form an integral part of this interim consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in provision of Internet services, and developing, manufacturing and sales of smart hardware and others in the People's Republic of China (the "**PRC**"), Hong Kong and other countries and regions.

Mr. Cai Wensheng and Mr. Wu Zeyuan are the ultimate controlling shareholders of the Company as at the date of this report.

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**"). Upon the completion of the IPO, all of the Company's outstanding convertible redeemable preferred shares were converted into ordinary shares on a one-to-one basis. Concurrently, each issued and unissued ordinary share, of US$0.0001 par value each, of the Company was subdivided into 10 shares of US$0.00001 par value each. Accordingly, all shares, share options, awarded shares, and per share amounts in this interim condensed financial information have been adjusted, where applicable, to reflect the subdivision and adjustments of the convertible redeemable preferred shares.

The interim condensed consolidated balance sheet as of June 30, 2017, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other 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 24, 2017.

This condensed consolidated 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

This condensed consolidated interim financial information for the six months ended June 30, 2017 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2016, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year ending December 31, 2017.

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

(a) Amendments to IFRSs effective for the financial year ending December 31, 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) IFRS 9, "Financial instruments"

IFRS 9, "Financial instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on January 1, 2018.

The major financial assets held by the Group are equity investments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under IFRS 9. Accordingly, while the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) IFRS 15, "Revenue from contracts with customers"

IFRS 15, "Revenue from contracts with customers" replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. Revenue is recognised when a customer obtains control of a goods or service and thus has the ability to direct the use and obtain the benefits from the goods or service. IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard is not expected to apply until the financial year of 2018.

3 ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the Group (Continued)

(ii) IFRS 15, "Revenue from contracts with customers" (Continued)

Management is currently assessing the effects of applying the new standard on the Group's financial statements. The Company has set up an implementation team that is currently in the process of analyzing each of revenue streams in accordance with the new revenue standard to determine the impact on the Group's consolidated financial statements. The Company plans to continue the evaluation, analysis, and documentation of its adoption of IFRS 15 throughout 2017 as the Company works towards the implementation and finalizes its determination of the impact that the adoption will have on the Group's consolidated financial statements.

(iii) IFRS 16, "Leases"

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the balance sheet. Instead, almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the income statement, the operating lease expenses will decrease, while depreciation and amortization and the interest expense will increase. The new standard is not expected to apply until the financial year of 2019. The Group's future aggregate minimum lease payments under non-cancellable operating leases as of June 30, 2017 are approximately RMB101,528,000, with the minimum lease payments due less than one year amounting to approximately RMB47,573,000, and those due more than one year and less than five years amounting to approximately RMB53,955,000.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2016.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. 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.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at June 30, 2017.

	Unaudited			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Long-term investments				
— Financial assets at fair value through profit or loss (Note 11(b))	**—**	**—**	**239,802**	**239,802**

The following table presents the Group's financial assets that are measured at fair value at December 31, 2016.

	Audited			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Long-term investments				
— Financial assets at fair value through profit or loss	—	—	300,279	300,279
Short-term investments placed with banks	—	—	280,820	280,820
	—	—	581,099	581,099

There were no transfers among Levels 1, 2 and 3 during the period.

There were no other changes in valuation techniques during the period.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instruments of financial assets at fair value through profit or loss for the six months ended June 30, 2017.

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
At the beginning of the period	**300,279**	147,922
Additions	**78,860**	129,292
Disposals	**(37,747)**	(2,000)
Changes in fair value	**(97,631)**	—
Currency translation differences	**(3,959)**	—
At the end of the period	**239,802**	275,214
Total unrealized gains and change in fair value for the period included in "other gains/(losses), net" for financial assets at fair value through profit or loss held at the end of the period	**(97,631)**	—

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair value measurements using significant unobservable inputs (Level 3) (Continued)

The following table presents the changes in level 3 instruments of short-term investments placed with banks for the six months ended June 30, 2017.

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
At the beginning of the period	**280,820**	170,389
Additions	**1,602,000**	50,000
Disposals	**(1,882,000)**	(165,000)
Change in fair value	**10,810**	2,506
Investment income recognized in profit or loss	**(11,630)**	(2,765)
At the end of the period	**—**	55,130
Total investment income for the period included in "other income" for short-term investments placed with banks at the end of the period	**11,630**	2,765
Unrealized gains for the period included in "other comprehensive income" for short-term investments placed with banks at the end of the period	**—**	(259)

5.5 Group's valuation processes

The Group has a team that performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. 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 techniques 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 mainly included investments in private companies and short-term investments placed with banks. As the investments in private companies are not traded in an active market, their fair value have been determined using various applicable valuation techniques, including discounted cash flows, comparable companies etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of weighted average cost of capital (WACC), recent market transactions, estimate discount for marketing and other exposure etc.

Except for the financial assets at fair value through profit or loss and available-for-sale financial assets, the carrying amounts of financial assets including cash and cash equivalents, short-term bank deposits, restricted cash, trade receivables and other receivables; and financial liabilities including trade and other payables, approximate their respective fair values due to their short maturity at the reporting date.

6 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. As a result of this evaluation, the Group determined that it has operating segments as follows:

— Internet Services and Others

— Smart Hardware

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses and research and development expenses are not included in the measure of the segments' performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance. Other income, other gains/ (losses), net, finance income/(costs), net, fair value loss of convertible redeemable preferred shares, share of profits/(losses) of investments accounted for using the equity method, and income tax expense are also not allocated to individual operating segments.

The revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. Cost of sales primarily comprises cost of inventories consumed, cost of revenue-sharing with content creators, bandwidth and storage related costs, salary and compensation expenses, video content monitoring fee and warranty expenses, and others.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these financial statements. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The revenue segment information reported to CODM for the six months ended June 30, 2017 is as follows:

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Internet Services and Others:		
— Online advertising	**82,630**	25,903
— Internet value-added services and others	**164,160**	2,727
	246,790	28,630
Smart Hardware	**1,933,001**	556,847
Total revenue	**2,179,791**	585,477

6 SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended June 30, 2017 are as follows:

	Unaudited Six months ended June 30, 2017 Internet Services and Others RMB'000	 Smart Hardware RMB'000	 Total RMB'000
Segment revenue	**246,790**	**1,933,001**	**2,179,791**
Segment cost of sales	**(207,872)**	**(1,536,667)**	**(1,744,539)**
Gross profit	**38,918**	**396,334**	**435,252**

The segment results for the six months ended June 30, 2016 are as follows:

	Audited Six months ended June 30, 2016 Internet Services and Others RMB'000	 Smart Hardware RMB'000	 Total RMB'000
Segment revenue	28,630	556,847	585,477
Segment cost of sales	(62,857)	(448,139)	(510,996)
Gross (loss)/profit	(34,227)	108,708	74,481

The major customers which contributed more than 10% of the total revenue of the Company for the six months ended June 30, 2017 are listed as below.

	Unaudited Six months ended June 30, 2017 %	Audited Six months ended June 30, 2016 %
Smart Hardware		
Customer A	**35.0%**	50.5%
Customer B	*	10.7%

Note: * represents that the amount of revenue from such customer is less than 10% of the total revenue for the period.

6 SEGMENT INFORMATION (CONTINUED)

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As of June 30, 2017 and December 31, 2016, substantially all of the non-current assets of the Group other than long term investments classified as financial assets at fair value through profit or loss were located in the PRC.

The reconciliation of segment gross profit to loss before income tax for the six months ended June 30, 2017, is presented in the interim condensed consolidated statement of income of the Group.

7 EXPENSES BY NATURE

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Inventories consumed and recognized as:		
— Cost of sales	**1,467,586**	449,862
— Selling and marketing expenses	**12,911**	11,848
Employee benefit expenses	**279,823**	108,952
Promotion and advertising expenses	**158,805**	156,610
Cost of revenue-sharing with content creators	**115,709**	38
Bandwidth and storage related costs	**58,467**	45,455
Operating lease expense	**22,767**	16,289
Inventory write-downs (Note (a))	**19,334**	560
Depreciation of property and equipment (Note 15)	**18,641**	12,146
Warranty expenses	**15,206**	4,500
Video content monitoring fee	**12,647**	10,003
Utilities and office expenses	**12,088**	6,849
Development costs related to smartphone manufacturing equipment	**12,040**	2,707
Travelling and entertainment expenses	**11,667**	6,845
Amortization of intangible assets (Note 15)	**1,181**	741
Others	**60,373**	35,286
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	**2,279,245**	868,691

(a) During the six months ended June 30, 2017, inventory write-downs of RMB19,334,000 (June 30, 2016: RMB560,000) was charged to cost of sales for the obsolete raw materials and slow-moving goods.

8 OTHER GAINS/(LOSSES), NET

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Changes in fair value on long-term investments (Note 11(b))	**(97,631)**	—
Gains on disposal of long-term investments (Note 11(b))	**32,677**	—
Others	**(168)**	(418)
	(65,122)	(418)

9 FINANCE INCOME/(COSTS), NET

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Interest income	**38,076**	4,285
Foreign exchange gains/(losses), net	**10,003**	(2,072)
Others	**(268)**	(144)
	47,811	2,069

10 FAIR VALUE LOSS OF CONVERTIBLE REDEEMABLE PREFERRED SHARES

Upon the completion of the Company's IPO on December 15, 2016, all the convertible redeemable preferred shares were automatically converted to ordinary shares. All preference rights entitled to the preferred shares holders lapsed. There was no further fair value change charged to profit or loss thereafter.

11(a) INVESTMENTS IN ASSOCIATES IN THE FORM OF ORDINARY SHARES

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
At the beginning of the period	**6,128**	3,381
Additions (Note (i))	**26,940**	—
Share of profits/(losses) of the associates	**302**	(351)
Converted from an associate to a subsidiary	**(3,795)**	—
At the end of the period	**29,575**	3,030

(i) The Group acquired interests in associates with an aggregate amount of RMB26,940,000 during the six months ended June 30, 2017.

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

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
At the beginning of the period	**300,279**	147,922
Additions (Note(i))	**78,860**	129,292
Disposals (Note(ii))	**(37,747)**	(2,000)
Changes in fair value (Note(iii))	**(97,631)**	—
Currency translation differences	**(3,959)**	—
At the end of the period	**239,802**	275,214

The Group made investments in some redeemable convertible preferred shares and ordinary shares with preferred rights ("**preferred shares**") of certain private companies, and these investments held by the Company contain embedded derivatives that are not closely related to the host contract. After considering the Group's investment objectives and intentions, the Group does not bifurcate the embedded derivatives from the host instruments and designates the entire hybrid contracts as financial assets at fair value through profit or loss, with the changes in the fair value recorded in profit or loss account.

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

In connection with the 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 associates of the Group. As detailed above, the Group does not bifurcate the embedded derivatives from the host instruments and accounts for these associates in form of preferred shares as financial assets at fair value through profit or loss as a whole.

(i) During the six months ended June 30, 2017, the Group acquired the minority stake of a number of private-held companies in form of preferred shares. These new investments are designated as financial assets at fair value through profit or loss as detailed above.

(ii) During the six months ended June 30, 2017, the Group disposed of part of its minority stakes in a few investees and recognized disposal gains of RMB32,677,000 (Note 8).

(iii) The Group performs assessments on the fair value of its financial assets at fair value through profit or loss periodically. Management reviews the investees' performance and forecast, and applies valuation techniques, where applicable, to determine the fair value. During the six months ended June 30, 2017, change in fair value amounting to RMB97,631,000 was recognised as other loss in the statement of income (Note 8).

12 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended June 30, 2017 is analyzed as follows:

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Current income tax:		
— PRC and overseas enterprise income tax	**45,928**	115
Deferred income tax	**(12,288)**	—
	33,640	115

(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.

12 INCOME TAX EXPENSE (CONTINUED)

(b) Hong Kong Income Tax

Hong Kong income tax rate is 16.5%.

(c) 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.

Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司) ("**Meitu Networks**") was qualified as "High and New Technology Enterprises" ("**HNTEs**") under the EIT Law in 2013 and renewed in 2016. Therefore, Meitu Networks is entitled to a preferential income tax rate of 15% on their estimated assessable profits for the period ended June 30, 2017 (2016: 15%).

Xiamen Home Meitu Technology Co., Ltd. (廈門美圖之家科技有限公司) ("**Meitu Home**") was accredited as a "software enterprise" under the relevant PRC Laws and regulations in 2014. Therefore, Meitu Home is exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the "**tax holiday**"). Since Meitu Home was in accumulated tax loss position as of June 30, 2017, the respective tax holiday had not commenced as of June 30, 2017.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits for the period ended June 30, 2017.

(d) PRC Withholding Tax ("WHT")

According to the New Corporate Income Tax Law, distribution of profits earned by PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of June 30, 2017 (December 31, 2016: nil).

13 LOSS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the period ended June 30, 2017 has been retroactively adjusted for the share subdivision (Note 1).

(a) Basic

Basic loss per share is calculated by dividing the loss of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during each respective period.

	Unaudited Six months ended June 30, 2017	Audited Six months ended June 30, 2016
Loss attributable to owners of the Company (RMB'000)	**(131,781)**	(2,189,739)
Weighted average number of ordinary shares in issue (thousand)	**4,233,390**	1,966,667
Basic loss per share (in RMB/share)	**(0.03)**	(1.11)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended June 30, 2017, the Company had two categories of potential ordinary shares, the shares options awarded under Pre-IPO ESOP (Note 20) and awarded shares under the Post-IPO Share Award Scheme (Note 20). For the six months ended June 30, 2016, the Company had two categories of potential ordinary shares, convertible redeemable preferred shares issued by the Company and the shares options awarded under Pre-IPO ESOP (Note 20). As the Group incurred losses for the six months ended June 30, 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the six months ended June 30, 2017 is the same as basic loss per share of the respective periods.

14 DIVIDENDS

No dividends had been paid or declared by the Company during the six months ended June 30, 2017 (2016: nil).

15 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment RMB'000	Intangible Assets RMB'000
Unaudited		
Six months ended June 30, 2017		
Opening net book amount	**79,647**	**21,705**
Additions	**24,163**	**650**
Disposals	**(367)**	**—**
Depreciation/amortization charges	**(18,641)**	**(1,181)**
Closing net book amount	**84,802**	**21,174**
Audited		
Six months ended June 30, 2016		
Opening net book amount	53,374	21,136
Additions	20,804	964
Disposals	(3,065)	—
Depreciation/amortization charges	(12,146)	(741)
Closing net book amount	58,967	21,359

16 TRADE RECEIVABLES

(a) The Group allows a credit period of 30 to 120 days to its customers. At June 30, 2017, the aging analysis of trade receivables (net of allowance for doubtful debts) based on transaction date were as follows:

	Unaudited As of June 30, 2017 RMB'000	Audited As of December 31, 2016 RMB'000
Trade receivables		
Up to 3 months	**202,208**	69,807
3 to 6 months	**32,984**	6,765
6 months to 1 year	**940**	9,566
1 to 2 years	**167**	—
	236,299	86,138

As of June 30, 2017, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

(b) As of June 30, 2017, trade receivables of RMB42,942,000 were past due but not impaired (December 31, 2016: RMB13,692,000). These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, management believes the overdue amounts can be recovered.

17 SHORT-TERM BANK DEPOSITS

	Unaudited As of June 30, 2017 RMB'000	Audited As of December 31, 2016 RMB'000
Short-term bank deposits with initial terms over three months	**4,008,412**	725,229

As of June 30, 2017, short-term bank deposits amounting RMB4,008,412,000 (December 31, 2016: RMB725,229,000) are bank deposits with original maturities over three months but less than one year and redeemable on maturity. The short-term bank deposits are denominated in RMB and the weighted average effective interest rate was 1.88% for the six months ended June 30, 2017 (June 30, 2016: 1.33%).

18 SHARE CAPITAL

	Note	Number of ordinary shares '000	Nominal value of ordinary shares US$'000	Number of preferred shares RMB'000	Nominal value of preferred shares RMB'000
Authorized:					
As of January 1 and June 30, 2017		**6,000,000**	**60**	**—**	**—**
As of January 1, 2016		4,456,530	45	154,347	15
Reclassification and re-designation on issuance of Series D preferred shares		(143,157)	(2)	14,316	2
As of June 30, 2016		4,313,373	43	168,663	17

18 SHARE CAPITAL (CONTINUED)

	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, 2017		**4,227,295**	**43**	**277**	**17,015,854**
Employee share option scheme under Pre-IPO ESOP					
— Shares issued and proceeds received	(a)	**20,394**	**—**	**1**	**4,167**
Employee Share Award Scheme:					
— Shares issued	(b)	**10,000**	**—**	**—**	**—**
Share premium set off the accumulated losses	(c)	**—**	**—**	**—**	**(9,344,043)**
As of June 30, 2017		**4,257,689**	**43**	**278**	**7,675,978**
As of January 1 and June 30, 2016		1,966,667	20	121	—

Note:

(a) During the six months ended June 30, 2017, 20,394,000 pre-IPO share options with exercise price of US$0.03 were exercised.

(b) On May 19, 2017, the Company issued 10,000,000 of new shares under Post-IPO Share Award Scheme, in which 9,571,000 restricted share have been granted to eligible employees.

(c) On March 24, 2017, the Directors passed a resolution that the sum of approximately of US$1,348,561,000 standing to the credit of the share premium account of the Company was applied to set off the accumulated losses of the Company. Accordingly, the balance of share premium was reduced by RMB9,344,043,000.

19 RESERVES

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Other reserves RMB'000	Total RMB'000
At January 1, 2017	**2,000**	**1,063**	**96,425**	**(752,412)**	**(13,827)**	**(666,751)**
Value of employee services:						
— Pre-IPO ESOP Scheme	**—**	**—**	**24,432**	**—**	**—**	**24,432**
— Post-IPO Share Award Scheme	**—**	**—**	**9,219**	**—**	**—**	**9,219**
Revaluation transfer out of available-for-sale financial assets						
— short-term investments placed with banks	**—**	**—**	**—**	**—**	**(820)**	**(820)**
Currency translation differences (Note (a))	**—**	**—**	**—**	**(121,352)**	**—**	**(121,352)**
Share premium set off the accumulated losses (Note(b))	**—**	**—**	**—**	**572,908**	**—**	**572,908**
At June 30, 2017	**2,000**	**1,063**	**130,076**	**(300,856)**	**(14,647)**	**(182,364)**
At January 1, 2016	2,000	946	55,499	(220,975)	(14,257)	(176,787)
Value of employee services:						
— Pre-IPO ESOP Scheme	—	—	19,911	—	—	19,911
Revaluation in available-for-sale financial assets						
— short-term investments placed with banks	—	—	—	—	(259)	(259)
— long-term investments	—	—	—	—	(4,432)	(4,432)
Currency translation differences (Note (a))	—	—	—	(130,706)	—	(130,706)
At June 30, 2016	2,000	946	75,410	(351,681)	(18,948)	(292,273)

Note:

(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) Following the board resolution on March 24, 2017 (Note 18(c)), the accumulated losses of RMB8,771,135,000 was set off and the related currency translation difference of RMB572,908,000 was released.

20 SHARE-BASED PAYMENTS

(a) Pre-IPO ESOP

On February 15, 2014, the Board of the Company approved the establishment of the Pre-IPO ESOP with the purpose of which is to provide an incentive 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 maximum number of shares that may be issued pursuant to all awards (including incentive share options) under the original Pre-IPO ESOP shall be 11,695,907 shares. The Pre-IPO ESOP was amended by resolution of the Board on November 18, 2015. The overall limit on the number of underlying shares pursuant to the amended Pre-IPO ESOP is 116,959,070 shares after the share subdivision.

(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. Except as provided otherwise in the grant letter or offer in any other form by the Board, 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.

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 Six months ended June 30,	
		2017	2016
At the beginning of the period		**116,958,940**	100,758,240
Granted	US$0.03	**—**	7,300,000
Exercised (Note (i))	US$0.03	**(20,394,370)**	—
Forfeited	US$0.03	**(889,999)**	—
At the end of the period		**95,674,571**	108,058,240

Note:

(i) As a result of the options exercised during the six months ended June 30, 2017, 20,394,370 ordinary shares were issued by the Company (Note 18). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$11.97 (equivalent to RMB 10.39) per share.

As of June 30, 2017, all share options granted will expire in 2026.

20 SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO ESOP (Continued)

(ii) Share options granted to non-employees under Pre-IPO ESOP

On February 15, 2014, the Company granted 2,826,000 share options (after the effect of the share subdivision) under Pre-IPO ESOP to the non-employees of the Company.

No share options were granted under Pre-IPO ESOP to non-employees of the Company in 2017.

The exercise price of the options granted to the non-employees above is US$0.03 per share, and the vesting of the options is conditional, subject to their services received by the Company.

(iii) Fair value of share options granted under Pre-IPO ESOP

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimate.

Based on fair value of the underlying ordinary share, the directors have used Binomial option-pricing model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

Discount rate	17.5%
Risk-free interest rate	1.20%–1.54%
Volatility	47.14%–47.15%
Dividend yield	0%

The directors estimated the risk-free interest rate based on the yield of Hong Kong Government Bonds with a maturity life closed to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

During the period ended June 30, 2017, the Group recorded share based compensation of RMB24,432,000 (June 30, 2016: RMB19,911,000) related to Pre-IPO ESOP.

20 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. During the period ended June 30, 2017, the Company granted 9,571,000 restricted shares to certain directors and employees of the Group (collectively, the "**Grantees**") pursuant to the Post-IPO Share Award Scheme.

Movements in the number of award shares for the six months ended June 30, 2017 is as follows:

	Post-IPO Share Award Scheme Number of shares Six months ended June 30, 2017
At the beginning of the period	–
Granted	**9,571,000**
Forfeited	**(20,000)**
At the end of the period	**9,551,000**

Except as provided otherwise in the grant letter or offer in any other form by the Board, 25% of the awarded shares shall vest on the first vesting date, and the remaining 75% shares shall vested over the next 36 months. The first vesting date should be determined by the Company and grantees for each grant agreement.

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

The weighted average fair value of awarded shares granted during the six months ended June 30, 2017 was HK$11.7 per share (equivalent to approximately RMB10.15 per share).

During the period ended June 30, 2017, the Group recorded share based compensation of RMB9,219,000 (June 30, 2016: none) related to Post-IPO Share Award Scheme.

(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. At June 30, 2017, the Expected Retention Rate was assessed to be 95%.

(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. At June 30, 2017, no options had been granted by the Group under the Post-IPO Share Option Scheme.

21 TRADE PAYABLES

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

	Unaudited As of June 30, 2017 RMB'000	Audited As of December 31, 2016 RMB'000
Up to 3 months	**620,773**	388,173
3 to 6 months	**27,825**	3,792
6 months to 1 year	**14,582**	1,971
1 to 2 years	**1,970**	791
Over 2 years	**31**	93
	665,181	394,820

22 COMMITMENTS

Capital Commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	Unaudited As of June 30, 2017 RMB'000	Audited As of December 31, 2016 RMB'000
Property and equipment	**2,023**	1,280
Long-term investments	**—**	8,591
	2,023	9,871

23 CONTINGENCIES

The Group did not have any significant contingent liabilities as of June 30, 2017.

24 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 six months ended June 30, 2017.

(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.

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
(i) Purchases of goods and services:		
An associate	**3,991**	3,080
Companies significantly influenced by Controlling Shareholders	**60**	959
An associate in form of preferred shares	**77**	—
	4,128	4,039
(ii) Loans to an associate in form of preferred shares	**7,500**	3,316

24 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Period/Year end balances with related parties

	Unaudited As of June 30, 2017 RMB'000	Audited As of December 31, 2016 RMB'000
(i) Receivables from:		
Associates	**997**	929
(ii) Payables to:		
An associate in form of preferred shares	**9,998**	10,865
An associate	**828**	46
A company significantly influenced by Controlling Shareholders	**—**	60
	10,826	10,971
(iii) Prepayments to		
Associates in form of preferred shares	**2,919**	3,297
A company significantly influenced by controlling shareholders	**3**	—
	2,922	3,297

Balances with other related parties were all unsecured, interest-free and repayable on demand.

(c) Key management personnel compensations

Key management includes directors (executive and non-executive). The compensations paid or payable to key management for employee services are shown below:

	Unaudited Six months ended June 30, 2017 RMB'000	Audited Six months ended June 30, 2016 RMB'000
Wages, salaries and bonuses	**4,988**	3,229
Pension costs — defined contribution plan	**80**	55
Other social security costs, housing benefits and other employee benefits	**204**	101
Share-based compensation expenses	**13,017**	14,556
	18,289	17,941

"Adjusted Net Loss"	adjusted net loss is calculated as the loss for the year, excluding the impact from certain non-cash or non-recurring expenses including: (i) fair value loss of convertible redeemable preferred shares; (ii) share-based compensation; (iii) fair value gain and impairment loss of long-term investments; and (iv) one-off listing expenses incurred in connection with the initial public offering and Listing in December 2016.
"ASP"	Average selling price
"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 holds approximately 11.35% of the issued share capital of our Company, and one of our Controlling Shareholders
"Board of Directors" or "Board"	our Board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"China", "Mainland China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly
"Company", "our Company", "the Company", "Meitu", "we" or "us"	Meitu, Inc. 美图公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on July 25, 2013 and carries on business in Hong Kong as "美圖之家" (in Chinese) as approved and registered with the Registrar of companies in Hong Kong on October 28 and November 7, 2016, respectively. "Meitu" may also refer to the Company's brand if the context so requires. "Meitu", when italicized, refers to the Company's first product, *Meitu*
"Companies 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 series of contractual arrangements entered into between Mr. Wu, Ms. Cai, Meitu Home and Meitu Networks (as applicable), details of which are described in the prospectus of the Company dated December 5, 2016 and the 2016 annual report of the Company dated April 27, 2017.

"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, means Mr. Wu, Mr. Cai, Xinhong Capital, Longlink Capital and Baolink Capital
"Director(s)"	the director(s) of our Company
"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
"Group", "our Group", or "the Group"	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the contractual arrangements) from time to time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"ICP"	Internet content provider
"ICP License"	Value-added Telecommunications Service Operating Permit for Internet information service
"IFRS"	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
"Listing"	the listing of our Shares on the Main Board of 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
"Listing Date"	December 15, 2016, the date on which the Shares were listed on the Stock Exchange
"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 holds approximately 14.67% of the issued share capital of our Company, and one of our Controlling Shareholders

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"MAUs"	monthly active users
"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 our directly wholly-owned subsidiary
"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. (廈門數字情緣網絡科技有限公司) 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 Ms. Cai as 51% and 49%, respectively, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
"Meitu Technology"	Meitu Technology, Inc., formerly known as MagicV, Inc., and MIXVID, Inc., a limited liability company incorporated under the laws of the State of Delaware, on August 29, 2014, and our indirectly wholly-owned subsidiary
"Meitu Technology (US)"	Meitu Technology (US), LLC, formerly known as Commsource, LLC, a limited liability company incorporated under the laws of the State of California, on April 1, 2015, and our indirectly wholly-owned subsidiary
"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)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Cai"	Mr. Cai Wensheng (蔡文胜), our founder, chairman, executive Director, one of our Controlling Shareholders and an authorized representative
"Mr. Wu"	Mr. Wu Zeyuan (吳澤源), also known as Mr. Wu Xinhong (吳欣鴻), our founder, Chief Executive Officer, executive Director and one of our Controlling Shareholders
"Ms. Cai"	Ms. Cai Shuting, the daughter of Mr. Cai and Ms. Wang
"Ms. Wang"	Ms. Wang Baoshan, the spouse of Mr. Cai

"Post-IPO Share Award Scheme"	the share award scheme adopted by the Company on November 25, 2016 which is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules
"Post-IPO Share Option Scheme"	the share option scheme adopted by the Company on November 25, 2016 which complies with the provisions of Chapter 17 of the Listing Rules
"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 Contractual Arrangements.
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"Reporting Period"	the six months ended June 30, 2017
"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$0.00001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"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 holds approximately 13.40% of the issued share capital of our Company, and one of our Controlling Shareholders
"%"	per cent

Meitu, Inc.
美图公司