



meitu

Stock Code 股份代號 : 1357

2021 INTERIM REPORT

中期報告

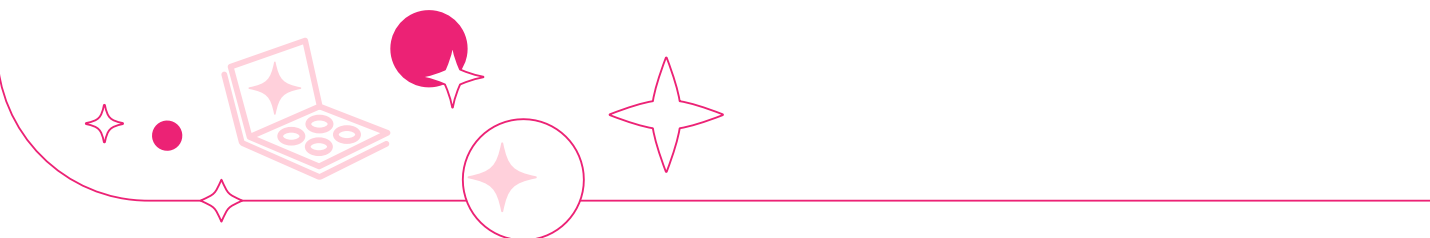
(於開曼群島註冊成立的有限公司，並以「美圖之家」名稱於香港經營業務)

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



Contents

Corporate Information	2
2021 Highlights	4
Key Financial and Operational Data	5
Chairman's Statement	6
Management Discussion and Analysis	9
Other Information	19
Report on Review of Interim Financial Information	27
Interim Condensed Consolidated Statement of Income	28
Interim Condensed Consolidated Statement of Comprehensive Income	29
Interim Condensed Consolidated Balance Sheet	30
Interim Condensed Consolidated Statement of Changes in Equity	32
Interim Condensed Consolidated Statement of Cash Flows	34
Notes to the Interim Condensed Consolidated Financial Information	36
Definitions	67





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*)
(retired from the Board on June 2, 2021)
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
Ms. KUI Yingchun (*appointed on June 2, 2021*)

NOMINATION COMMITTEE

Mr. CAI Wensheng (*Chairman*)
Mr. ZHOU Hao
Ms. KUI Yingchun (*appointed on June 2, 2021*)

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

1-3/F, Block 2
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

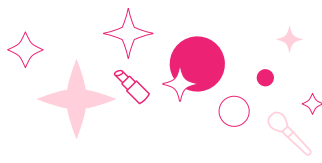
As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom

As to PRC law (in alphabetical order)

Jingtian & Gongcheng
Tian Yuan Law Firm

As to Cayman Islands law
Conyers Dill & Pearman





Corporate Information

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





2021 Highlights

meitu美图

让每个人都能简单变美



We have successfully developed the monetization model of premium subscription into the second growth curve of Meitu's revenue. We believe that the premium subscription model is more in line with the behaviors of users of the Meitu apps, since it can improve user experiences while monetizing, making it more native than other monetization models. This business is expanding at an alarming rate, with a year-on-year growth of 150.7% in the first half of 2021.



Driven by the growth of our premium subscription business, the growth rate of our operating revenue accelerated in the first half of 2021, reaching RMB806.0 million, representing a year-on-year increase of 44.6%.



The Company has achieved the third consecutive semi-annual profit in terms of Adjusted Net Profit⁽¹⁾. Adjusted Net Profit attributable to the Owners of the Company was RMB33.4 million for the first half of 2021.



On the basis of stable daily operations, we have been actively deploying in the field of beauty, such as *MeituEve*, which focuses on AI skin analysis, and *Meidd*, which provides cosmetic stores with enterprise resource planning ("ERP") SaaS and supply chain management. Both of them are making good progress.



Key Financial and Operational Data

KEY FINANCIAL DATA

	Six months ended June 30,		Year on year change (%)
	2021 RMB'000	2020 RMB'000	
Revenue	806,004	557,465	44.6%
– Online Advertising	392,622	318,508	23.3%
– Premium Subscription Services and In-app Purchases	210,880	84,128	150.7%
– Internet Value-added Services	35,339	21,340	65.6%
– Others	167,163	133,489	25.2%
Gross Profit	532,756	355,731	49.8%
Gross Margin	66.1%	63.8%	2.3p.p.
Adjusted Net Profit attributable to Owners of the Company ⁽¹⁾	33,358	24,940	33.8%

KEY OPERATIONAL DATA

	As of June 30,	As of	Change (%)
	2021 '000	December 31, 2020 '000	
Total Monthly Active Users	245,782	261,048	-5.8%
<i>MAU breakdown by product:</i>			
– Meitu	114,101	114,718	-0.5%
– BeautyCam	62,575	61,850	1.2%
– BeautyPlus	45,299	55,141	-17.8%
– Others	23,807	29,339	-18.9%
<i>MAU breakdown by geography:</i>			
– Mainland China	162,021	163,098	-0.7%
– Overseas	83,761	97,950	-14.5%

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



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, 2021. During the first half of 2021, we improved our business operations and made progress on the total revenue and profitability in terms of Adjusted Net Profit.

STRATEGIC HIGHLIGHT

Success in Building New Monetization Model

We are very pleased to see the continued astonishing success of Meitu's premium subscription services and in-app purchases business model, demonstrating that we are now capable of developing and scaling new monetization model. The premium subscription segment has grown very significantly since its launch in 2019, and has become the Group's second largest revenue contributor. If this segment maintains the current strong momentum, it has the potential to grow to become the Group's first largest revenue contributor in the foreseeable future.

We have applied the premium subscription services in all our mainstream apps. The new premium subscription model provides users with more convenient tools, richer creative contents and more advanced imaging functions for better experience. We continued to expand our premium subscriber base through ongoing marketing and appropriate in-app guidance to trigger the subscription interest of users. For example, we enticed users to unlock advanced paid functions such as orthodontics, facial reshaping and teleprompter by presenting the effects of subscription benefits. In addition, we aim to improve the retention rate of users by continuously investing resources to iterate and optimize our products. For example, we will regularly unlock more distinctive premium rights for paying users, launch innovative materials (such as stickers and augmented reality filters), and upgrade more functions with high user stickiness to enhance user retention.

Long-Term Vision: Improve the Efficiency of Beauty Industry

For long-term development, we have been focusing on further penetrating the beauty market and empowering the beauty industry. To help the beauty industry grow stronger, we aim at providing a solution for increasing productivity more effectively. We help users better understand their skin conditions and consumption preferences, enabling them to select skincare products and treatments more effectively, while also increasing the efficiency to acquire and retain customers for beauty brands and sellers. To this end, we are launching SaaS (software-as-a-service) solutions and incubating related businesses, particularly:

i. MeituEve, an AI skin analysis solution

MeituEve, as an incubated new business, provides AI skin analysis solutions to skincare brands and beauty spas globally. Powered by *MeituEve's* proprietary AI algorithms, series products can accurately identify one's skin quality and recommend customized skincare solutions. In turn, this can help our clients ultimately increase sales conversion. *MeituEve's* business has been ramping up since last year.





Chairman's Statement

MeituEve's flagship panoramic skin analyzers have been deployed in over 240 cities globally and have cooperated with well-known skincare brands, beauty spas and medical aesthetic institutions. For instance, Shiseido has announced in January 2021 that its new anti-aging skincare brand, EFFECTIM, will provide personalized skincare solution for its customers based on the skin analysis results generated by *MeituEve's* panoramic skin analyzers. In addition, we have continued to deepen our cooperation with Christian Dior in the area of skin analysis since we entered into a strategic partnership with them last year. In May this year, we have added an eye age testing solution for their customers.

MeituEve has always regarded science and precision as one of the most critical criteria for product improvement and has worked closely with authorities including Dermatology Doctorates as well as leading professional and research institutions to improve testing results. For instance, *MeituEve* succeeded in inviting a professor from the Chinese Academy of Sciences as our special consultant for more advanced advice on AI skin analysis.

ii. **Meidd, cosmetic stores ERP SaaS and supply chain management**

One of our associate investees, Meidd Technology (Shenzhen) Co., Ltd. ("**Meidd**"), is currently providing ERP SaaS for over ten thousand cosmetic stores, covering more than 250 cities in the PRC. Building on that, it has expanded into providing centralized procurement services for its clients, optimizing their supply chain management efforts.

The ERP SaaS service platform of Meidd more efficiently promotes the upstream and downstream collaboration in the beauty industry. Not only can it integrate inventory and marketing data at the retail end in a timely manner to help stores carry out marketing planning, it can also further open up data silos between beauty brands and the retail end to provide brands with precise marketing services, helping them expand into the downstream market. At present, Meidd has already commenced cooperation with some well-known domestic cosmetics brands, and will also promote cooperation with emerging Internet brands and international brands in the future.

In the future, Meidd will further utilize the existing data from beauty stores for consumer behavior analysis, and integrate the omni-channel resources of consumers, stores and upstream manufacturers to prepare for future business growth such as channel customization.

BUSINESS REVIEW

With the orderly Novel Coronavirus vaccination deployed globally, we have seen a gradual control of the pandemic and the recovery of daily business operations. Our revenue increased by 44.6% for the first half of 2021 compared to the same period last year.

As the largest revenue contributor of the Company, our advertising business increased by 23.3% year over year, which was benefited from the recovering Chinese advertising market. Our premium subscription services and in-app purchases business has been on a fast-developing track since its launch in 2019 and is still scaling up rapidly. During the first half of 2021, revenue from this sector grew by 150.7% year over year. We are pleased to see that there is a growing trend in the in-app purchase intention in customer behaviour. In June 2021, our apps had around 3 million active paying subscribers.





Chairman's Statement

During the first half of 2021, we have an increasing amount in our operational expenses. On the daily operational level, we invested more resources in research and development to improve our full series of products performances. In the future, we will proactively optimize costs and expenses to keep the company operation on a more prudent basis.

Looking ahead, we expect our revenues to continue to grow, driven mostly by our premium subscription services and in-app purchases businesses, online advertising and other new business. After years of exploration in different areas and business models, we have decided to focus on empowering the beauty industry. We are now seeing some exciting progress achieved in our new businesses and we hope that with the correct monetization model, we can rapidly replicate our past success. We are cautiously optimistic about remaining profitable in terms of Adjusted Net Profit for the full year of 2021. Although some business segments may be exposed to industry competition challenges, we will generate long-term shareholder value through technological development and business innovation.

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 in 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 25, 2021



Management Discussion and Analysis

SIX MONTHS ENDED JUNE 30, 2021 COMPARED TO SIX MONTHS ENDED JUNE 30, 2020

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six Months ended June 30, 2020 RMB'000
Revenue	806,004	557,465
Cost of sales	(273,248)	(201,734)
Gross profit	532,756	355,731
Selling and marketing expenses	(188,246)	(134,568)
Administrative expenses	(126,215)	(101,013)
Research and development expenses	(259,456)	(188,009)
Net impairment losses on financial assets	(14,715)	(2,424)
Impairment losses on cryptocurrencies	(111,907)	-
Other income	47,073	20,399
Other gains, net	5,152	9,279
Finance income, net	1,233	21,613
Shares of (losses)/profits of investments accounted for using the equity method	(877)	1,478
Loss before income tax	(115,202)	(17,514)
Income tax expense	(22,477)	(7,479)
Loss for the period	(137,679)	(24,993)



Management Discussion and Analysis

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six Months ended June 30, 2020 RMB'000
Loss attributable to:		
– Owners of the Company	(128,666)	(15,953)
– Non-controlling interests	(9,013)	(9,040)
	(137,679)	(24,993)
Non-IFRS measure:		
Adjusted Net Profit/(Loss)⁽¹⁾		
– Owners of the Company	33,358	24,940
– Non-controlling interests	(13,063)	(5,039)
	20,295	19,901

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



Management Discussion and Analysis

Revenue

Building on our massive user base, we are launching SaaS solutions for beauty and wellness industries, allowing both the consumer users and enterprise users to obtain various beauty-related products and service on our multiple platforms. 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. For the six months ended June 30, 2021, total revenue had a significant increase of 44.6% to RMB806.0 million from RMB557.5 million for the six months ended June 30, 2020. This increase was mainly driven by the strong growth in our major business sectors, especially in the premium subscription services and in-app purchases.

	Six months ended June 30,			
	2021		2020	
	Amount RMB'000	% of total revenues	Amount RMB'000	% of total revenues
Online Advertising	392,622	48.7%	318,508	57.1%
Premium Subscription Services and In-app Purchases	210,880	26.2%	84,128	15.1%
Internet Value-added Services	35,339	4.4%	21,340	3.8%
Others	167,163	20.7%	133,489	24.0%
Total	806,004	100%	557,465	100.0%

Online advertising

Our revenue from online advertising increased by 23.3% year on year to RMB392.6 million for the six months ended June 30, 2021. Following the recovery trend of the Chinese advertising market in the second half of last year, our advertising business continued the solid growth trend in the first half of 2021. We achieved progress in both our brand and programmatic advertisements during the period, especially in the programmatic ads business which was the largest growth contributor in this segment. Meanwhile, the number of advertisers on our platform continued to grow compared to the same period last year, thanks to our effort in exploring customers in new categories, such as e-commerce, apparel, as well as food and beverage.

It is a trend that the Internet market is being gradually standardized by external regulations. Competent authorities have focused on rectification of mobile apps this year. In order to comply with the latest regulations, we will improve the compliance of our mainstream applications and replace part of the traditional displaying advertising with more innovative displaying models. We are confident that our online advertising business will develop steadily through a series of innovative actions.



Management Discussion and Analysis

Going forward, we will continue to reinforce our competitiveness in delivering more beauty-related products and service to our users and empower the participants in the beauty industry.

Premium subscription services and in-app purchases

Revenue from premium subscription services and in-app purchases continues a strong momentum with a significant year-over-year increase of 150.7% from RMB84.1 million for the six months ended June 30, 2020 to RMB210.9 million for the six months ended June 30, 2021. Such growth was attributable to the increase in both new subscribing and retained subscribing members in domestic imaging apps, as we continued to optimize advanced functions and differentiate our product offerings.

We have applied the premium subscription service in both our overseas apps (namely *BeautyPlus* and *AirBrush*) and our domestic apps, including the *Meitu* app and *BeautyCam*. During the first half of this year, our premium subscription service in overseas apps continued a healthy growth trajectory, with a high double-digit increase compared to the same period last year. Although the domestic version of premium subscription service was introduced later than the overseas version, it still achieved a great result with growing subscriptions. We have seen a fast growth in revenue during the past few months. Leveraging on the larger user base of Meitu's app portfolio both in the PRC and overseas, as well as an increasing willingness to pay for these services by the younger generation of users, we will keep investing resources to improve the user experiences of our services, and we expect this business to grow continuously in the future.

Internet value-added services ("IVAS")

For the six months ended June 30, 2021, revenue from our IVAS increased by 65.6% year over year to RMB35.3 million from RMB21.3 million for the six months ended June 30, 2020.

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, video and musical service, etc., for our third-party partners and we are entitled to a certain portion of revenue sharing.

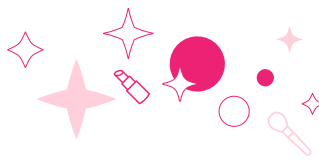
Others

Others include businesses that are currently in incubation as well as legacy businesses that do not fall directly under our strategic goals. For the six months ended June 30, 2021, revenue from others increased significantly by 25.2% year over year to RMB167.2 million from RMB133.5 million for the six months ended June 30, 2020.

Our Influencer Marketing Solutions ("IMS") business made up 87.0% of this revenue line during the first half of 2021 and thus was the key contributor to the growth. Revenues generated from this business increased by 49.5% year over year to RMB145.5 million from RMB97.3 million during the first half of 2020.

The IMS business provides advertising and marketing services to advertisers across multiple online and mobile social media platforms, through online performances undertaken by third party influencers (including the key opinion leaders (KOL)/the key opinion consumers (KOC) among Meitu users). Related solutions associated with talent management such as recruiting, training, content production support, quality control and service settlement solutions are also provided in exchange for revenue sharing.





Management Discussion and Analysis

Since its incubation, the *MeituEve* business has always been a strategic business for the Group, which focuses on professional grade AI skin analysis and beauty-related solutions. The business has grown rapidly since last year, and our first-generation product has been applied by some global skin care brands, namely, Christian Dior, Shiseido, as well as others. In the first half of this year, we maintained a growing trend in customer expansion, and gradually optimized the monetization model for customers in different categories.

In the future, we will actively explore businesses globally, including increase cooperation with well-known brands, as well as penetrate the beauty salon lines to expand marketing channels. Meanwhile, based on the feedbacks of the first-generation products, we are actively investing resources to develop the second-generation products, which will provide our partners with more testing dimensions for better user experience. Besides, we will work closely with professional and research institutions to improve our testing result standards. Going forward, we are confident in the development of the *MeituEve* business.

Cost of Sales

Our cost of sales increased by 35.4% to RMB273.2 million for the six months ended June 30, 2021, compared to RMB201.7 million for the six months ended June 30, 2020. The IMS business remained the largest contributor to the increased cost of sales, with the premium subscription service business being the second largest contributor.

Gross Profit and Margin

Our gross profit increased by 49.8% to RMB532.8 million for the six months ended June 30, 2021 from RMB355.7 million for the six months ended June 30, 2020. Our gross margin increased to 66.1% for the first half of 2021, from 63.8% for the same period last year, as an increase in revenue contribution from our main business sectors such as online advertising and premium subscription services business.

Research and Development Expenses

Research and development expenses increased by 38.0% to RMB259.5 million for the six months ended June 30, 2021 from RMB188.0 million for the same period last year, primarily due to an increase in research and development employee expenses.

Selling and Marketing Expenses

Selling and marketing expenses increased by 39.8% to RMB188.2 million for the six months ended June 30, 2021, from RMB134.6 million for the six months ended June 30, 2020, primarily due to an increase in promotional expenses and staff costs.

Administrative Expenses

Administrative expenses increased by 25.0% to RMB126.2 million for the six months ended June 30, 2021 from RMB101.0 million for the same period last year, primarily due to an increase in staff costs.

Impairment on Cryptocurrencies

As of June 30, 2021, the fair values of the units of Ether and the units of Bitcoin acquired by the Group determined based on the then prevailing market prices were approximately US\$65.2 million and US\$32.2 million, respectively. In accordance with the relevant accounting standards under IFRSs, the Group accounts for the acquired cryptocurrencies as intangible assets and adopts the cost model for the measurement. Consequently, the decrease in fair value of the acquired Bitcoin as of June 30, 2021 in the amount of approximately RMB111.9 million was recognised as impairment, while the increase in fair value of the acquired Ether as of June 30, 2021 in the amount of approximately RMB94.9 million was not recognised as revaluation gain.





Management Discussion and Analysis

Notwithstanding the foregoing, the impairment in relation to the acquired Bitcoin as of June 30, 2021 is reversible (whether in whole or in part) in the Group's upcoming annual results for the year ending December 31, 2021 should there be a subsequent increase in the fair value of the acquired Bitcoin as of the end date of the financial year.

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

Other Income

Other income for the six months ended June 30, 2021 increased to RMB47.1 million from RMB20.4 million for the six months ended June 30, 2020, primarily due to an increase in government grants.

Other Gains, Net

Other gains, net were RMB5.2 million for the six months ended June 30, 2021, compared to a net gain of RMB9.3 million for the six months ended June 30, 2020, primarily attributable to an increase in non-operating revenue, which was partly offset by an increase in net loss of fair value change on financial assets at fair value through profit or loss and a decrease in other financial investment income.

Finance Income, Net

Finance income, net mainly comprised of bank interest income and foreign exchange losses. Our net finance income decreased by 94.4% to RMB1.2 million for the six months ended June 30, 2021, from RMB21.6 million for the six months ended June 30, 2020, primarily due to lower bank interest income.

Income Tax Expense

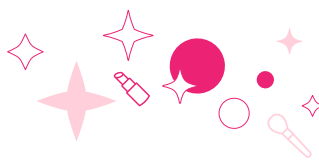
Income tax expenses for the six months ended June 30, 2021 were RMB22.5 million, compared to RMB7.5 million for the six months ended June 30, 2020. The increase in income tax expenses was primarily due to the increase in total revenue in the first half of 2021. Although the Group was loss-making on a consolidated level for the six months ended June 30, 2021, some of our entities generated positive net profit.

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

Net loss for the six months ended June 30, 2021 significantly increased to RMB137.7 million from RMB25.0 million for the six months ended June 30, 2020, primarily due to the increase in one-off expenses resulting from the decrease in fair value of the Acquired Cryptocurrencies was recognized as impairment in accordance with the relevant accounting standards under IFRSs.

To supplement our consolidated financial statements which are presented in accordance with the IFRSs, we also use a non-IFRS financial measure, "Adjusted Net Profit/(Loss)", as an additional financial measure, which is not required by, or presented in accordance with IFRSs. For the purpose of this 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 "Adjusted Net Profit/(Loss)" may not be comparable to a similarly titled measure presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.





Management Discussion and Analysis

Adjusted Net Profit attributable to the Owners of the Company was RMB33.4 million for the six months ended June 30, 2021, compared to Adjusted Net Profit of RMB24.9 million for the six months ended June 30, 2020, mainly due to the continuous rapid growth of the premium subscription services and in-app purchases business, as well as the increase in revenue from online advertising business. It is worth mentioning that revenue from premium subscription services and in-app purchase business has been achieving a double-digit sequential growth in the past quarters since its launch in 2019. From the fourth quarter of 2019, we have started to generate positive Adjusted Net Profit attributable to the Owners of the Company for consecutive fiscal reporting periods. Aiming at becoming the first company to provide a full scenario of SaaS solutions for the beauty industry, we are now incubating several new businesses that would further diversify our revenue streams, such as empowering beauty brands with sales channels expansion tools, providing overall AI skin analysis and beauty-related solutions, etc.. We have seen some great progress achieved in these businesses and we will continue to focus on maximizing the monetization opportunities on our massive users and beauty-related ecosystem, in order to maintain a healthy profitability trend.

The following table reconciles our Adjusted Net Profit/(Loss) for the six months ended June 30, 2021 and 2020 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Loss for the period	(137,679)	(24,993)
Excluding:		
Share-based compensation	28,801	25,429
Changes in fair value and impairment of long-term investments	13,491	14,237
Amortization of intangible assets and other expenses related to acquisition	12,133	13,545
Impairment losses on cryptocurrencies	111,907	–
Other one-off gains	(18,119)	(6,307)
Tax effects	9,761	(2,010)
Adjusted Net Profit/(Loss) for the period	20,295	19,901
Owners of the Company	33,358	24,940
Non-controlling interests	(13,063)	(5,039)





Management Discussion and Analysis

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, 2021 and December 31, 2020 were as follows:

	June 30, 2021 RMB'000	December 31, 2020 RMB'000
Cash and cash equivalents	772,255	1,158,117
Short-term bank deposits and current portion of long-term bank deposits	253,572	853,450
Long-term bank deposits	40,000	150,000
Short-term investments placed with banks	41,821	20,449
Cash and other liquid financial resources	1,107,648	2,182,016

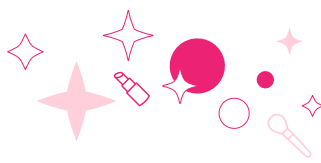
Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Long-term bank deposits and short-term bank deposits are bank deposits with original maturities over three months and redeemable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

Treasury Policy

We have adopted a prudent financial management approach towards our treasury policies and thus maintained a healthy liquidity position throughout the six months ended June 30, 2021. 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.





Management Discussion and Analysis

Capital Expenditure

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Purchase of property and equipment	16,448	5,096
Purchase of intangible assets	651,139	–
Total	667,587	5,096

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

The increase in capital expenditure was mainly due to the refurbishment of our main office building and purchase of cryptocurrencies.

Long-term Investment Activities

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Investment in financial assets at fair value through profit or loss	77,903	54,000
Total	77,903	54,000

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 returns, unsuccessful ones may need to be impaired or written-off.

Foreign Exchange Risk

Our Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners. We did not hedge against any fluctuation in foreign currency for the six months ended June 30, 2021 and 2020.





Management Discussion and Analysis

Pledge of Assets

As of June 30, 2021, we pledged a restricted deposit of RMB500,000 (as of December 31, 2020: RMB500,000) to guarantee payment of certain operating expenses.

Contingent Liabilities

As of June 30, 2021, we did not have any material contingent liabilities (as of December 31, 2020: nil).

Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended June 30, 2021.

Borrowings and Gearing Ratio

As of June 30, 2021, we pledged a bank borrowing of RMB10.0 million at an annualized interest rate of 4.15% (as of December 31, 2020: RMB5.0 million at an annualized interest rate of 4.15%). Therefore, the gearing ratio of the Group was 0.3% as of June 30, 2021 (as of December 31, 2020: 0.1%). The gearing ratio was calculated as the total borrowings divided by the total equity on the respective reporting date. For this purpose, total debt is defined as bank loan as shown in the consolidated balance sheet. The Group's gearing ratio remained at a relatively low level as the Group did not place material reliance on borrowings to finance the Group's operation.

Significant Investments Held

As of June 30, 2021, we did not hold any significant investments in the equity interests of any other companies, including any investment in an investee company with a value of 5% or more of the Company's total assets as of June 30, 2021.

Save as disclosed in this interim report, during the six months ended June 30, 2021, 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 its existing internal resources and/or other sources of funding with the aim of creating synergies for the Group in relation to aspects such as technological development, product research and development, product portfolio, channel expansion and/or cost control. Appropriate disclosures will be made by the Company when it becomes necessary under the Listing Rules.

Save as disclosed in this interim report, the Group did not have any other plans for material investments and capital assets as of June 30, 2021.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended June 30, 2021, we did not have any material acquisitions or disposals of subsidiaries, affiliated companies and joint ventures.

Employee and Remuneration Policy

The Group had a total of 1,909 full-time employees as of June 30, 2021 (as of December 31, 2020: 1,770), a majority of whom were based in various cities in the PRC, including Xiamen (headquarters), Beijing, Shenzhen and Shanghai. Remuneration is determined with reference to market conditions and individual employees' performance, qualifications and experience.

In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). Employees of the Group are the eligible participants of the Pre-IPO ESOP, Post-IPO Share Option Scheme, and Post-IPO Share Award Scheme. During the six months ended June 30, 2021, the relationship between the Group and our employees have been stable. We did not experience any strikes or other labor disputes which materially affected our business activities.



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, 2021, 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	25.89%
Mr. Wu Zeyuan ⁽²⁾	Beneficial owner/Beneficiary of a trust	567,946,670	13.05%
Mr. Chen Jiarong ⁽³⁾	Beneficial owner/Interest in a controlled corporation	517,740,180	11.90%
Dr. Lee Kai-fu	Interest in a controlled corporation	32,994,151	0.76%

Notes:

- (1) The entire interest of Baolink Capital is held by Mr. Cai and the entire interest of Longlink Capital is held by Longlink Limited, which is in turn held by Lion (Trust) Singapore Limited as the trustee for the benefit of Mr. Cai.
- (2) The entire interest of Xinhong Capital is held by Easy Prestige Limited, which in turn is held by Lion (Trust) Singapore Limited as the trustee for the benefit of Mr. Wu.
- (3) 50% of the entire interest in Kingkey Enterprise Holdings Limited is held by Mr. Chen Jiarong and the entire interest of Eastern Sun Enterprise Limited is held by Jubilee Prestige Investments Limited which in turn is held by Mr. Chen Jiarong.
- (4) The percentage are calculated on the basis of 4,351,883,565 Shares in issue as at June 30, 2021.

Save as disclosed above, as at June 30, 2021, 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 the Model Code.





Other Information

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2021, 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:

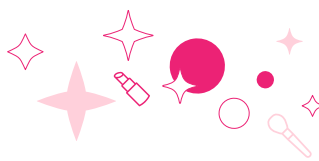
Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of holding ⁽⁴⁾
Easy Prestige ⁽¹⁾	Interest in a controlled corporation	566,666,670	13.02%
Xinhong Capital ⁽¹⁾	Beneficial owner	566,666,670	13.02%
Baolink Capital ⁽²⁾	Beneficial owner	506,600,000	11.64%
Longlink Limited ⁽²⁾	Interest in a controlled corporation	620,000,000	14.25%
Longlink Capital ⁽²⁾	Beneficial owner	620,000,000	14.25%
Lion Trust (Singapore) Limited ⁽³⁾	Trustee of a discretionary trust	1,398,366,670	32.13%
Kingkey Enterprise Holdings Limited	Beneficial owner	435,024,180	10.00%
Chen Jiajun	Interest in controlled corporation	435,024,180	10.00%

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 and is deemed to be interested in these Shares.
- (4) The percentage are calculated on the basis of 4,351,883,565 Shares in issue as at June 30, 2021.

Save as disclosed herein, as at June 30, 2021, 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.





Other Information

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.

The overall limit on the number of options granted pursuant to the Pre-IPO ESOP represents 116,959,070 underlying Shares, subject to any adjustments for share subdivision or other dilutive issuances.

As at June 30, 2021, outstanding options representing 19,212,598 underlying 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 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, 2021, 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 9.71% of the issued share capital of the Company.





Other Information

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, 2021, 88,978,014 Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme. Details of the Post-IPO Share Award Scheme are set out in Note 19 to the consolidated financial statements.

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, 2021, 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 on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry with all the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended June 30, 2021 regarding their dealings in the securities of the Company.

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, 2021 after making reasonable enquiry.



Other Information

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

During the six months ended June 30, 2021, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's 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 RMB4,233.2 million⁽¹⁾. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As at June 30, 2021, the Group had utilized the net proceeds as set out in the table below:

	Net proceeds from the Listing ⁽¹⁾ (RMB million)	Unutilized amount as at December 31, 2020 ⁽¹⁾ (RMB million)	Utilization for the six months ended June 30, 2021 (RMB million)	Unutilized amount as at June 30, 2021 (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	939.1	258.3	77.9	180.4
Implementation of sales and marketing initiatives in both China and overseas market	864.2	–	–	–
Expansion of Internet services business	545.0	115.5	42.9	72.6
Expansion of research and development capabilities	287.8	–	–	–
General working capital	375.8	–	–	–

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 2021.

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.





Other Information

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, 2021. 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, 2021.

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 annual 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.





Other Information

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 has taken 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 and appropriate 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 the PRC. 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 Dajie VIE Agreements between the Dajie 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 Dajie 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 Dajie VIE Agreements are set out in the Prospectus, the Company's announcement dated March 17, 2021 and the Company's 2020 annual report published on April 26, 2021.

In addition, in order to facilitate fundraising activities for the Smart Hardware Business, the Group transferred the Smart Hardware Business to a separate holding structure at the offshore and onshore levels. In July 2021, Meitu Networks transferred part of the Smart Hardware Business that is subject to the foreign ownership restrictions in the PRC (the "**Smart Hardware Restricted Business**") to MeituEve VIE Company for nil consideration, and MeituEve WFOE, MeituEve VIE Company and Xiamen Hongtian entered into the MeituEve Contractual Arrangements. The MeituEve Contractual Arrangements, having their terms and conditions substantially the same as those of the Contractual Arrangements, were cloned therefrom, except for changes to the dates of the relevant agreements relating to the Contractual Arrangements and the parties to those agreements.

Further details of the MeituEve Contractual Arrangements are set out in the Company's announcement dated July 30, 2021.

CHANGES IN INFORMATION OF DIRECTORS

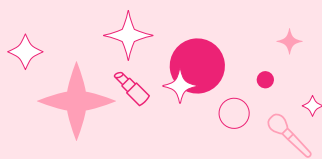
Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

1. Mr. ZHANG Ming retired as an independent non-executive Director, a member of the Remuneration Committee and a member of the Nomination Committee effective from June 2, 2021; and
2. Ms. KUI Yingchun was appointed as a member of the Remuneration Committee and the Nomination Committee effective from June 2, 2021.

IMPORTANT EVENTS AFTER THE REPORTING DATE

There were no important events affecting the Company which occurred after June 30, 2021 and up to the Latest Practicable Date.





Report on Review of Interim Financial Information

To the Board of Directors of Meitu, Inc.

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 28 to 66, which comprises the interim condensed consolidated balance sheet of Meitu, Inc. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as of June 30, 2021 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 25, 2021



Interim Condensed Consolidated Statement of Income

	Note	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Revenue	5	806,004	557,465
Cost of sales	6	(273,248)	(201,734)
Gross profit		532,756	355,731
Selling and marketing expenses	6	(188,246)	(134,568)
Administrative expenses	6	(126,215)	(101,013)
Research and development expenses	6	(259,456)	(188,009)
Net impairment losses on financial assets		(14,715)	(2,424)
Impairment losses on cryptocurrencies	13	(111,907)	–
Other income		47,073	20,399
Other gains, net	7	5,152	9,279
Finance income, net	8	1,233	21,613
Share of (losses)/profits of investments accounted for using the equity method	9(a)	(877)	1,478
Loss before income tax		(115,202)	(17,514)
Income tax expense	10	(22,477)	(7,479)
Loss for the period		(137,679)	(24,993)
Loss attributable to:			
– Owners of the Company		(128,666)	(15,953)
– Non-controlling interests		(9,013)	(9,040)
		(137,679)	(24,993)
Loss per share for loss attributable to owners of the Company for the period (expressed in RMB per share)	11		
– Basic		(0.03)	(0.004)
– Diluted		(0.03)	(0.004)

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, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
	(137,679)	(24,993)
Loss for the period		
Other comprehensive (loss)/income, net of tax <i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	(13,841)	29,781
Other comprehensive (loss)/income for the period, net of tax	(13,841)	29,781
Total comprehensive (loss)/income for the period, net of tax	(151,520)	4,788
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	(142,507)	13,489
– Non-controlling interests	(9,013)	(8,701)
	(151,520)	4,788

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, 2021 RMB'000	Audited December 31, 2020 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	368,161	360,826
Right-of-use assets		35,889	29,844
Intangible assets	13	910,758	392,954
Long-term investments			
– Investments in associates in the form of ordinary shares	9(a)	81,976	83,737
– Financial assets at fair value through profit or loss	9(b)	599,841	559,494
– Financial assets at fair value through other comprehensive income		8,960	9,050
Prepayments and other receivables	15	4,132	7,890
Term deposits	16	40,000	150,000
Deferred tax assets		7,740	3,779
		2,057,457	1,597,574
Current assets			
Inventories		3,568	1,476
Trade receivables	14	389,673	351,017
Prepayments and other receivables	15	892,999	506,240
Contract costs		23,494	18,337
Short-term investments placed with banks		41,821	20,449
Term deposits	16	253,572	853,450
Restricted cash		500	500
Cash and cash equivalents		772,255	1,158,117
		2,377,882	2,909,586
Total assets		4,435,339	4,507,160





Interim Condensed Consolidated Balance Sheet

	Note	Unaudited June 30, 2021 RMB'000	Audited December 31, 2020 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	17	281	280
Share premium	17	7,136,550	7,135,115
Reserves	18	(93,502)	(107,910)
Accumulated losses		(3,602,221)	(3,473,555)
Non-controlling interests		5,444	13,905
Total equity		3,446,552	3,567,835
Liabilities			
Non-current liabilities			
Long-term payables	20	82,489	80,972
Lease liabilities		11,038	2,805
Deferred tax liabilities		53,148	41,953
		146,675	125,730
Current liabilities			
Borrowings		10,000	5,000
Contract liabilities		106,492	71,589
Trade and other payables	20	648,660	660,364
Lease liabilities		24,371	25,979
Income tax liabilities		52,589	50,663
		842,112	813,595
Total liabilities		988,787	939,325
Total equity and liabilities		4,435,339	4,507,160

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

On behalf of the Board

Cai Wensheng
Director

Wu Zeyuan
Director



Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to owners of the Company					Non- controlling interest RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
Balance at January 1, 2021		280	7,135,115	(107,910)	(3,473,555)	3,553,930	13,905	3,567,835
Comprehensive loss								
Loss for the period		-	-	-	(128,666)	(128,666)	(9,013)	(137,679)
Other comprehensive loss								
Currency translation differences		-	-	(13,841)	-	(13,841)	-	(13,841)
Total comprehensive loss for the six months ended June 30, 2021		-	-	(13,841)	(128,666)	(142,507)	(9,013)	(151,520)
Total transactions with owners, recognized directly in equity								
Value of employee services:								
- Post-IPO Share Award Scheme	19(b)	-	-	26,013	-	26,013	-	26,013
- Share incentive to senior management of a non-wholly owned subsidiary	19(d)	-	-	2,236	-	2,236	552	2,788
Shares issued upon exercise of employee share options	17	1	1,435	-	-	1,436	-	1,436
Total transactions with owners as their capacity as owners		1	1,435	28,249	-	29,685	552	30,237
Balance at June 30, 2021		281	7,136,550	(93,502)	(3,602,221)	3,441,108	5,444	3,446,552

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to owners of the Company					Non- controlling interest RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
Balance at January 1, 2020		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		-	-	24,764	-	24,764	(24,764)	-
Disposal of a subsidiary		-	-	-	-	-	(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

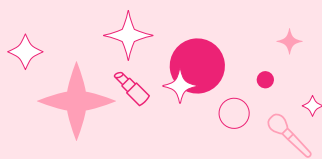
The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Cash flows from operating activities			
Cash used in operations		(336,269)	(76,335)
Interest received		1,237	1,432
Income tax paid		(13,317)	(4,308)
Net cash used in operating activities		(348,349)	(79,211)
Cash flows from investing activities			
Purchase of property and equipment	13	(16,448)	(5,096)
Purchase of intangible assets	13	(651,139)	–
Proceeds from disposal of property and equipment and intangible assets		1,405	29,092
Investments in financial assets at fair value through profit or loss	9(b)	(77,903)	(54,000)
Proceeds from disposal of financial assets at fair value through profit or loss		20,000	–
Purchase of short-term investments placed with banks, net		(20,800)	(20,000)
Investment income received from short-term investments placed with banks		4,452	7,249
Placement of term bank deposits		(68,229)	(814,407)
Receipt from maturity of term bank deposits		772,305	739,508
Interest received from term bank deposits		13,205	23,705
Net cashflow from disposal of a subsidiary		–	(11,135)
Net cash used in investing activities		(23,152)	(105,084)





Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Cash flows from financing activities			
Proceeds from short-term borrowings		5,000	–
Proceeds from disposal of interests in a non-wholly owned subsidiary for share incentive, net		1,557	–
Payments for lease liabilities		(19,823)	(25,776)
Proceeds from shares issued under employee share option scheme		1,803	570
Payments for acquisition of non-controlling interests in non-wholly owned subsidiaries		–	(6,687)
Net cash used in financing activities		(11,463)	(31,893)
Net decrease in cash and cash equivalents			
		(382,964)	(216,188)
Cash and cash equivalents at the beginning of the period		1,158,117	864,611
Effects of exchange rate changes on cash and cash equivalents		(2,898)	871
Cash and cash equivalents at the end of the period		772,255	649,294

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





Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together with Xiamen Meitu Networks Technology Co., Ltd. (“**Meitu Networks**”) and its subsidiaries and Beijing Dajie Zhiyuan Information Technology Co., Ltd. (“**Dajie Zhiyuan**”) and its subsidiaries, collectively, 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 through an initial public offering (“**IPO**”).

The interim condensed consolidated balance sheet as of June 30, 2021, 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 25, 2021.

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, 2020, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2020, as described in those annual financial statements.

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





Notes to the Interim Condensed Consolidated Financial Information

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 2021:

Amendments to IFRS 16	Covid-19-related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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, 2021 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, 2023
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

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

- (c) Accounting policies adopted for acquisitions of cryptocurrencies

Cryptocurrencies purchased and held by the Group include Ethers (“Ethers”) and Bitcoins, which are accounted for as intangible assets under the cost model. The Group has ownership of and control over the cryptocurrencies held and employs third-party custodian services to monitor them. The cryptocurrencies held by the Group are considered to have indefinite life, given there is no foreseeable limit to the period over which the relevant cryptocurrencies are expected to generate net cash inflows for the Group. They are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The impairment tests are carried out for Ethers and Bitcoins, separately. The accounting policies applied for impairment of cryptocurrencies are consistent with those for impairment of non-financial assets, as described in the annual financial statements for the year ended December 31, 2020. Cryptocurrencies that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The increased carrying amount of cryptocurrencies attributable to a reversal of an impairment loss, which is recognized in profit or loss, will not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cryptocurrencies in prior accounting periods.





Notes to the Interim Condensed Consolidated Financial Information

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.

(a) Accounting of cryptocurrencies transactions and balances

IFRSs do not specifically address accounting for cryptocurrencies. Accordingly, for the preparation of the Interim Financial Information, management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the Group's acquisition and holding of cryptocurrencies.

Given the business model of the Group, cryptocurrencies purchased and held by the Group are accounted for as indefinite-lived intangible assets under the cost model.

As disclosed in Note 13(b), in determining fair values used for impairment tests, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal cryptocurrency markets for the Group.

Save as disclosed above, in preparing the Interim Financial Information, there have been no other changes in the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty since year end.

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, 2020.

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



Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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).

The following table presents the Group's financial assets that are measured at fair value as of June 30, 2021 and December 31, 2020.

As of June 30, 2021	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets:				
Long-term investments				
– Financial assets at fair value through profit or loss (Note 9(b))	–	–	599,841	599,841
– Financial assets at fair value through other comprehensive income	–	–	8,960	8,960
Short-term investments placed with banks	–	–	41,821	41,821
	–	–	650,622	650,622



Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.3 Fair value estimation (Continued)

As of December 31, 2020	Audited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets:				
Long-term investments				
– Financial assets at fair value through profit or loss (Note 9(b))	–	–	559,494	559,494
– Financial assets at fair value through other comprehensive income	–	–	9,050	9,050
Short-term investments placed with banks	–	–	20,449	20,449
	–	–	588,993	588,993

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

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





Notes to the Interim Condensed Consolidated Financial Information

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, 2021.

	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, 2020	559,494	9,050	20,449	588,993
Additions	77,903	–	1,520,980	1,598,883
Changes in fair value (Note 7)	(13,491)	–	5,024	(8,467)
Disposals and others	(22,707)	–	(1,504,632)	(1,527,339)
Currency translation differences	(1,358)	(90)	–	(1,448)
Closing balance as of June 30, 2021	599,841	8,960	41,821	650,622
Total unrealized gains and change in fair value for the period included in “other (losses)/gains, net”	(13,491)	–	571	(12,920)





Notes to the Interim Condensed Consolidated Financial Information

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.

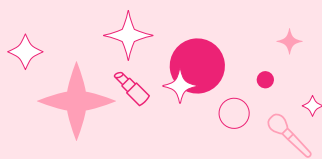
The valuation of the level 3 instruments mainly included investments in private companies (Note 9(b)) and short-term investments placed with banks. As the investments in private companies are not traded in an active market, their fair value has been determined using various applicable valuation methodologies, 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. The Group does not distinguish between markets or segments for the purpose of internal reporting.





Notes to the Interim Condensed Consolidated Financial Information

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The results of the revenue for the six months ended June 30, 2021 and 2020 are as follows:

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Online Advertising	392,622	318,508
Premium Subscription Services and In-app Purchases	210,880	84,128
Internet Value-added Services	35,339	21,340
Others	167,163	133,489
Total revenue	806,004	557,465

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Timing of revenue recognition		
At a point in time	194,472	145,395
Over time	611,532	412,070
	806,004	557,465

No revenue from any customer exceeded 10% or more of the Group's revenue for the six months ended June 30, 2021 and 2020.

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

As of June 30, 2021, the total non-current assets other than financial instruments and deferred tax assets located in the PRC and other countries or regions amounted to RMB1,313,008,000 (December 31, 2020: RMB1,212,646,000) and RMB693,388,000 (December 31, 2020: RMB223,975,000), respectively.





Notes to the Interim Condensed Consolidated Financial Information

6 EXPENSES BY NATURE

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Employee benefit expenses	415,276	306,056
Service fees sharing to influencers	145,002	96,178
Promotion and advertising expenses	83,858	51,414
Revenue sharing fee	55,450	27,161
Bandwidth and storage related costs	36,662	30,917
Depreciation of right-of-use assets	18,299	20,525
Amortization of intangible assets (Note 13)	11,681	13,622
Tax and levies	10,484	1,753
Depreciation of property and equipment (Note 13)	9,073	19,924
Travelling and entertainment expenses	7,165	4,322
Video content monitoring fee	6,192	9,515
Operating lease expenses	4,548	3,204
Others	43,475	40,733
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	847,165	625,324





Notes to the Interim Condensed Consolidated Financial Information

7 OTHER GAINS, NET

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Fair value changes on short-term investments placed with banks (Note 4)	5,024	7,400
Fair value changes on financial assets at fair value through profit or loss (Note 9(b))	(13,491)	(4,809)
(Losses)/gains on disposal of property and equipment and intangible assets	(4,284)	1,123
Gains on disposal of a subsidiary	–	8,373
Impairment of investment in an associate (Note 9(a))	–	(9,428)
Remeasurement losses on consideration to non-controlling shareholders of a subsidiary	–	(2,066)
Others	17,903	8,686
	5,152	9,279

8 FINANCE INCOME, NET

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Interest income	7,655	25,502
Foreign exchange (losses)/gains, net	(1,986)	53
Others	(4,436)	(3,942)
	1,233	21,613





Notes to the Interim Condensed Consolidated Financial Information

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

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
At the beginning of the period	83,737	15,521
Conversion from a subsidiary to an associate due to loss of control	-	79,692
Share of (losses)/profits of the associates	(877)	1,478
Impairment charges (Note 7)	-	(9,428)
Currency translation differences	(884)	(7)
At the end of the period	81,976	87,256

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

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
At the beginning of the period	559,494	502,774
Additions (Note (i))	77,903	54,000
Changes in fair value (Note (ii))	(13,491)	(4,809)
Disposals and others	(22,707)	-
Currency translation differences	(1,358)	3,468
At the end of the period	599,841	555,433



Notes to the Interim Condensed Consolidated Financial Information

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

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, 2021, the Group made some investments in certain preferred shares of certain private companies. These companies are principally engaged in Internet-related service.
- (ii) The Group performs assessments on the fair value of its financial assets at fair value through profit or loss periodically. Management reviews the investees’ performance and forecast, and applies valuation techniques, where applicable, to determine their respective fair value. During the six months ended June 30, 2021, changes in fair value amounting RMB13,491,000 were recognized as other losses in the consolidated income statement (Note 7).

10 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended June 30, 2021 and 2020 are analyzed as follows:

	Unaudited Six months ended June 30, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Current income tax:		
– PRC and overseas enterprise income tax	15,243	12,444
Deferred income tax	7,234	(4,965)
	22,477	7,479



Notes to the Interim Condensed Consolidated Financial Information

10 INCOME TAX EXPENSE (CONTINUED)

(i) Cayman Islands and BVI Income Tax

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

(ii) Hong Kong Income Tax

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

(iii) 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.

(iv) 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.

Beijing Dajie Zhiyuan Information Technology Co., Ltd. (“Zhiyuan”) has been qualified as a “High and New Technology Enterprise” (“HNTE”) under the EIT Law and is entitled to a preferential income tax rate of 15% for three years starting from 2019 provided that it continues to be qualified as a HNTE during such period. Zhiyuan met the qualification of HNTE and applied the preferential tax rate in calculating its EIT for the six months ended June 30, 2021.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities were entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.





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, 2021	Unaudited Six months ended June 30, 2020
Loss attributable to owners of the Company (RMB'000)	(128,666)	(15,953)
Weighted average number of ordinary shares in issue (thousand)	4,315,416	4,280,483
Basic and diluted loss per share (in RMB/share)	(0.03)	(0.004)

(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, 2021 and 2020, the Company had two categories of potential ordinary shares, the shares options awarded under Pre-IPO ESOP and restricted stock unit under the Post-IPO Share Award Scheme (Note 19). As the Group incurred losses for the six months ended June 30, 2021 and 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, 2021 and 2020 were 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, 2021 (six months ended June 30, 2020: nil).





Notes to the Interim Condensed Consolidated Financial Information

13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

(a) Property and equipment

	Property and Equipment RMB'000
As of December 31, 2020	
Cost	446,847
Accumulated depreciation and impairment	(86,021)
Net book amount	360,826
Unaudited	
Six months ended June 30, 2021	
Opening net book amount	360,826
Additions	16,448
Disposals	(37)
Depreciation charges	(9,073)
Currency translation differences	(3)
Closing net book amount	368,161
As of June 30, 2021	
Cost	465,918
Accumulated depreciation and impairment	(97,757)
Net book amount	368,161



Notes to the Interim Condensed Consolidated Financial Information

13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS
(CONTINUED)

(b) Intangible assets

	Crypto- currencies RMB'000	Goodwill (Note (iv)) RMB'000	Others RMB'000	Total RMB'000
As of December 31, 2020				
Cost	–	211,779	277,444	489,223
Accumulated amortization and impairment	–	(33,336)	(62,933)	(96,269)
Net book amount	–	178,443	214,511	392,954
Unaudited				
Six months ended June 30, 2021				
Opening net book amount	–	178,443	214,511	392,954
Additions (Note (i))	649,969	–	1,170	651,139
Disposals	–	–	(5,652)	(5,652)
Amortization charges	–	–	(11,681)	(11,681)
Impairment loss (Note (ii))	(111,907)	–	–	(111,907)
Currency translation differences	(3,959)	–	(136)	(4,095)
Closing net book amount	534,103	178,443	198,212	910,758
As of June 30, 2021				
Cost	646,010	211,779	256,482	1,114,271
Accumulated amortization and impairment	(111,907)	(33,336)	(58,270)	(203,513)
Net book amount	534,103	178,443	198,212	910,758

- (i) The increase in intangible assets for the six months ended June 30, 2021 was primarily due to the purchase of cryptocurrencies. The Group had purchased cryptocurrencies amounting RMB649,969,000 during the six months ended June 30, 2021, which consisted of 31,000 units of Ethers at aggregate cash considerations of US\$49,484,000 (equivalent to RMB321,889,000) and 940.88522604 units of Bitcoins at aggregate cash considerations of US\$50,516,000 (equivalent to RMB328,080,000).



Notes to the Interim Condensed Consolidated Financial Information

13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets (Continued)

(ii) Impairment tests for cryptocurrencies

Cryptocurrencies purchased and held by the Group have been assessed based on each type of cryptocurrencies for impairment testing. The Group carries out their impairment testing by comparing the recoverable amounts of cryptocurrencies to their carrying amounts.

The carrying amounts of cryptocurrencies of the Group are presented below:

	As of June 30, 2021 RMB'000
Ethers	326,339
Bitcoins	319,671
	646,010

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

As of June 30, 2021, the Group carried out impairment tests for Ethers and Bitcoins, respectively. Based on these impairment tests, the carrying amount of Ethers was lower than their recoverable amount, while the carrying amount of Bitcoins exceeded their recoverable amount by US\$17,323,000 (equivalent to RMB111,907,000). Accordingly, an impairment loss of Bitcoins amounting RMB111,907,000 was recognized in profit or loss by the Group for the six months ended June 30, 2021.





Notes to the Interim Condensed Consolidated Financial Information

13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets (Continued)

(iii) Price risk on cryptocurrency investments

Due to the cryptocurrency investments made during the six months ended June 30, 2021, the Group is exposed to price risk in respect of the cryptocurrencies held by the Group.

To manage its price risk arising from cryptocurrencies, the Group diversifies its portfolio. Diversification of the portfolio is achieved in accordance with the limits set by the Group. Each cryptocurrency is managed by senior management on a case by case basis. In the case that the fair value of the cryptocurrencies held by the Group had increased/decreased by 10% with all other variables held constant, loss before income tax for the six months ended June 30, 2021 would have been approximately RMB20,776,000 lower/higher.

(iv) Impairment tests for goodwill

As of June 30, 2021, Goodwill was allocated to the Group's cash-generating units ("CGUs") identified as follows:

	As of June 30, 2021 RMB'000
Influencer marketing solutions business and 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, 2021.





Notes to the Interim Condensed Consolidated Financial Information

14 TRADE RECEIVABLES

The Group grants a credit period of 30 to 120 days to its customers. As of June 30, 2021 and December 31, 2020, the aging analysis of trade receivables (net of allowance for doubtful debts) based on transaction date were as follows:

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Trade receivables		
Up to 6 months	329,203	307,555
6 months to 1 year	57,879	30,239
Over 1 year	2,591	13,223
	389,673	351,017

As of June 30, 2021 and December 31, 2020, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

15 PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Included in non-current assets		
Rental and other deposits	3,321	7,174
Others	811	716
	4,132	7,890
Included in current assets		
Receivables from advertising customers for advertising agency services	672,215	343,969
Prepayment to advertising platform for advertising agency services	150,331	66,164
Refundable value-added tax	40,971	48,941
Rental and other deposits	27,120	27,361
Prepayments to suppliers	15,083	11,386
Others	8,286	13,579
Less: loss allowance	(21,007)	(5,160)
	892,999	506,240





Notes to the Interim Condensed Consolidated Financial Information

16 TERM DEPOSITS

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Included in non-current assets:		
Long-term bank deposits	40,000	150,000
Included in current assets:		
Short-term bank deposits	143,572	853,450
Current portion of long-term bank deposits	110,000	–
	253,572	853,450
	293,572	1,003,450

As of June 30, 2021, short-term bank deposits amounting RMB143,572,000 (December 31, 2020: RMB853,450,000) are bank deposits with original maturities over three months but less than one year and redeemable on maturity, while long-term bank deposits amounting RMB150,000,000 (December 31, 2020: RMB150,000,000) are bank deposits with original maturities over one year and redeemable on maturity. As of June 30, 2021, the principal amount of RMB110,000,000 would mature within 12 months and accordingly, presented as current assets in the consolidated balance sheet. These bank deposits are denominated in US\$ and HK\$, and the weighted average effective interest rate was 2.36% per annum for the six months ended June 30, 2021 (six months ended June 30, 2020: 2.09%).





Notes to the Interim Condensed Consolidated Financial Information

17 SHARE CAPITAL

As of June 30, 2021 and December 31, 2020, 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, 2021		4,314,493	43	280	7,135,115
Employee share option scheme under Pre-IPO ESOP					
– shares issued and proceeds received	(a)	7,391	–	1	1,435
Post-IPO Share Award Scheme					
– shares issued	(b)	30,000	–	–	–
As of June 30, 2021		4,351,884	43	281	7,136,550
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

(a) During the six months ended June 30, 2021, 7,391,000 pre-IPO share options with exercise price of US\$0.03 were exercised (six months ended June 30, 2020: 3,358,000 pre-IPO share options).

(b) During the six months ended June 30, 2021, the Company issued 30,000,000 new shares under the Post-IPO Share Award Scheme (six months ended June 30, 2020: 20,000,000 shares).



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, 2021	2,000	22,751	447,058	(428,597)	(151,122)	(107,910)
Value of employee services:						
– Post-IPO Share Award Scheme (Note 19)	-	-	26,013	-	-	26,013
– Share incentive to senior management of a non-wholly owned subsidiary (Note 19)	-	-	2,236	-	-	2,236
Currency translation differences (Note (a))	-	-	-	(13,841)	-	(13,841)
As of June 30, 2021	2,000	22,751	475,307	(442,438)	(151,122)	(93,502)
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 (Note 19)	-	-	338	-	-	338
– Post-IPO Share Award Scheme (Note 19)	-	-	25,091	-	-	25,091
Currency translation differences (Note (a))	-	-	-	29,442	-	29,442
Acquisition of additional equity interests in non- wholly owned subsidiaries	-	-	-	-	24,764	24,764
As of June 30, 2020	2,000	20,120	425,757	(283,575)	(151,122)	13,180

- (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.



Notes to the Interim Condensed Consolidated Financial Information

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 vest over the next 36 months. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share options were granted under Pre-IPO ESOP to employees of the Company for the six months ended June 30, 2021 (six months ended June 30, 2020: 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,	
		2021	2020
At the beginning of the period		26,603,073	32,092,867
Exercised (Note (i))	US\$0.03	(7,390,475)	(3,358,125)
At the end of the period		19,212,598	28,734,742

- (i) As a result of the options exercised during the six months ended June 30, 2021, 7,390,475 ordinary shares (six months ended June 30, 2020: 3,358,125 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\$2.57 per share (equivalent to RMB2.15 per share) (six months ended June 30, 2020: HK\$1.70 per share (equivalent to RMB1.52 per share)).

As of June 30, 2021, all share options granted will expire in 2026.





Notes to the Interim Condensed Consolidated Financial Information

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, 2021 (six months ended June 30, 2020: 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 the six months ended June 30, 2021, no share-based compensation related to Pre-IPO ESOP was recorded by the Group (six months ended June 30, 2020: RMB338,000).





Notes to the Interim Condensed Consolidated Financial Information

19 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Award Scheme

On November 25, 2016, the Post-IPO Share Award Scheme was adopted pursuant to the written resolutions of the Shareholders.

Movements in the number of award shares for the six months ended June 30, 2021 and 2020 are as follows:

	Post-IPO Share Award Scheme Number of shares Six months ended June 30,	
	2021	2020
At the beginning of the period	45,122,220	37,970,888
Granted	20,726,776	8,588,659
Vested	(10,878,718)	(8,992,966)
Forfeited	(10,224,608)	(4,041,206)
At the end of the period	44,745,670	33,525,375

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, 2021 was HK\$2.61 per share (equivalent to approximately RMB2.20 per share) (six months ended June 30, 2020: HK\$1.46 per share (equivalent to approximately RMB1.33 per share)).

During the six months ended June 30, 2021, the Group recorded share-based compensation of RMB26,013,000 (six months ended June 30, 2020 RMB25,091,000) related to Post-IPO Share Award Scheme.

The outstanding awarded shares as of June 30, 2021 were divided into two to four tranches on an equal basis as of their grant dates. The first tranche can be vested after a specified period ranging from one to eighteen months from the grant date, and the remaining tranches will become vested in each subsequent year. Among these outstanding awarded shares, there were certain shares which had been granted to several senior management with the service period and the performance conditions. During the six months ended June 30, 2021, a number of award shares were forfeited due to the failure to meet certain performance conditions.





Notes to the Interim Condensed Consolidated Financial Information

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, 2021, the Expected Retention Rate, excluding senior management, was assessed to be 94% (2020: 94%). For senior management, the Group estimates the Expected Retention Rate on individual basis.

(c) Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the board on November 25, 2016 and adopted with effect from the completion of the IPO. As of June 30, 2021, no options have been granted by the Group under the Post-IPO Share Option Scheme.

(d) Share Incentive to Senior Management of a Non-wholly Owned Subsidiary

On December 25, 2020, the Group and the non-controlling shareholders of Ruisheng Tianhe (Beijing) Media and Technology Co., Ltd. (“**Ruisheng Tianhe**”) (who are also the senior management personnel of Ruisheng Tianhe) entered into an agreement, pursuant to which the Group has agreed to sell, and the non-controlling shareholders have agreed to purchase 14.86% equity interests in Ruisheng Tianhe (“**Equity Transaction**”) at an aggregate cash consideration of RMB7,690,000 (“**the Consideration**”). The Equity Transaction was completed on December 28, 2020. Pursuant to the agreement, the senior management of Ruisheng Tianhe shall be required to sell back to the Group the 14.86% equity interest of Ruisheng Tianhe at the Consideration plus 5% compound interest per annum if they fail to meet certain service condition. The Equity Transaction was deemed as share incentive offered to the senior management of Ruisheng Tianhe and accordingly, RMB7,690,000 had been recognized as a financial liability of the Group as of December 31, 2020, which was determined based on the assessment that i) the consideration of the Equity Transaction is lower than the fair value of 14.86% equity interest and ii) service condition is required to be met by the senior management of Ruisheng Tianhe.





Notes to the Interim Condensed Consolidated Financial Information

19 SHARE-BASED PAYMENTS (CONTINUED)

(d) Share Incentive to Senior Management of a Non-wholly Owned Subsidiary (Continued)

During the six months ended June 30, 2021, one of the senior management resigned from Ruisheng Tianhe and sold back the corresponding 0.74% out of the 14.86% equity interests in Ruisheng Tianhe to the Group at a consideration amounting to RMB385,000. Accordingly, the financial liability of the Group as of June 30, 2021 was remeasured at RMB7,487,000.

In determining the fair value of the equity interest granted to the senior management of Ruisheng Tianhe, a discounted cash flow method under the income approach is applied by the Group. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Group with best estimate.

Key assumptions are set as below:

	As of the date of completion of the Equity Transaction
Average expected growth rate of revenue	8.6%
Terminal growth rate after 5 years	3.0%
Pre-tax discount rate	24.1%

Share-based compensation amounting to RMB22,394,000 would be amortized during the required service period of the remaining senior management of Ruisheng Tianhe, out of which RMB2,788,000 was recognized by the Group for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).





Notes to the Interim Condensed Consolidated Financial Information

20 TRADE AND OTHER PAYABLES

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Included in non-current liabilities		
Payables to non-controlling shareholders of a subsidiary	82,489	80,972
Included in current liabilities		
Payroll and welfare payables	204,425	211,580
Payables to platforms for agency services	255,192	234,491
Trade payables	96,322	107,614
Deposits payable	35,147	50,630
Other tax payables	23,784	18,835
Others	33,790	37,214
	648,660	660,364

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

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Up to 1 year	86,376	84,498
1 to 2 years	8,757	7,693
Over 2 years	1,189	15,423
	96,322	107,614





Notes to the Interim Condensed Consolidated Financial Information

21 COMMITMENTS

(a) Capital Commitments

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

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Long-term investments	5,000	–

22 CONTINGENCIES

The Group did not have any significant contingent liabilities as of June 30, 2021.

23 SUBSEQUENT EVENTS

There were no material subsequent events during the period from June 30, 2021 to the approval date of these financial statements by the Board of Directors on August 25, 2021.





Notes to the Interim Condensed Consolidated Financial Information

24 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the six months ended June 30, 2021 and 2020.

(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, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
(i) Sales of goods and services:		
Associates in form of preferred shares	–	4,840
Others	483	–
	483	4,840
(ii) Purchases of goods and services:		
An associate	8,161	6,927
Others	909	776
	9,070	7,703





Notes to the Interim Condensed Consolidated Financial Information

24 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Period/Year end balances with related parties

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
(i) Receivables from: Associates in form of preferred shares	-	12,375
(ii) Payables to: Associates in form of preferred shares	26,091	38,460
Associates	1,709	1,707
	27,800	40,167

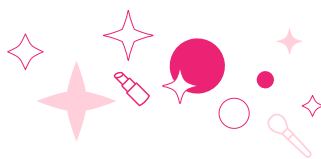
Balances with other related parties were all unsecured, interest-free and repayable on demand.

(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, 2021 RMB'000	Unaudited Six months ended June 30, 2020 RMB'000
Wages, salaries and bonuses	4,866	7,022
Pension costs - defined contribution plan	50	83
Other social security costs, housing benefits and other employee benefits	96	109
Share-based compensation expenses	2,073	5,076
	7,085	12,290





Definitions

“AI”	artificial intelligence
“Adjusted Net Profit/(Loss)”	adjusted net profit/(loss) is calculated as the profit/(loss) for the year, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensation; (ii) fair value gains/(losses) 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 BVI on June 29, 2007, which is wholly-owned by Mr. Cai and is deemed interested in approximately 11.64% 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, <i>Meitu</i>
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

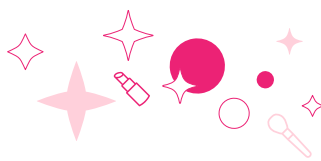




Definitions

“Contractual Arrangements”	the series of contractual arrangements entered into between Mr. Wu, Xiamen Hongtian (to replace Ms. Cai as the nominee shareholder of Meitu Networks), Meitu Home and Meitu Networks (as applicable), details of which are set out in the Prospectus, the announcement of the Company dated March 17, 2021 and the 2020 annual report of the Company published on April 26, 2021
“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
“Dajie VIE Agreements”	a series of contractual arrangements entered into between the Dajie WFOE, the Onshore Target Company, Meitu Networks and the other relevant shareholders of the Onshore Target Company, which allows the Dajie 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 announcements of the Company dated August 28, 2019 and March 17, 2021 and the 2020 annual report of the Company published on April 26, 2021
“Dajie 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
“Director(s)”	the director(s) of our Company
“Group”, “our Group”, or “the Group”	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements) from time to time
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“ICP License”	Value-added Telecommunications Service Operating Permit for Internet Information Service





Definitions

“IFRS”	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
“Latest Practicable Date”	September 14, 2021, 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
“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 14.25% 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 GEM of the Stock Exchange
“MAUs”	monthly active users
“MeituEve Contractual Arrangements”	a series of contractual arrangements entered into by MeituEve WFOE, MeituEve VIE Company and Xiamen Hongtian, and the details of which are set out in the announcement of the Company dated July 30, 2021
“MeituEve VIE Company”	Xiamen MeituEve Network Services Co., Ltd.* (廈門美图宜膚網絡服務有限公司), a limited liability company incorporated under the laws of the PRC on May 19, 2021 and a subsidiary of Xiamen Hongtian
“MeituEve WFOE”	Xiamen MeituEve Technology Co., Ltd.* (廈門美图宜膚科技有限公司), a limited liability company incorporated under the laws of the PRC on February 4, 2021 and a subsidiary of the Company





Definitions

“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)), a company established in the PRC on June 18, 2003, owned by Mr. Wu and Xiamen Hongtian 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, a limited liability company incorporated under the laws of the State of California on April 1, 2015, and our indirectly wholly-owned subsidiary
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. Cai”	Mr. Cai Wensheng (蔡文勝), 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





Definitions

“Ms. Cai”	Ms. Cai Shuting, the daughter of Mr. Cai and Ms. Wang
“Ms. Chen”	Ms. Chen Cuie (陳翠娥), the Group’s finance director, who has been employed by the Group for over 7 years and a director of a number of the Group’s subsidiaries
“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 Operating Entities”	Meitu Networks, MeituEve VIE Company, together with their respective 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 and the MeituEve 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
“Ruisheng Tianhe”	Ruisheng Tianhe (Beijing) Media and Technology Co., Ltd.* (睿晟天和(北京)傳媒科技有限公司, formerly known as Ruisheng Advertising (Beijing) Co., Ltd.* (睿晟廣告(北京)有限公司)), a non-wholly owned subsidiary of Meitu Networks as to approximately 66.07%





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)
“Smart Hardware Business”	the smart hardware business of the Group, involving the production of, among other things, MeituEve (a commercial artificial intelligence skin analyser), MeituKey (a home skin analyser), MeituSpa (an artificial intelligence cleansing brush) and Meitu Genius (an artificial intelligence smart mirror)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Xiamen Hongtian”	Xiamen Hongtian Chuangfu Technology Co., Ltd. *(廈門鴻天創富科技有限公司), a company established in the PRC on June 5, 2020 and owned by Mr. Wu as to 99% and Ms. Chen as to 1%
“Xinhong Capital”	Xinhong Capital Limited, a company incorporated under the laws of 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 13.02% of the issued share capital of our Company as at the Latest Practicable Date
“%”	per cent

* for identification purpose only



