Stock Code 股份代號：1357

2020 INTERIM REPORT
中期報告

(於開曼群島註冊成立的有限公司，並以「美圖之家」名稱於香港經營業務)
(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as “美圖之家”)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CAI Wensheng *(Chairman of the Board)*

Mr. WU Zeyuan *(also known as: Mr. WU Xinhong)*

Non-Executive Directors

Dr. GUO Yihong

Dr. LEE Kai-Fu

Mr. CHEN Jiarong

Independent Non-Executive Directors

Mr. ZHOU Hao

Mr. LAI Xiaoling

Mr. ZHANG Ming *(also known as: Mr. WEN Chu)*

Ms. KUI Yingchun

AUDIT COMMITTEE

Mr. ZHOU Hao *(Chairman)*

Dr. GUO Yihong

Mr. LAI Xiaoling

REMUNERATION COMMITTEE

Mr. LAI Xiaoling *(Chairman)*

Dr. LEE Kai-Fu

Mr. ZHANG Ming *(also known as: Mr. WEN Chu)*

NOMINATION COMMITTEE

Mr. CAI Wensheng *(Chairman)*

Mr. ZHOU Hao

Mr. ZHANG Ming *(also known as: Mr. WEN Chu)*

COMPANY SECRETARY

Mr. NGAN King Leung Gary

AUTHORIZED REPRESENTATIVES

Mr. CAI Wensheng

Mr. NGAN King Leung Gary

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

REGISTERED OFFICE

The offices of Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS

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Building No. 6, Wanghai Road,

Siming District

Xiamen, Fujian

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 8106B, Level 81

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

LEGAL ADVISORS

As to Hong Kong law and United States law

Skadden, Arps, Slate, Meagher & Flom

As to PRC law (in alphabetical order)

Jingtian & Gongcheng

Tian Yuan Law Firm

As to Cayman Islands law

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

STOCK CODE

1357

COMPANY WEBSITE

www.meitu.com

2020 Highlights

meitu美图

让每个人都能简单变美

Adjusted Net Profit from Continuing Operations attributable to Owners of the Company of RMB24.9 million for the first half of 2020. Growing revenues, vigilant cost control and a focused strategy all contributed to the continued profitable trend since the fourth quarter of 2019.

Revenues growth accelerated during the first half of 2020 to 20.1%, reaching RMB557.5 million. Although the COVID-19 pandemic has affected our advertising revenues to a certain extent, such effect was more than compensated by the growth in our premium subscription business. The Influencer Marketing Solutions business, a business under incubation, has also gathered momentum during the first half of 2020.

Gross profit in the first half of 2020 grew 15.5% year over year to RMB355.7 million. Gross margin in the first half of 2020 was 63.8%, approximately 2.6 points lower than that of the first half of 2019. The slightly lower gross margin was mainly due to a shift in business mix, as the Influencer Marketing Solutions business grew significantly in revenues but its gross margin was relatively lower.

Total MAU across all of our apps were 295.4 million in June 2020, up 4.6% from December 2019. The average daily time spent of the *Meitu* App's social users reached 15.4 minutes in the first half of 2020, up 13.2% compared to the second half of 2019.

Key Financial and Operational Data

KEY FINANCIAL DATA

	Six months ended June 30, 2020 RMB'000	2019 RMB'000	Year on year change (%)
Revenue	**557,465**	464,024	20.1%
– Online Advertising	**318,508**	362,264	–12.1%
– Premium Subscription Services and In-App Purchases	**84,128**	27,212	209.2%
– Internet Value-added Services	**21,340**	15,544	37.3%
– Others	**133,489**	59,004	126.2%
Gross Profit	**355,731**	308,070	15.5%
Gross Margin	**63.8%**	66.4%	–2.6p.p.
Adjusted Net Profit/(Loss) from Continuing Operations attributable to Owners of the Company[1]	**24,940**	(173,783)	–114.4%

KEY OPERATIONAL DATA

	As of June 30, 2020 '000	As of December 31, 2019 '000	Change (%)
Total MAU	**295,440**	282,472	4.6%
MAU breakdown by product:			
Meitu	**121,337**	116,429	4.2%
BeautyCam	**65,964**	66,809	–1.3%
BeautyPlus	**78,086**	66,143	18.1%
Meipai	**5,628**	7,057	–20.2%
Others	**24,425**	26,034	–6.2%
MAU breakdown by geography:			
Mainland China	**175,650**	173,631	1.2%
Overseas	**119,790**	108,841	10.1%

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

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, 2020.

STRATEGIC HIGHLIGHT

We have remained focused on laying down the foundation to achieve our vision, "to empower the beauty industry and make beauty more accessible to our users", during the first half of 2020. The Novel Coronavirus ("COVID-19") has some impact to the progress of some of our initiatives, yet we have also achieved a great deal during this period, in particular:

i) In order to reinforce the beauty-related positioning of social App *Meitu* by adding more beauty-related content, we have launched the Influencer Marketing Solutions ("IMS") business during the first half of 2020. The IMS business focuses on providing clients with influencers (including the key opinion leaders (KOL)/the key opinion consumers (KOC)) social advertising and marketing services across the multiple social platforms, leveraging Meitu's abundant user resources and leading position in image and short video content creation utility market. The IMS business also provides related solutions such as recruiting, training, content production support, quality control and service settlement solutions. We believe this business will provide monetization opportunities for both Meitu and our influencers, and will also promote the production and creation of quality content on the *Meitu* platform.

   Additionally, from the product side we have also launched new features to facilitate content creation such as "Derivatives", a convenient process for users to obtain the filter of a photo or video they saw on the *Meitu* platform, and apply it to their own.

ii) During the first half of 2020, Meitu's business division dedicated to AI skin analysis and beauty-related solutions entered into a strategic cooperation with Christian Dior in the People's Republic of China ("PRC"). PRC users of the *Meitu* App can analyze their skin condition via a selfie and receive recommended Dior skincare products based on their results.

iii) We have also conducted some testing in e-commerce live streaming during the first half of 2020. We expect to conduct more testing in the second half of 2020. We believe this service will complement our strategy well as more and more users are buying beauty products through live-streaming.

BUSINESS REVIEW AND OUTLOOK

The spread of the COVID-19 pandemic has impacted us and brought us challenges and opportunities.

On the positive side, the user size of our App portfolio has increased, as reflected by our MAUs reaching 295.4 million in June 2020, 4.6% higher than that of December 2019. In addition, the user engagement of our social App *Meitu* has continued to rise, as the average daily time spent of the social users grew to 15.4 minutes in the first half of 2020, compared to 13.6 minutes in the second half of 2019.

Our advertising business was affected by the pandemic, as its revenues declined 12.1% year over year. The pandemic coupled with the negative seasonality due to the Chinese New Year, has sent our advertising revenues to a low point in February 2020, although it had subsequently recovered much as the pandemic situation within Mainland China continued to alleviate. Fortunately, growth of our Premium Subscription Services and In-App Purchases business, which is underpinned by our overseas App, has remained solid throughout the first half of 2020 despite the worsening pandemic situation in several overseas countries. On the other hand, the pandemic has also caused disruptions in the progress of some of our initiatives, such as the remote dermatologist consultation service. We will only scale up this service when we complete fine-tuning this product and the associated user experience.

We have continued to optimize costs and expenses throughout the first half of 2020, and in particular we have completed an optimization of our server and cloud infrastructure that has led to a meaningful reduction in our server and bandwidth cost. In terms of expenses, we have also reduced selling and marketing, research and development and administrative expenses by 21.2%, 25.5% and 21.5% respectively.

Looking ahead, we expect our revenues to continue to grow, driven mostly by our new IMS, Premium Subscription Services and In-App Purchases businesses. However, the outlook of our advertising business remains uncertain as it depends on the development of the global pandemic. Although we have consistently generated Adjusted Net Profit from Continuing Operations attributable to the Owners of the Company over the past three quarters, the absolute dollar amount of Adjusted Net Profit from Continuing Operations is still relatively small compared to our cost base. While we are cautiously optimistic about remaining profitable for the full year of 2020, we note that volatilities in our revenues may change such outlook, and such volatilities may be inevitable amidst the pandemic and uncertain geopolitical environment. That said, with our strong cash and other liquid financial resources balance of over RMB2.5 billion, we can make continuous investment in technological innovation and business development. We will continue to remain vigilant and nimble, striving to realize our vision, and generate long-term shareholder value.

APPRECIATION

Finally, on behalf of everyone at Meitu, I would like to express our sincere gratitude to all of our users. I would also like to thank all our employees and management team for demonstrating Meitu's core values in every day's work, and executing the Group's 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 "let everyone become beautiful easily" and to "empower the beauty industry and make beauty more accessible to our users".

Cai Wensheng
Chairman

Hong Kong
August 26, 2020

Management Discussion and Analysis

SIX MONTHS ENDED JUNE 30, 2020 COMPARED TO SIX MONTHS ENDED JUNE 30, 2019

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six Months ended June 30, 2019 RMB'000
Continuing operations		
Revenue	**557,465**	464,024
Cost of sales	**(201,734)**	(155,954)
Gross profit	**355,731**	308,070
Selling and marketing expenses	**(134,568)**	(170,785)
Administrative expenses	**(101,013)**	(128,736)
Research and development expenses	**(188,009)**	(252,383)
Net impairment losses on financial assets	**(2,424)**	(1,417)
Other income	**20,399**	7,920
Other gains/(losses), net	**9,279**	(34,724)
Finance income, net	**21,613**	22,736
Share of profits/(losses) of investments accounted for using the equity method	**1,478**	(950)
Loss before income tax	**(17,514)**	(250,269)
Income tax expense	**(7,479)**	(8,589)
Loss from continuing operations	**(24,993)**	(258,858)

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six Months ended June 30, 2019 RMB'000
Loss from discontinued operations (attributable to equity holders of the Company)	**–**	(119,221)
Loss attributable to:		
– Owners of the Company	**(15,953)**	(371,231)
– Non-controlling interests	**(9,040)**	(6,848)
	(24,993)	(378,079)
Non-IFRS measure:		
Adjusted Net Profit/(Loss) from continuing operations		
– Owners of the Company	**24,940**	(173,783)
– Non-controlling interests	**(5,039)**	(4,741)
	19,901	(178,524)

Revenue

Our total revenue primarily consists of Internet business, as we discontinued our smartphone business in early 2019. Accordingly, we adjusted the way we present revenue to align with our key business focus. We derive our revenues from (i) online advertising; (ii) premium subscription services and in-App purchases; (iii) Internet value-added services; and (iv) others. The following table presents our revenue lines and as percentages of our total revenues for the periods presented.

Our total revenue increased significantly by 20.1% to RMB557.5 million for the six months ended June 30, 2020, compared to RMB464.0 million for the six months ended June 30, 2019, mainly driven by the strong growth in premium subscription services and in-App purchases and our IMS business, partly offset by a moderate decline in advertising business.

	Six months ended June 30,			
	2020		2019	
	Amount RMB'000	**% of total revenues**	Amount RMB'000	% of total revenues
Online Advertising	**318,508**	**57.1%**	362,264	78.1%
Premium Subscription Services and In-App Purchases	**84,128**	**15.1%**	27,212	5.9%
Internet Value-added Services	**21,340**	**3.8%**	15,544	3.3%
Others	**133,489**	**24.0%**	59,004	12.7%
Total	**557,465**	**100.0%**	464,024	100.0%

Online advertising

Our revenue from online advertising decreased by 12.1% year on year to RMB318.5 million for the six months ended June 30, 2020, primarily due to the impact from the COVID-19 outbreak. Such impact is particularly pronounced during the first quarter, but as the outbreak gradually becomes under control within Mainland China, our advertising revenue gradually picked up from the low point in February. Our advertising revenue from overseas markets also hit a trough in April but has stabilized subsequently. Meanwhile, although advertising revenue contributed by the Indian market is negligible, the recent Indian ban on Chinese mobile applications in July is likely to impact our future revenue growth in that market. We believe advertisers are generally taking a wait-and-see approach before they ramp up their marketing activities again amidst the global pandemic and uncertain economic outlook. As such, we do not expect an immediate reacceleration of growth in our advertising business.

Management Discussion and Analysis

Notwithstanding the slightly weaker revenue performance in the first half of 2020, we remain confident in our marketing efforts in the long term. In fact, before the COVID-19 pandemic, we have been able to increase our ads fill-rate and new client acquisition consistently for many quarters due to enhanced ads performance, continued refining of our unique beauty-related proposition as well as optimized auction algorithm. We will continue to build on this strength, and take advantage of this shelter-in-place period to: i) drive higher user page views, and hence advertising inventories, through building out the influencer ecosystem surrounding our social Apps; and ii) introducing new advertising products that enhance the ability for the brands to engage with their audience. As such, when the economic environment normalizes, we will be in an even stronger position to capture advertisers' budgets.

Premium subscription services and in-App purchases

Revenue from premium subscription services and in-App purchases continued a strong momentum with a significant year-over-year increase of 209.2% to RMB84.1 million for the six months ended June 30, 2020, compared to RMB27.2 million for the six months ended June 30, 2019. This business has also recorded double-digit sequential growth in the second quarter of 2020 against the first quarter of 2020, thanks to effective user acquisition and improving monthly subscriber retention. We have also upgraded our analytics infrastructure during the first half of 2020 to better measure and estimate return on investment ("ROI") of user acquisition for this business, such that we will be able to identify regions and/or campaigns that can generate positive ROI and ramp up our investment in these areas to further drive growth in this business.

Internet value-added services ("IVAS")

This revenue line primarily consists of a variety of mobile value-added services offerings. For example, we leverage our platform and user base to promote the mobile entertainment and related services, such as casual mobile game, online literatures, musical and video service and etc., for our third-party partners and we are entitled to a certain portion of revenue sharing.

For the first half of 2020, revenue from our IVAS increased by 37.3% from year over year to RMB21.3 million from RMB15.5 million for the six months ended June 30, 2019, as we improved the click through rate and conversion rate through optimized user experience and more accurate recommendation.

Others

Others include businesses that are currently in incubation as well as legacy businesses that do not fall directly under our strategic goals. For the first half of 2020, revenue from others increased significantly by 126.2% year over year to RMB133.5 million from RMB59.0 million for the six months ended June 30, 2019.

Management Discussion and Analysis

Our newly incubated IMS business contributed primarily to this significant growth, as it represented approximately 72.9% of this revenue line during the first half of 2020. There were no such revenues generated during the first half of 2019. As a leader in image and video content creation utility, Meitu has amassed numerous users who are proficient in creating quality content. The COVID-19 pandemic has driven many of Meitu's users to make their foray into becoming influencers. The IMS business focuses on providing clients with influencers (including the key opinion leaders (KOL)/the key opinion consumers (KOC)) social advertising and marketing services across the multiple social platforms, leveraging Meitu's abundant user resources and leading position in image and short video content creation utility market. The IMS business also provides related solutions such as recruiting, training, content production support, quality control and service settlement solutions. We believe this business will provide monetization opportunities for both Meitu and our influencers, and will also promote the production and creation of quality content on the *Meitu* platform.

One other notable business currently under incubation is our MeituEve business, which focuses on AI skin analysis and beauty-related solutions. Our flagship product, a medical-grade panoramic skin analyzer (also carries the name of MeituEve), has received a lot of interests from leading skincare brands as well as beauty spas. In terms of business model, we are currently experimenting with a combination of hardware sales and premium subscription.

Cost of Sales

Our cost of sales increased by 29.4% to RMB201.7 million for the six months ended June 30, 2020, compared to RMB156.0 million for the six months ended June 30, 2019.

Gross Profit and Margin

Our gross profit increased by 15.5% to RMB355.7 million for the six months ended June 30, 2020, from RMB308.1 million for the six months ended June 30, 2019. Our gross margin slightly decreased to 63.8% for the six months ended June 30, 2020, from 66.4% for the six months ended June 30, 2019, due to an increasing revenue contribution from our IMS business which had a much lower margin than advertising business and premium subscription service.

Research and Development Expenses

Research and development expenses decreased by 25.5% to RMB188.0 million for the six months ended June 30, 2020, from RMB252.4 million for the six months ended June 30, 2019, primarily due to more effective cost control in employee expenses.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 21.2% to RMB134.6 million for the six months ended June 30, 2020, from RMB170.8 million for the six months ended June 30, 2019, primarily due to more effective cost control in both promotional expenses and staffing costs.

Administrative Expenses

Administrative expenses decreased by 21.5% to RMB101.0 million for the six months ended June 30, 2020, from RMB128.7 million for the six months ended June 30, 2019, primarily due to more effective cost control.

Management Discussion and Analysis

Other Income

Other Income for the six months ended June 30, 2020 increased to RMB20.4 million, from RMB7.9 million for the six months ended June 30, 2019, due to an increase in government grants and disposal income of selling some properties and equipments.

Other Gains/(Losses), Net

Other gains, net were RMB9.3 million for the six months ended June 30, 2020, compared to net losses of RMB34.7 million for the six months ended June 30, 2019, primarily attributable to: (i) an increase in the net gains on disposal of long-term investments; and (ii) the net loss from the fair value change and impairment loss of certain long-term investments of RMB14.2 million, compared to a net loss of RMB43.6 million in the first half of 2019.

Finance Income, Net

Our net finance income mainly comprised of bank interest income and foreign exchange gains. Our net finance income decreased slightly by 4.9% to RMB21.6 million for the six months ended June 30, 2020, from RMB22.7 million for the six months ended June 30, 2019, primarily due to a decrease of bank interest income compared to the same period last year.

Income Tax Expense

Income tax expenses for the six months ended June 30, 2020 were RMB7.5 million, compared to RMB8.6 million for the six months ended June 30, 2019. Although the Group was loss-making on a consolidated level for the six months ended June 30, 2020, some of our entities generated positive net profits.

Net Loss from Continuing Operations and Non-IFRS Measure: Adjusted Net Profit/(Loss) from Continuing Operations

Net loss from continuing operations for the six months ended June 30, 2020 decreased significantly to RMB25.0 million from RMB258.9 million for the six months ended June 30, 2019, primarily due to the combined positive effect of gross profit growth and expenses reduction.

To supplement our consolidated financial statements which are presented in accordance with the IFRS, 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, IFRS. For the purpose of this interim report, "Adjusted Net Profit/(Loss)" will be used interchangeably with "Non-GAAP Net Profit/(Loss)". We believe that this additional financial measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of 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 IFRS.

Management Discussion and Analysis

Adjusted Net Profit from Continuing Operations attributable to the Owners of the Company was RMB24.9 million for the six months ended June 30, 2020, compared to Adjusted Net Loss from Continuing Operations attributable to the Owners of the Company of RMB173.8 million for the six months ended June 30, 2019, mainly due to the growth in gross profits from premium subscription service and cost reduction from our expense optimization plan. As we mentioned in the Company's 2019 annual report published on April 22, 2020, we had been vigilant in cost management and the Adjusted Net Loss from Continuing Operations had been narrowed significantly in 2019, and we started to make a positive Adjusted Net Profit from Continuing Operations attributable to the Owners of the Company in the fourth quarter of 2019. In spite of the unforeseen adverse impact from COVID-19, we still managed to continue with such profitability trend due to rising revenues and vigilant cost and expense control.

The following table reconciles our Adjusted Net Profit/(Loss) from Continuing Operations for the six months ended June 30, 2020 and 2019 to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is loss for the period:

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Loss from continuing operations	**(24,993)**	(258,858)
Excluding:		
Share-based compensation	**25,429**	23,864
Changes on fair value of long-term investments	**14,237**	43,603
Net effect of goodwill impairment and remeasurement gain on consideration to non-controlling shareholders of a subsidiary	**2,066**	2,759
Gains on disposal of long-term investments	**(8,373)**	(5,171)
Amortisation of intangible assets and other expenses related to acquisition	**13,545**	7,530
Other one-off expenses	**–**	5,104
Tax effects	**(2,010)**	2,645
Adjusted Net Profit/(Loss) from continuing operations	**19,901**	(178,524)
– Owners of the Company	**24,940**	(173,783)
– Non-controlling interests	**(5,039)**	(4,741)

DISCONTINUED OPERATION

The Group discontinued its smartphone business in 2019 and exited its e-commerce business in 2018 to fully focus on its Internet-based business.

Non-controlling Interests

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

Liquidity, Financial Resources and Gearing

Our cash and other liquid financial resources as of June 30, 2020 and December 31, 2019 were as follows:

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Cash and cash equivalents	**649,294**	864,611
Short-term bank deposits	**1,735,017**	1,646,981
Long-term bank deposits	**120,000**	110,000
Short-term investments placed with banks	**20,151**	–
Cash and other liquid financial resources	**2,524,462**	2,621,592

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Long-term bank deposits and short-term bank deposits are bank deposits with original maturities over three months and redeemable on maturity. Short-term investments 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, long-term bank deposits, 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, 2020. 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,	
	2020	2019
	RMB'000	RMB'000
Purchase of property and equipment	**5,096**	6,264

Our capital expenditures primarily included expenditures for purchases of leasehold improvements.

The decrease in capital expenditure was mainly due to our vigilant cost management strategy.

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.

For the six months ended June 30, 2020, the Group had long-term investments classified as financial assets at fair value through profit and loss, where no individual investment constituted 5% or more of the Group's total assets as at June 30, 2020.

Foreign Exchange Risk

Our Group's subsidiaries primarily operate in China 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, 2020 and 2019.

Pledge of Assets

As of June 30, 2020, we pledged a restricted deposit of RMB500,000 (as of December 31, 2019: RMB500,000) to guarantee payment of certain operating expenses.

Contingent Liabilities

As of June 30, 2020, we did not have any material contingent liabilities (as of December 31, 2019: nil).

Dividends

The Board resolved not to declare or recommend an interim dividend for the six months ended June 30, 2020.

BORROWINGS AND GEARING RATIO AND BORROWINGS

As of June 30, 2020, we did not have any pledged bank borrowings (as of December 31, 2019: nil). Therefore the gearing ratio of the Group was 0% as of June 30, 2020 (as of December 31, 2019: 0%). The gearing ratio is calculated as the total borrowings divided by the total equity on the respective reporting date. The Group's gearing ratio remained at a relatively low level as the Group did not place material reliance on borrowings to finance the Group's operation.

SIGNIFICANT INVESTMENTS HELD

As of June 30, 2020, we did not hold any significant investments in the equity interests of any other companies.

Save as disclosed in this interim report, during the six months ended June 30, 2020, we did not conduct any acquisitions or disposals that constituted notifiable transactions for the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

Save as disclosed in this interim report, the Group did not have any other plans for material investments and capital assets as of June 30, 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On April 24, 2020, the Group disposed approximately 3.32% of the issued share capital of a subsidiary, PressLogic Holdings Limited ("PressLogic"), to PressLogic and other third parties at a cash consideration of HK$12,000,000 (equivalent to approximately RMB10,964,000). After the completion of the disposal transactions, the Group's shareholding in PressLogic reduced from approximately 51.04% to 47.72% and the Group no longer have control over PressLogic. The Group's remaining shareholding in PressLogic were recognized as investment in associates. Further details of the disposal transactions can be found in the announcement of the Company published on April 24, 2020.

Save as disclosed above, we did not conduct any material acquisition or disposal of subsidiaries and/or affiliated companies during the six months ended June 30, 2020.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 1,558 full-time employees as of June 30, 2020 (as of December 31, 2019: 1,840) a majority of whom were based in various cities in China, including Xiamen (headquarters), Beijing, Shenzhen and Shanghai. Remuneration is determined with reference to market conditions and individual employees' performance, qualifications and experience.

Other Information

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

As at June 30, 2020, 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:

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding[3]
Mr. Cai Wensheng[1]	Interest in a controlled corporation/Beneficiary of a trust	1,126,600,000	26.12%
Mr. Wu Zeyuan[2]	Beneficial owner/Beneficiary of a trust	567,946,670	13.17%
Mr. Chen Jiarong	Beneficial owner/Interest in a controlled corporation/ Interest of spouse	517,870,180	12.01%
Dr. Lee Kai-Fu	Interest in a controlled corporation	32,994,151	0.77%

Notes:

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

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

(3) The percentage are calculated on the basis of 4,312,361,421 Shares in issue as at June 30, 2020.

Save as disclosed above, as at June 30, 2020, 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 at June 30, 2020, the 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, were as follows:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of holding[(4)]
Easy Prestige Limited[(1)]	Interest in a controlled corporation	566,666,670	13.14%
Xinhong Capital[(1)]	Beneficial owner	566,666,670	13.14%
Baolink Capital[(2)]	Beneficial owner	506,600,000	11.75%
Longlink Limited[(2)]	Interest in a controlled corporation	620,000,000	14.38%
Longlink Capital[(2)]	Beneficial owner	620,000,000	14.38%
Lion Trust (Singapore) Limited[(3)]	Trustee of a discretionary trust	1,398,366,670	32.43%
Kingkey Enterprise Holdings Limited	Beneficial owner	435,024,180	10.09%
Chen Jiajun	Interest in controlled corporation	435,024,180	10.09%

Notes:

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

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

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

(4) The percentage are calculated on the basis of 4,312,361,421 Shares in issue as at June 30, 2020.

Save as disclosed herein, as at June 30, 2020, 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

The Pre-IPO ESOP was approved and adopted by the Company on February 15, 2014 and amended by resolution of the Board on November 18, 2015. The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company, by linking the personal interests of the members of the Board, employees, consultants and other individuals to those of the Shareholders and, by providing such individuals with an incentive for outstanding performance, to generate superior returns to the Shareholders. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of recipients upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

As at June 30, 2020, outstanding options representing 28,734,742 shares were granted to eligible participants pursuant to the Pre-IPO ESOP. Details of the Pre-IPO ESOP are set out in Note 19 to the interim condensed consolidated financial information.

2. Post-IPO Share Option Scheme

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

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 at June 30, 2020, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 422,729,455 Shares, representing 9.80% of the issued share capital of the Company.

SHARE AWARD SCHEME

The Company has also adopted 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 at June 30, 2020, 60,383,554 award Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme (excluding Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme). Details of the Post-IPO Share Award Scheme are set out in Note 19 to the interim condensed 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, 2020, 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 with 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, 2020.

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. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the six months ended June 30, 2020 after making reasonable enquiry.

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

During the six months ended June 30, 2020, neither the Company nor any member of the Group purchased, sold or redeemed any of the Shares.

USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Main Board of the Stock Exchange on December 15, 2016. The net proceeds from the listing amounted to approximately RMB4,211.5 million.

As of June 30, 2020, the Group had utilized the net proceeds as set out in the table below:

	Net proceeds from the Listing (RMB million)	Utilization for the six months June 30, 2020 (RMB million)	Unutilized amount (RMB million)
Component and raw material sourcing to produce smartphones	1,221.3	–	–
Investment in or acquisition of businesses that are complementary to our business	1,022.2	60.7	357.3
Implementation of sales and marketing initiatives in both China and overseas market	890.7	–	–
Expansion of Internet services business	593.2	40.3	175.0
Expansion of research and development capabilities	296.6	–	–
General working capital	409.1	409.1	–

Note:

(1) The figures were based on an average of the prevailing exchange rates of RMB against a foreign currency in the first half of 2020.

The remaining balance of the net proceeds was placed with banks. There is a delay to the timeline on the application of the net proceeds from the listing as previously disclosed in the Prospectus. The Company expects to fully utilize the remaining net proceeds by the end of 2022.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As of the Latest Practicable Date, the Audit Committee comprises three members, namely Mr. Zhou Hao, Dr. Guo Yihong and Mr. Lai Xiaoling. Mr. Zhou Hao is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended June 30, 2020. 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 statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended June 30, 2020.

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 and the Onshore Target Company when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in the PRC and provide clear guidance or interpretation on the Qualification Requirements. 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;

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

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

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.

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.

Other Information

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, or the Onshore Target Company and its subsidiaries, directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by (i) Meitu Networks and its subsidiaries through the 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, and (ii) the Onshore Target Company and its subsidiaries through the VIE Agreements between the WFOE, the Company's subsidiary in the PRC, on the one hand, and the Onshore Target Company and its respective shareholders, on the other hand. The Contractual Arrangements and the VIE Agreements allow the results of operations and assets and liabilities of (i) Meitu Networks and its subsidiaries and (ii) the Onshore Target Company 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 and the VIE Agreements are set out in the Prospectus and the Company's 2019 annual report published on April 22, 2020.

CHANGES IN INFORMATION OF DIRECTORS

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

1. Mr. CHEN Jiarong was elected as a non-executive Director with effect from June 3, 2020; and

2. Ms. KUI Yingchun was elected as an independent non-executive Director with effect from June 3, 2020.

IMPORTANT EVENTS AFTER THE REPORTING DATE

On September 2, 2020, Meitu Home entered into a set of property acquisition agreements with Xiamen Torch Group Company Limited (廈門火炬集團有限公司), pursuant to which Xiamen Torch Group Company Limited (廈門火炬集團有限公司) has agreed to sell and Meitu Home has agreed to purchase an office building in Xiamen at an aggregate cash consideration of approximately RMB359.19 million (the "**Property Acquisition**").

Further details of the Property Acquisition can be found in the announcement of the Company published on September 2, 2020.

Save as disclosed above, there were no important events affecting the Company which occured after June 30, 2020 and up to the Latest Practicable Date.

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 28 to 63, which comprises the interim condensed consolidated balance sheet of Meitu, Inc. (the "Company") and its subsidiaries (together, the "Group") as of June 30, 2020 and the interim condensed consolidated statement of income, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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 of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 26, 2020

Interim Condensed Consolidated Statement of Income

	Note	**Unaudited Six months ended June 30, 2020 RMB'000**	Unaudited Six months ended June 30, 2019 RMB'000
Continuing operations			
Revenue	5	**557,465**	464,024
Cost of sales	6	**(201,734)**	(155,954)
Gross profit		**355,731**	308,070
Selling and marketing expenses	6	**(134,568)**	(170,785)
Administrative expenses	6	**(101,013)**	(128,736)
Research and development expenses	6	**(188,009)**	(252,383)
Net impairment losses on financial assets		**(2,424)**	(1,417)
Other income		**20,399**	7,920
Other gains/(losses), net	7	**9,279**	(34,724)
Finance income, net	8	**21,613**	22,736
Share of profits/(losses) of investments accounted for using the equity method	9(a)	**1,478**	(950)
Loss before income tax		**(17,514)**	(250,269)
Income tax expense	10	**(7,479)**	(8,589)
Loss from continuing operations		**(24,993)**	(258,858)
Loss from discontinued operations (attributable to equity holders of the Company)	25	**–**	(119,221)
Loss for the period		**(24,993)**	(378,079)
Loss attributable to:			
– Owners of the Company		**(15,953)**	(371,231)
– Non-controlling interests		**(9,040)**	(6,848)
		(24,993)	(378,079)

Interim Condensed Consolidated Statement of Income

	Note	**Unaudited Six months ended June 30, 2020 RMB'000**	Unaudited Six months ended June 30, 2019 RMB'000
Loss per share for loss from continuing operations attributable to owners of the Company for the period (expressed in RMB per share)	11		
– Basic		**(0.004)**	(0.06)
– Diluted		**(0.004)**	(0.06)
Loss per share for loss attributable to owners of the Company for the period (expressed in RMB per share)	11		
– Basic		**(0.004)**	(0.09)
– Diluted		**(0.004)**	(0.09)

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

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	**Unaudited Six months ended June 30, 2020 RMB'000**	Unaudited Six months ended June 30, 2019 RMB'000
Loss for the period		**(24,993)**	(378,079)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Currency translation differences		**29,781**	(13,215)
Other comprehensive income/(loss) for the period, net of tax		**29,781**	(13,215)
Total comprehensive income/(loss) for the period, net of tax		**4,788**	(391,294)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**13,489**	(384,279)
– Non-controlling interests		**(8,701)**	(7,015)
		4,788	(391,294)
Total comprehensive income/(loss) for the period attributable to owners of the Company arises from:			
Continuing operations		**13,489**	(265,058)
Discontinued operations		**–**	(119,221)
		13,489	(384,279)

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

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited June 30, 2020 RMB'000	Audited December 31, 2019 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	**26,398**	75,058
Right-of-use assets		**36,812**	51,455
Intangible assets	13	**405,287**	497,799
Term deposits		**120,000**	110,000
Long-term investments			
– Investments in associates in the form of ordinary shares	9(a)	**87,256**	15,521
– Financial assets at fair value through profit or loss	9(b)	**555,433**	502,774
– Financial assets at fair value through other comprehensive income		**9,819**	9,676
Prepayments and other receivables	15	**9,759**	9,467
Deferred tax assets		**3,037**	3,037
		1,253,801	1,274,787
Current assets			
Inventories		**4,337**	14,307
Trade receivables	14	**356,587**	359,965
Prepayments and other receivables	15	**413,861**	454,559
Short-term investments placed with banks		**20,151**	–
Short-term bank deposits	16	**1,735,017**	1,646,981
Restricted cash		**500**	500
Cash and cash equivalents		**649,294**	864,611
		3,179,747	3,340,923
Total assets		**4,433,548**	4,615,710

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited June 30, 2020 RMB'000	Audited December 31, 2019 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	17	**280**	280
Share premium	17	**7,134,687**	7,133,987
Reserves	18	**13,180**	(66,455)
Accumulated losses		**(3,445,120)**	(3,429,954)
		3,703,027	3,637,858
Non-controlling interests		**25,690**	97,342
Total equity		**3,728,717**	3,735,200
Liabilities			
Non-current liabilities			
Trade and other payables	20	**–**	85,094
Lease liabilities		**7,821**	18,647
Deferred tax liabilities		**34,498**	45,518
		42,319	149,259
Current liabilities			
Contract liabilities		**47,564**	58,947
Trade and other payables	20	**537,843**	597,486
Lease liabilities		**27,755**	30,757
Income tax liabilities		**49,350**	44,061
		662,512	731,251
Total liabilities		**704,831**	880,510
Total equity and liabilities		**4,433,548**	4,615,710

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

On behalf of the Board

Cai Wensheng	**Wu Zeyuan**
Director	*Director*

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 RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at December 31, 2019		280	7,133,987	(66,455)	(3,429,954)	3,637,858	97,342	3,735,200
Comprehensive income/(loss)								
Loss for the period		–	–	–	(15,953)	(15,953)	(9,040)	(24,993)
Other comprehensive income								
Currency translation differences		–	–	29,442	–	29,442	339	29,781
Total comprehensive income/(loss) for the six months ended June 30, 2020		–	–	29,442	(15,953)	13,489	(8,701)	4,788
Total transactions with owners, recognized directly in equity								
Value of employee services:								
– Pre-IPO ESOP Scheme	19(a)	–	–	338	–	338	–	338
– Post-IPO Share Award Scheme	19(b)	–	–	25,091	–	25,091	–	25,091
Shares issued upon exercise of employee share options	17	–	700	–	–	700	–	700
Acquisition of additional equity interests in non-wholly owned subsidiaries	18	–	–	24,764	–	24,764	(24,764)	–
Disposal of a subsidiary	24	–	–	–	–	–	(37,400)	(37,400)
Total transactions with owners as their capacity as owners		–	700	50,193	–	50,893	(62,164)	(11,271)
Balance at June 30, 2020		280	7,134,687	13,180	(3,445,907)	3,702,240	26,477	3,728,717

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to owners of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at December 31, 2018		274	7,040,940	(168,766)	(3,031,751)	3,840,697	119,233	3,959,930
Change in accounting policy		–	–	–	(1,511)	(1,511)	(62)	(1,573)
Restated total equity at January 1, 2019		274	7,040,940	(168,766)	(3,033,262)	3,839,186	119,171	3,958,357
Comprehensive loss								
Loss for the period		–	–	–	(371,231)	(371,231)	(6,848)	(378,079)
Other comprehensive loss								
Currency translation differences		–	–	(13,048)	–	(13,048)	(167)	(13,215)
Total comprehensive loss for the six months ended June 30, 2019		–	–	(13,048)	(371,231)	(384,279)	(7,015)	(391,294)
Total transactions with owners, recognized directly in equity								
Value of employee services:								
– Pre-IPO ESOP Scheme	19(a)	–	–	2,078	–	2,078	–	2,078
– Post-IPO Share Award Scheme	19(b)	–	–	17,773	–	17,773	–	17,773
Shares issued upon exercise of employee share options	17	1	3,636	–	–	3,637	–	3,637
Acquisition of additional equity interests in non-wholly owned subsidiaries	18	–	–	22,465	–	22,465	(22,465)	–
Total transactions with owners as their capacity as owners		1	3,636	42,316	–	45,953	(22,465)	23,488
Balance at June 30, 2019		275	7,044,576	(139,498)	(3,404,493)	3,500,860	89,691	3,590,551

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

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
Cash flows from operating activities			
Cash used in operations		**(76,335)**	(59,790)
Interest received		**1,432**	1,955
Income tax paid		**(4,308)**	(6,912)
Net cash used in operating activities		**(79,211)**	(64,747)
Cash flows from investing activities			
Purchase of property and equipment	13	**(5,096)**	(6,264)
Proceeds from disposal of property and equipment		**29,092**	13,060
Investments in financial assets at fair value through profit or loss	9(b)	**(54,000)**	(5,250)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	5,171
Purchase of short-term investments placed with banks, net		**(20,000)**	(20,000)
Investment income received from short-term investments placed with banks		**7,249**	6,597
Placement of term bank deposits		**(814,407)**	(1,144,938)
Receipt from maturity of term bank deposits		**739,508**	1,782,810
Interest received from term bank deposits		**23,705**	47,175
Loans to a third party		**–**	(30,000)
Repayments received from an investee company		**–**	5,000
Net cashflow from disposal of a subsidiary	24	**(11,135)**	–
Net cash (used in)/generated from investing activities		**(105,084)**	653,361

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
Cash flows from financing activities			
Payments for lease liabilities		**(25,776)**	(28,529)
Proceeds from shares issued under employee share option scheme		**570**	2,623
Payments for acquisition of non-controlling interests in non-wholly owned subsidiaries	20	**(6,687)**	(59,356)
Net cash used in financing activities		**(31,893)**	(85,262)
Net (decrease)/increase in cash and cash equivalents		**(216,188)**	503,352
Cash and cash equivalents at the beginning of the period		**864,611**	531,618
Effects of exchange rate changes on cash and cash equivalents		**871**	1,183
Cash and cash equivalents at the end of the period		**649,294**	1,036,153

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

Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together with Meitu Networks and its subsidiaries, the "**Group**") are principally engaged in the provision of online advertising and other Internet value-added services in the People's Republic of China (the "**PRC**") and other countries or regions.

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

The interim condensed consolidated balance sheet as of June 30, 2020, 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 26, 2020.

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

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

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2019, as described in those annual financial statements.

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

2 BASIS OF PREPARATION (CONTINUED)

(a) The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

(b) The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning January 1, 2020 and have not been early adopted:

New standards, amendments, improvement and interpretation		Effective for accounting periods beginning on or after
Amendments to annual improvements project	Annual improvements 2018-2020 cycle	January 1, 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	January 1, 2022
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

Management is in the process of making an assessment of the impact of these new standards, amendments, improvement and interpretation in the period of initial application.

3 ESTIMATES

The preparation of the 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 the 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, 2019.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 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 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, 2019.

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

4.2 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.

4.3 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).

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value as of June 30, 2020 and December 31, 2019.

	Unaudited			
	Level 1	**Level 2**	**Level 3**	**Total**
As of June 30, 2020	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Assets:				
Long-term investments				
– Financial assets at fair value through profit or loss (Note 9(b))	**–**	**–**	**555,433**	**555,433**
– Financial assets at fair value through other comprehensive income	**–**	**–**	**9,819**	**9,819**
Short-term investments placed with banks	**–**	**–**	**20,151**	**20,151**
	–	**–**	**585,403**	**585,403**

	Audited			
	Level 1	Level 2	Level 3	Total
As of December 31, 2019	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Long-term investments				
– Financial assets at fair value through profit or loss	–	–	502,774	502,774
– Financial assets at fair value through other comprehensive income	–	–	9,676	9,676
	–	–	512,450	512,450

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

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

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

The following table presents the changes in level 3 instruments for the six months ended June 30, 2020.

	Unaudited			
	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Short-term investments placed with banks RMB'000	Total RMB'000
Opening balance as of December 31, 2019	502,774	9,676	–	512,450
Additions	54,000	–	1,489,694	1,543,694
Disposals	–	–	(1,476,943)	(1,476,943)
Changes in fair value (Note 7)	(4,809)	–	7,400	2,591
Currency translation differences	3,468	143	–	3,611
Closing balance as of June 30, 2020	**555,433**	**9,819**	**20,151**	**585,403**
Total unrealized gains and change in fair value for the period included in "other gains/(losses), net"	**(4,809)**	**–**	**151**	**(4,658)**

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.5 Group's valuation processes

The Group has a team of personnel with valuation experience that manages the evaluation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included investments in private companies (Note 9(b)) 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 methodologies, including discounted cash flows, equity allocation model etc. Major assumptions used in the valuation include historical financial results, long-term revenue growth rate, long-term pre-tax operating margin, estimate of weighted average cost of capital (WACC), recent market transactions, marketability discount, expected volatility of shares under liquidation and redemption scenario and other exposure etc.

Except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, the carrying amounts of financial assets including cash and cash equivalents, short-term investments placed with banks, 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.

5 REVENUE AND SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. Considering the Group has discontinued the business of smartphone and e-commerce operations, the Group determined that it has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. The Group's long-lived assets are substantially located in the PRC and substantially all of the Group's revenues are derived from incorporations registered in the PRC. Therefore, no geographical segments are presented.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The results of the revenue for the six months ended June 30, 2020 and 2019 are as follows:

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
Revenue from continuing operations		
Online Advertising	**318,508**	362,264
Premium Subscription Services and In-App Purchases	**84,128**	27,212
Internet Value-added Services	**21,340**	15,544
Others (Note (a))	**133,489**	59,004
Total revenue	**557,465**	464,024
Revenue from discontinued operations (Note 25)	**–**	203,704

(a) Others mainly include a newly-developed business, influencer marketing solutions business, in which the Group provides influencer content marketing solutions for multi-channel networks. Revenue is recognized upon the acceptance of the influencer content marketing solutions.

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
Timing of revenue recognition		
At a point in time	**145,395**	74,548
Over time	**412,070**	389,476
	557,465	464,024

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

No revenue from any customer exceeded 10% or more of the Group's revenue for the six months ended June 30, 2020. The major customer which contributed more than 10% of the revenue from continuing operations of the Group for the six months ended June 30, 2019 is listed as below.

	Unaudited Six months ended June 30, 2020	Unaudited Six months ended June 30, 2019
Customer A	*	16%

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

6 EXPENSES BY NATURE

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
Employee benefit expenses	**306,056**	363,656
Remuneration paid to influencers	**96,178**	–
Promotion and advertising expenses	**51,414**	64,062
Bandwidth and storage related costs	**30,917**	44,736
Revenue sharing fee	**27,161**	49,988
Depreciation of right-of-use assets	**20,525**	23,417
Depreciation of property and equipment (Note 13)	**19,924**	33,762
Amortization of intangible assets (Note 13)	**13,622**	6,954
Video content monitoring fee	**9,515**	11,552
Travelling and entertainment expenses	**4,322**	11,087
Auditors' remuneration	**3,361**	3,187
Operating lease expenses	**3,204**	1,217
Tax and levies	**1,753**	10,597
Impairment of prepayments	**–**	30,971
Others	**37,372**	52,672
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	**625,324**	707,858

Notes to the Interim Condensed Consolidated Financial Information

7 OTHER GAINS/(LOSSES), NET

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
Gains on disposal of a subsidiary (Note 24)	**8,373**	–
Fair value changes on short-term investments placed with banks (Note 4)	**7,400**	6,726
Gains/(losses) on disposal of property and equipment	**1,123**	(422)
Goodwill impairment	**–**	(33,336)
Remeasurement (losses)/gains on consideration to non-controlling shareholders of a subsidiary (Note 20)	**(2,066)**	30,577
Fair value changes on financial assets at fair value through profit or loss (Note 9 (b))	**(4,809)**	(43,603)
Impairment of investment in an associate (Note 9(a))	**(9,428)**	–
Others	**8,686**	5,334
	9,279	(34,724)

8 FINANCE INCOME, NET

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
Interest income	**25,502**	29,386
Interest expenses	**(223)**	(264)
Foreign exchange gains/(losses), net	**53**	(2,229)
Others	**(3,719)**	(4,157)
	21,613	22,736

9(A) INVESTMENTS IN ASSOCIATES IN THE FORM OF ORDINARY SHARES

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
At the beginning of the period	**15,521**	16,540
Conversion from a subsidiary to an associate due to loss of control (Note 24)	**79,692**	–
Share of profits/(losses) of the associates	**1,478**	(950)
Impairment charges (Note 7)	**(9,428)**	–
Currency translation differences	**(7)**	21
At the end of the period	**87,256**	15,611

9(B) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
At the beginning of the period	**502,774**	547,178
Additions (Note (i))	**54,000**	5,250
Changes in fair value	**(4,809)**	(43,603)
Currency translation differences	**3,468**	430
At the end of the period	**555,433**	509,255

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. Additionally, in connection with certain investments in the preferred shares, the Group also holds board seats in certain investees, in which it can participate in the investees' financial and operating activities. These investee companies are associates of the Group. After assessment on the Group's business model for managing financial assets and contractual cash flow test where those cash flows represent solely payments of principal and interest ("**SPPI**"), the Group recognized these investments as financial assets at fair value through profit or loss.

(i) During the six months ended June 30, 2020, the Group made some investments in certain convertible bonds issued by two unlisted entities. These companies are principally engaged in internet-related service.

10 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended June 30, 2020 and 2019 are analyzed as follows:

	Unaudited Six months ended June 30, 2020 RMB'000	Unaudited Six months ended June 30, 2019 RMB'000
Current income tax:		
– PRC and overseas enterprise income tax	**12,444**	9,748
Deferred income tax	**(4,965)**	(1,159)
	7,479	8,589
Income tax expense is attributable to:		
Profit from continuing operations	**7,479**	8,589
Profit from discontinued operations	**–**	–

(a) Cayman Islands and BVI Income Tax

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

(b) Hong Kong Income Tax

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

(c) Corporate income tax in other countries

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

11 LOSS PER SHARE

(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, 2020	Unaudited Six months ended June 30, 2019
Loss attributable to owners of the Company (RMB'000)		
From continuing operations	**(15,953)**	(252,010)
From discontinued operations	**–**	(119,221)
	(15,953)	(371,231)
Weighted average number of ordinary shares in issue (thousand)	**4,280,483**	4,189,638
Basic and diluted loss per share (in RMB/share)		
From continuing operations	**(0.004)**	(0.06)
From discontinuing operations	**–**	(0.03)
	(0.004)	(0.09)

(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, 2020 and 2019, the Company had two categories of potential ordinary shares, the shares options awarded under Pre-IPO ESOP and share awards under the Post-IPO Share Award Scheme (Note 19). As the Group incurred losses for the six months ended June 30, 2020, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the six months ended June 30, 2020 is the same as basic loss per share.

12 DIVIDENDS

No dividends had been paid or declared by the Company during the six months ended June 30, 2020 (six months ended June 30, 2019: nil).

13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment RMB'000	Intangible Assets RMB'000
As of December 31, 2019		
Cost	247,744	583,460
Accumulated depreciation/amortization and impairment	(172,686)	(85,661)
Net book amount	75,058	497,799
Unaudited		
Six months ended June 30, 2020		
Opening net book amount	**75,058**	**497,799**
Currency translation differences	**2**	**1,097**
Additions	**5,096**	**–**
Disposals	**(27,969)**	**–**
Disposal of a subsidiary (Note 24)	**(5,865)**	**(79,987)**
Depreciation/amortization charges	**(19,924)**	**(13,622)**
Closing net book amount	**26,398**	**405,287**
As of June 30, 2020		
Cost	**126,317**	**476,106**
Accumulated depreciation/amortization and impairment	**(99,919)**	**(70,819)**
Net book amount	**26,398**	**405,287**

As detailed in Note 24, goodwill allocated to the cash generating unit ("**CGU**") of online advertising services overseas amounting RMB43,290,000 was derecognized due to the disposal of a subsidiary during the six months ended June 30, 2020.

13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

As of June 30, 2020, Goodwill was allocated to the Group's CGUs identified as follows:

	As of June 30, 2020 RMB'000
Online recruitment services	**162,039**
Advertising agency services	**16,404**
	178,443

Goodwill of the Group is tested for impairment whenever there is any indication of impairment or annually at year-end. As there were no indicators for impairment of any of above CGUs, management has not updated any impairment calculations for the six months ended June 30, 2020.

14 TRADE RECEIVABLES

The Group grants a credit period of 30 to 120 days to its customers. As of June 30, 2020 and December 31, 2019, the aging analysis of trade receivables (net of allowance for doubtful debts) based on transaction date were as follows:

	Unaudited As of June 3o, 2020 RMB'000	Audited As of December 31, 2019 RMB'000
Trade receivables		
Up to 6 months	**287,946**	317,450
6 months to 1 year	**68,169**	41,027
Over 1 year	**472**	1,488
	356,587	359,965

As of June 30, 2020 and December 31, 2019, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

Notes to the Interim Condensed Consolidated Financial Information

15 PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited As of June 3o, 2020 RMB'000	Audited As of December 31, 2019 RMB'000
Included in non-current assets		
Rental and other deposits	**9,744**	9,431
Others	**15**	36
	9,759	9,467
Included in current assets		
Receivables from advertising customers for advertising agency services	**260,632**	294,339
Prepayment to advertising platform for advertising agency services	**52,133**	30,283
Refundable value-added tax	**45,432**	55,316
Rental and other deposits	**23,354**	38,527
Interest receivables	**20,204**	19,553
Prepayments to suppliers	**10,079**	10,974
Prepaid income tax	**–**	2,924
Others	**2,027**	2,643
	413,861	454,559

16 SHORT-TERM BANK DEPOSITS

	Unaudited As of June 3o, 2020 RMB'000	Audited As of December 31, 2019 RMB'000
Short-term bank deposits with initial terms over three months	**1,735,017**	1,646,981

As of June 30, 2020, short-term bank deposits amounting RMB1,735,031,017 (December 31, 2019: RMB1,646,981,000) 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 US$ and HK$ and the weighted average effective interest rate was 2.09% per annum for the six months ended June 30, 2020 (six months ended June 30, 2019: 3.16%).

Notes to the Interim Condensed Consolidated Financial Information

17 SHARE CAPITAL

As of June 30, 2020 and December 31, 2019, the authorized share capital of the Company comprises 6,000,000,000 ordinary shares with par value of US$0.00001 per share.

	Note	Number of ordinary shares '000	Nominal value of ordinary shares US$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:					
As of January 1, 2020		**4,289,003**	**43**	**280**	**7,133,987**
Employee share option scheme under Pre-IPO ESOP					
– shares issued and proceeds received	(a)	**3,358**	**–**	**–**	**700**
Post-IPO Share Award Scheme:					
– shares issued	(b)	**20,000**	**–**	**–**	**–**
As of June 30, 2020		**4,312,361**	**43**	**280**	**7,134,687**
As of January 1, 2019		4,202,516	42	274	7,040,940
Employee share option scheme under Pre-IPO ESOP					
– shares issued and proceeds received	(a)	17,780	–	1	3,636
As of June 30, 2019		4,220,296	42	275	7,044,576

(a) During the six months ended June 30, 2020, 3,358,000 pre-IPO share options with exercise price of US$0.03 were exercised (six months ended June 30, 2019: 17,780,000 pre-IPO share options).

(b) During the six months ended June 30, 2020, the Company issued 20,000,000 new shares under the Post-IPO Share Award Scheme.

Notes to the Interim Condensed Consolidated Financial Information

18 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
As of January 1, 2020	**2,000**	**20,120**	**400,328**	**(313,017)**	**(175,886)**	**(66,455)**
Value of employee services:						
– Pre-IPO ESOP Scheme	**–**	**–**	**338**	**–**	**–**	**338**
– Post-IPO Share Award Scheme	**–**	**–**	**25,091**	**–**	**–**	**25,091**
Currency translation differences (Note (a))	**–**	**–**	**–**	**29,442**	**–**	**29,442**
Acquisition of additional equity interests in non-wholly owned subsidiaries (Note (b))	**–**	**–**	**–**	**–**	**24,764**	**24,764**
As of June 30, 2020	**2,000**	**20,120**	**425,757**	**(283,575)**	**(151,122)**	**13,180**
As of January 1, 2019	2,000	19,950	345,921	(338,286)	(198,351)	(168,766)
Value of employee services:						
– Pre-IPO ESOP Scheme	–	–	2,078	–	–	2,078
– Post-IPO Share Award Scheme	–	–	17,773	–	–	17,773
Currency translation differences (Note (a))	–	–	–	(13,048)	–	(13,048)
Acquisition of additional equity interests in non-wholly owned subsidiaries (Note (b))	–	–	–	–	22,465	22,465
As of June 30, 2019	2,000	19,950	365,772	(351,334)	(175,886)	(139,498)

(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) As detailed in Note 20, the Group recognized a financial liability of RMB183,704,000 associated with an obligation to acquire the remaining non-controlling equity interest. A corresponding debit was recorded in the reserve of the Group under such arrangement. Pursuant to the sales and purchase agreement ("**SPA**"), the Group acquired 14.86% equity interests in May 2019 and additional 14.86% equity interests in May 2020, respectively. Accordingly, the non-controlling interest was reduced by RMB22,465,000 during the six months ended June 30, 2019 and RMB24,764,000 during the six months ended June 30, 2020, respectively. The other reserves were accordingly credited by the same amount, which is the net assets value of the equity interest acquired.

19 SHARE-BASED PAYMENTS

(a) Pre-IPO ESOP

On February 15, 2014, the Board of Directors of the Company approved the establishment of the Pre-IPO ESOP with the purpose of 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 Plan 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 per share. Except as provided otherwise in the grant letter or offer in any other form by the Board of Directors, 25% of the shares subject to the option shall vest on the first vesting date, and the remaining 75% shares shall vested over the next 36 months. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share options were granted under Pre-IPO ESOP to employees of the Company for the six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

Movements in the number of share options granted to employees outstanding and their related weighted average exercise prices are as follows (after share subdivision):

	Exercise price	Number of share options Six months ended June 30,	
		2020	2019
At the beginning of the period		**32,092,867**	58,903,947
Exercised (Note (i))	US$0.03	**(3,358,125)**	(17,780,833)
Forfeited	US$0.03	**–**	(62,500)
At the end of the period		**28,734,742**	41,060,614

(i) As a result of the options exercised during the six months ended June 30, 2020, 3,358,125 ordinary shares (six months ended June 30, 2019: 17,780,833 ordinary shares) were issued by the Company (Note 17). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$1.70 per share (equivalent to RMB1.52RMB per share) (six months ended June 30, 2019: HK$2.81 per share (equivalent to RMB2.44 per share)).

As of June 30, 2020, all share options granted will expire in 2026.

19 SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO ESOP (Continued)

(ii) Shares options granted to non-employees under the 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.

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.

No share options were granted under Pre-IPO ESOP to non-employees of the Company during six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

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

The directors had adopted 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 the Binomial option-pricing model to determine the fair value of the share option as of the grant date.

For six months ended June 30, 2020, the Group recorded share-based compensation of RMB338,000 (six months ended June 30, 2019: RMB2,078,000) related to Pre-IPO ESOP.

(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.

19 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Award Scheme (Continued)

Movements in the number of award shares for the six months ended June 30, 2020 and 2019 are as follows:

	Post-IPO Share Award Scheme Number of shares Six months ended June 30,	
	2020	2019
At the beginning of the period	**37,970,888**	32,403,560
Granted	**8,588,659**	17,068,309
Exercised	**(8,992,966)**	(6,625,862)
Forfeited	**(4,041,206)**	(3,826,988)
At the end of the period	**33,525,375**	39,019,019

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, 2020 was HK$1.46 per share (equivalent to approximately RMB1.33 per share) (six months ended June 30, 2019: HK$3.52 per share (equivalent to approximately RMB3.02 per share)).

During the six months ended June 30, 2020, the Group recorded share-based compensation of RMB25,091,000 (six months ended June 30, 2019 RMB17,773,000) related to Post-IPO Share Award Scheme.

The outstanding awarded shares as of June 30, 2020 were divided into two to four tranches on an equal basis as of their grant dates. The first tranche can be vested after a specified period ranging from three to eighteen months from the grant date, and the remaining tranches will become vested in each subsequent year.

19 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Award Scheme (Continued)

(i) Expected Retention Rate under Post-IPO Share Award Scheme

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As of June 30, 2020, the Expected Retention Rate, excluding senior management, was assessed to be 94% (2019: 95%). For senior management, the Group estimates the Expected Retention Rate on individual basis.

(c) Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the board on November 25, 2016 and adopted with effect from the completion of the IPO. As of June 30, 2020, no options have been granted by the Group under the Post-IPO Share Option Scheme.

20 TRADE AND OTHER PAYABLES

	Unaudited As of June 30, 2020 RMB'000	Audited As of December 31, 2019 RMB'000
Included in non-current liabilities		
Payables to non-controlling shareholders of a subsidiary (Note (a))	–	85,094
Included in current liabilities		
Payroll and welfare payables	**169,925**	232,154
Payables to platforms for agency services	**98,714**	145,318
Trade payables	**98,614**	117,803
Payables to non-controlling shareholders of a subsidiary (Note (a))	**87,092**	4,621
Deposits payable	**28,418**	35,998
Other tax payables	**10,956**	8,206
Others	**44,124**	53,386
	537,843	597,486

20 TRADE AND OTHER PAYABLES (CONTINUED)

(a) On January 25, 2018, the Group acquired an aggregate 50.48% equity interests of an advertising agency company (the "Acquiree"). There was a contractual undertaking in the SPA where the Group is obliged to acquire the remaining 49.52% equity interests in the Acquiree by the year ending December 31, 2021. The purchase price is determined at the time of the future acquisition dates, through different stages within four years, with a formula based on future performance of the Acquiree which reflect the respective fair values of the interests. The Group initially recognized a financial liability of RMB183,704,000 associated with such an obligation based on the estimated outcome of the performance of the Acquiree, with a corresponding debit recorded in the reserve of the Group under such a forward contract arrangement.

Pursuant to the SPA, the Group acquired 14.86% equity interests for a cash consideration of RMB59,356,000 in May 2019 and additional 14.86% equity interests for a cash consideration of RMB6,687,000 in May 2020. The remaining equity interest of 19.80% will be acquired by the Group in the year of 2021.

Management assessed and remeasured the financial liabilities to non-controlling shareholders based on the performance forecast of the Acquiree periodically. Accordingly, a remeasurement loss of RMB2,066,000 was recognized for the six months ended June 30, 2020 (six months ended June 30, 2019: remeasurement gain of RMB30,577,000) (Note 7).

20 TRADE AND OTHER PAYABLES (CONTINUED)

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

	Unaudited As of June 30, 2020 RMB'000	Audited As of December 31, 2019 RMB'000
Up to 1 year	**65,523**	88,860
1 to 2 years	**17,057**	24,669
Over 2 years	**16,034**	4,274
	98,614	117,803

21 COMMITMENTS

The Group did not have any significant commitments as of June 30, 2020.

22 CONTINGENCIES

The Group did not have any significant contingent liabilities as of June 30, 2020.

23 SUBSEQUENT EVENT

There were no material subsequent events during the period from June 30, 2020 to the approval date of these financial statements by the Board of Directors on August 26, 2020.

24 DISPOSAL OF A SUBSIDIARY

On April 24, 2020, the Group disposed approximately 3.32% of the issued share capital of a subsidiary, PressLogic Holdings Limited ("PressLogic"), to PressLogic and other third parties at a cash consideration of HK$12,000,000 (equivalent to approximately RMB10,964,000). After the completion of the disposal transactions, the Group's shareholding in PressLogic reduced from approximately 51.04% to approximately 47.72% and the Group no longer have control over PressLogic. The Group's remaining shareholding in PressLogic were recognized as investment in associates. Details of the disposal transactions are as follows:

	RMB'000
Disposal considerations	
– Cash received	10,964
– Fair value of investment in associate held after disposal	79,692
	90,656
Less:	
– Total net assets of PressLogic disposed of, excluding goodwill	(76,393)
– Goodwill disposed of	(43,290)
– Non-controlling interests disposed of	37,400
Gains on disposal	8,373
Cash proceeds from disposal, net of cash disposed of	
– Cash consideration received	10,964
– Less: cash and cash equivalents in PressLogic disposed of	(22,099)
Net cash outflow on disposal	(11,135)

25 DISCONTINUED OPERATIONS

In order to focus the resources of the Group on implementing its new strategy surrounding "Beauty and Social Media", the Group discontinued the manufacture and production of smartphones on April 30, 2019 and exited its e-commerce business on November 30, 2018.

Financial information relating to smartphones and e-commerce business for the period to the date of disposal during the six months ended June 30, 2019 is set out below. The condensed consolidated statement of profit or loss and statement of cash flows distinguish discontinued operations from continuing operations.

	E-commerce operations RMB'000	Smartphones RMB'000	Total discontinued operations RMB'000
Revenue	–	203,704	203,704
Cost of sales	–	(276,060)	(276,060)
Expenses	(808)	(56,988)	(57,796)
Other (losses)/gains, net	(101)	1,383	1,282
Other income, net	6,666	2,983	9,649
Profit/(loss) before income tax	5,757	(124,978)	(119,221)
Income tax expense	–	–	–
Profit/(loss) from discontinued operations	5,757	(124,978)	(119,221)
Net cash generated from/(used in) operating activities	10,949	(19,445)	(8,496)
Net cash generated from investing activities	–	1,710	1,710
Cash flows of discontinued operations	10,949	(17,735)	(6,786)

26 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, 2020 and 2019.

(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, 2020 %	Unaudited Six months ended June 30, 2019 %
(i)	Sales of goods and services:		
	Associates in form of preferred shares	**4,840**	22,830
(ii)	Purchases of goods and services:		
	An associate	**6,927**	6,402
	Others	**776**	195
		7,703	6,597
(iii)	Interest income	**–**	38

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Period/Year end balances with related parties

	Unaudited As of June 30, 2020 RMB'000	Audited As of December 31, 2019 RMB'000
(i) Receivables from:		
Associates in form of preferred shares	**12,375**	11,736
(ii) Payables to:		
Associates in form of preferred shares	**17,112**	17,111
Associates	**2,337**	1,583
	19,449	18,694
(iii) Contract liabilities from:		
An Associate in form of preferred shares	**21,344**	21,344

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, 2020 %	Unaudited Six months ended June 30, 2019 %
Wages, salaries and bonuses	**7,022**	3,875
Pension costs – defined contribution plan	**83**	103
Other social security costs, housing benefits and other employee benefits	**109**	146
Share-based compensation expenses	**5,076**	6,411
	12,290	10,535

Definitions

"AI"	artificial intelligence
"Adjusted Net (Loss)/ Profit from continuing operations"	adjusted net (loss)/profit from continuing operations is calculated as the (loss)/ profit for the year from continuing operations, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensation; (ii) fair value (losses)/gain on long-term investments, net of tax; and (iii) gains on disposal of long-term investments, net of tax.
"Baolink Capital"	Baolink Capital Ltd, a company incorporated under the laws of the BVI on June 29, 2007, which is wholly-owned by Mr. Cai and is deemed interested in approximately 11.75% of the issued share capital of our Company as at the Latest Practicable Date
"Board of Directors" or "Board"	our Board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code 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

Definitions

"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 set out in the prospectus of the Company dated December 5, 2016 and the 2019 annual report of the Company published on April 22, 2020
"Dajie HK"	Dajie Net Hong Kong Limited (大街網香港有限公司), a limited liability company duly incorporated under the laws of Hong Kong
"Director(s)"	the director(s) of our Company
"Group", "our Group", or "the Group"	the Company, its subsidiaries and the PRC Operational 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 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
"Latest Practicable Date"	September 17, 2020, being the latest practicable date prior to the bulk printing and publication of this interim report
"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

Definitions

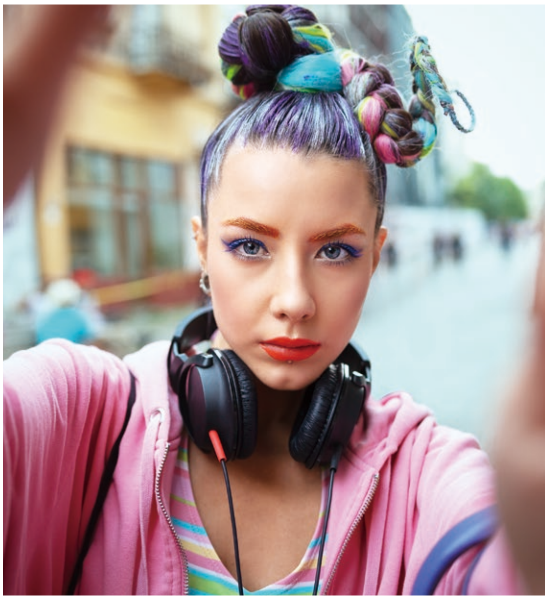
"Longlink Capital"	Longlink Capital Ltd, a company incorporated under the laws of the BVI on January 11, 2007, which is wholly-owned by Longlink Limited, which in turn is held by Lion Trust (Singapore) Limited as trustee for the benefit of Mr. Cai and is deemed interested in approximately 14.37% of the issued share capital of our Company as at the Latest Practicable Date
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the 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 Home"	Xiamen Home Meitu Technology Co., Ltd.(廈門美圖之家科技有限公司), a company established in the PRC on October 14, 2013, and our indirectly 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 to 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, alimited liability company incorporated under the laws of the State of California, on April 1, 2015, and our indirectly wholly-owned subsidiary

Definitions

"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 and an authorized representative
"Mr. Wu"	Mr. Wu Zeyuan (吳澤源), also known as Mr. Wu Xinhong (吳欣鴻), our founder, Chief Executive Officer and executive Director
"Ms. Cai"	Ms. Cai Shuting, the daughter of Mr. Cai and Ms. Wang
"Ms. Wang"	Ms. Wang Baoshan, the spouse of Mr. Cai
"Onshore Target Company"	北京大杰致遠信息技術有限公司 (Beijing Dajie Zhiyuan Information Technology Co., Ltd.), a limited liability company incorporated under the laws of the PRC
"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 Operational 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
"Pre-IPO ESOP"	the employees' share option plan of the Company as approved by the Board on February 15, 2014 and amended by the Board on November 18, 2015
"Prospectus"	the prospectus of the Company dated December 5, 2016
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC

Definitions

"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
"VIE Agreements"	a series of contracts to be entered into between the WFOE, the Onshore Target Company, Meitu Networks and the other relevant shareholders of the Onshore Target Company, which allows the WFOE to exercise control over the operations of the Onshore Target Company and enjoy the economic benefits generated by the Onshore Target Company and its subsidiaries, and the details of which are set out in the announcement of the Company dated August 28, 2019 and the 2019 annual report of the Company published on April 22, 2020
"WFOE"	Tianjin Meijie Technology Co., Ltd.(天津美街科技有限公司), a wholly foreign-owned enterprise set up by Dajie HK under the laws of the PRC
"Xinhong Capital"	Xinhong Capital Limited, a company incorporated under the laws of the BVI on June 13, 2013, which is wholly-owned by Easy Prestige Limited, which in turn is held by Lion Trust (Singapore) Limited as trustee for the benefit of Mr. Wu and is deemed interested in approximately 13.14% of the issued share capital of our Company as at the Latest Practicable Date
"%"	per cent



meitu Meitu, Inc.
美图公司