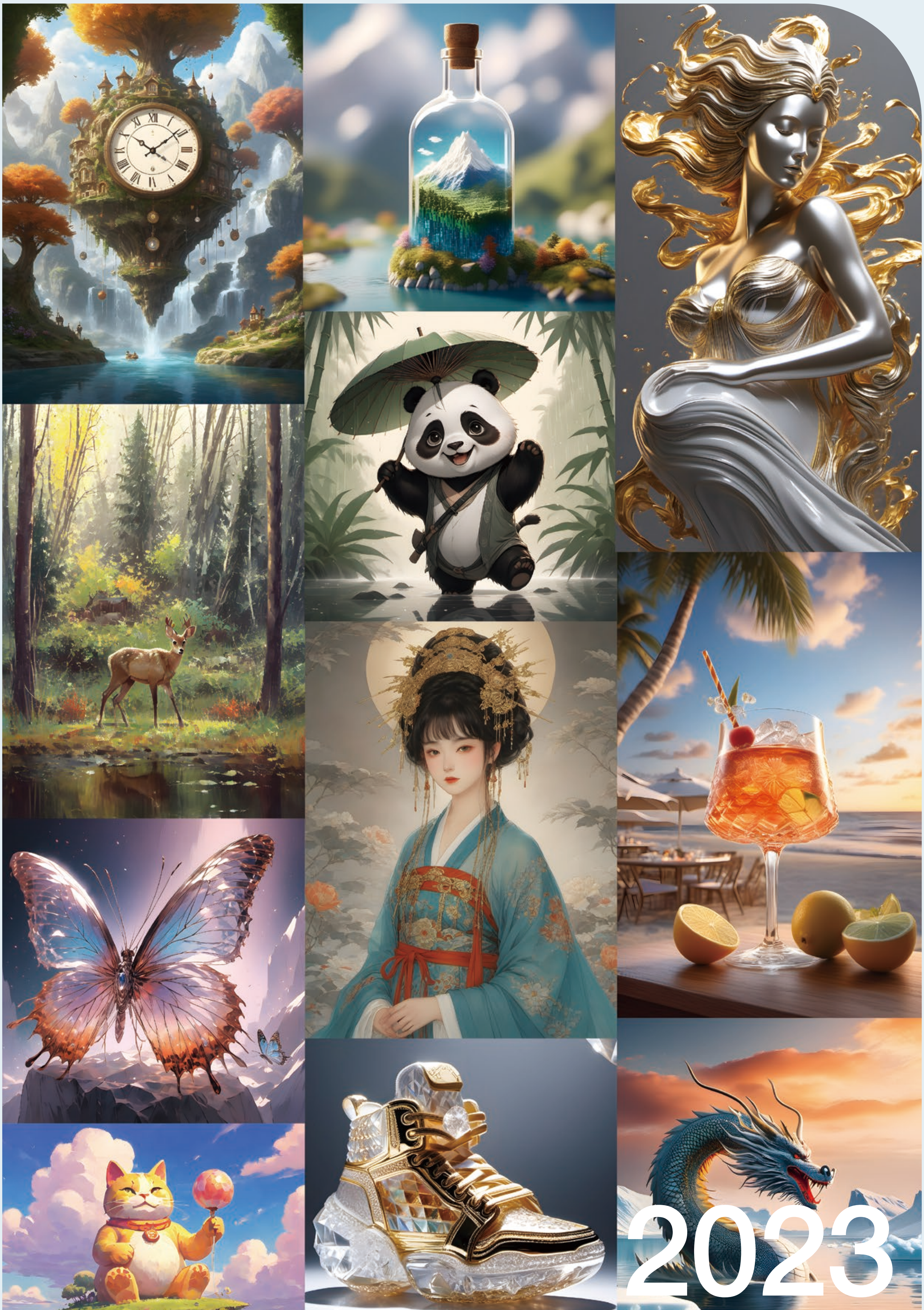

2023 INTERIM REPORT 中期報告

meitu

Stock Code 股份代號：1357

(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")

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Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. NGAN King Leung Gary

AUTHORIZED REPRESENTATIVES

Mr. WU Zeyuan
Mr. NGAN King Leung Gary

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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Jingtian & Gongcheng
Tian Yuan Law Firm

As to Cayman Islands law
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Conyers Dill & Pearman

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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKERS

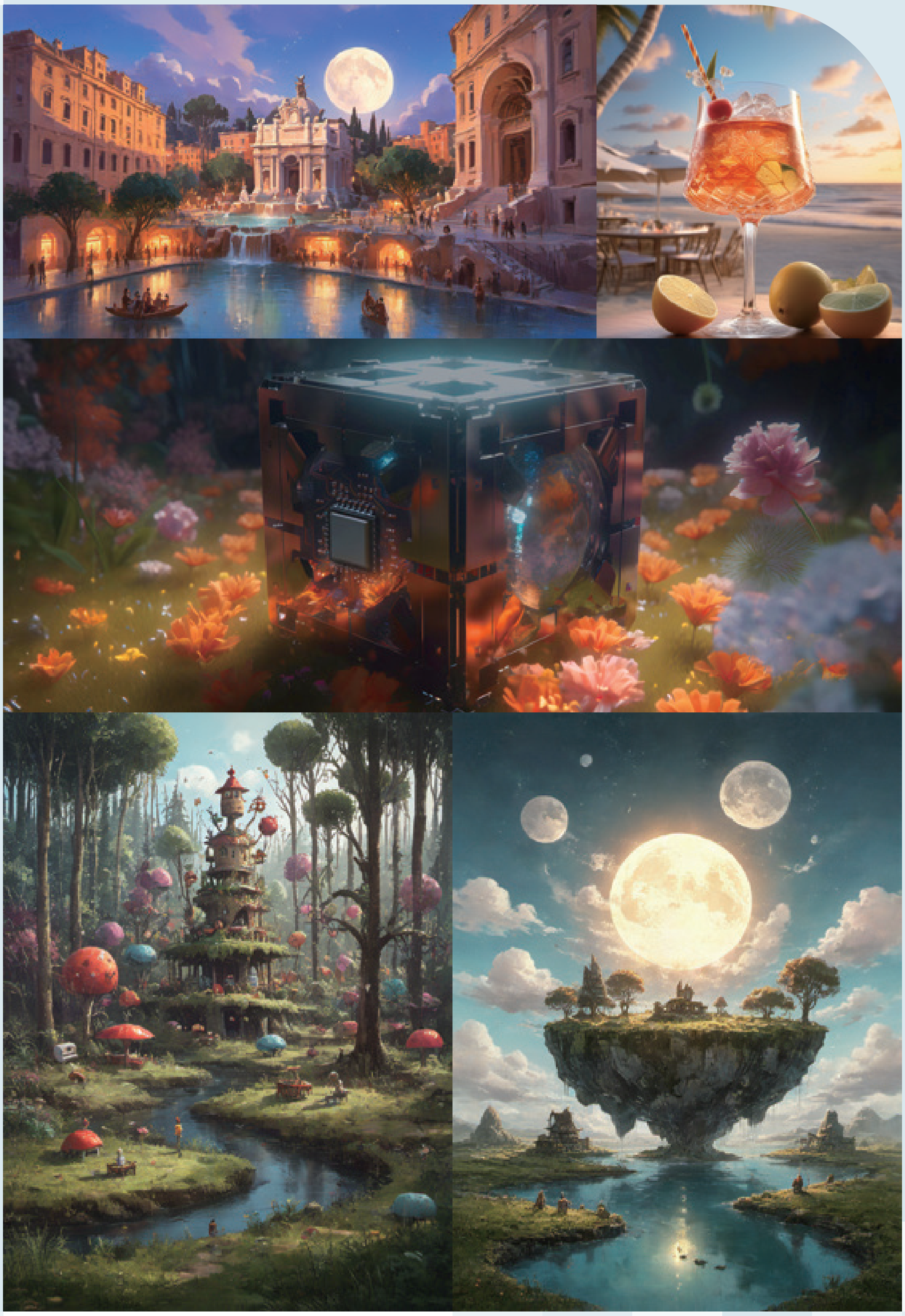
The Hong Kong and Shanghai Banking Corporation Limited
China Merchants Bank (Offshore Banking)

STOCK CODE

1357

COMPANY WEBSITE

www.meitu.com



2023 Highlights

MiracleVision
奇 想 智 能

We are pleased to report a very strong half-year result, as reflected by an Adjusted Net Profit attributable to Owners of the Company of RMB151.3 million for the six months ended June 30, 2023, growing 320.4% year-over-year. Given this metric excludes non-cash gains or losses such as those from fair value change of long-term investments, such significant year-over-year growth represents our strong and profitable underlying businesses, which is mainly driven by subscription revenues related to our Artificial Intelligence-Generated Content ("**AIGC**")-powered photo, video and design products.

Our IFRSs net profit attributable to Owners of the Company for the six months ended June 30, 2023, which includes non-cash gains from reversal of impairment losses of cryptocurrency positions, was even higher at RMB227.6 million, compared to a net loss for the first half of 2022. In other words, regardless of how one looks at our financial results, whether from an IFRSs or a non-IFRSs perspective focusing on our underlying operations, we are now meaningfully profitable and rapidly growing.

Total MAU as of June 30, 2023 was 247 million, up 1.7% from the end of 2022. Importantly, this represents the third consecutive half year of user growth, demonstrating our ability to steadily grow our user base.

X-Design, our cross-platform application that addresses work-related productivity use cases in graphic design with an emphasis on optimizing commercial product photos, has seen meaningful revenue growth during the first half of 2023. We have since launched other productivity tools such as *Action* that streamlines the creation of narrated videos, and have received very encouraging early results. The productivity tools market is a huge market that we are well positioned to capture. From a financial perspective, productivity tools can also drive higher subscription rate as well as Average Revenue Per Paying User ("**ARPPU**") given their solid value proposition to our users.

Key Financial and Operational Data

KEY FINANCIAL DATA

	Six months ended June 30, 2023 RMB'000	2022 RMB'000	Year on year change (%)
Revenue	**1,260,881**	971,188	29.8%
– Photo, video and design products[1]	**602,190**	371,294	62.2%
– Solutions for beauty industry[2]	**286,444**	218,412	31.1%
– Advertising[3]	**349,161**	272,462	28.2%
– Others	**23,086**	109,020	–78.8%
Gross Profit	**754,022**	503,385	49.8%
Gross Margin	**59.8%**	51.8%	+8p.p.
Profit/(Loss) for the period	**209,469**	(281,613)	N/A
Adjusted Net Profit from Continuing Operations attributable to Owners of the Company[4]	**151,296**	35,988	320.4%

KEY OPERATIONAL DATA

	As of June 30, 2023 '000	As of December 31, 2022 '000	change (%)
Total MAU	**247,061**	242,880	1.7%
MAU breakdown by product:			
– *Meitu*	**126,952**	129,616	–2.1%
– *BeautyCam*	**52,102**	49,009	6.3%
– *BeautyPlus*	**31,174**	32,520	–4.1%
– *Others*	**36,833**	31,735	16.1%
MAU breakdown by geography:			
– Mainland China	**173,373**	163,121	6.3%
– Overseas	**73,688**	79,759	–7.6%

(1) Certain revenue streams under "VIP Subscription business", "Internet value-added services" and "SaaS and related businesses" reported for the six months ended June 30, 2022 had been redefined and reclassified as "Photo, video and design products" for the six months ended June 30, 2023.

(2) Certain revenue stream under "SaaS and related businesses" reported for the six months ended June 30, 2022 had been redefined and reclassified as "Solutions for beauty industry" for the six months ended June 30, 2023.

(3) Certain revenue streams under "Online Advertising" and "Internet value-added services" reported for the six months ended June 30, 2022 had been redefined and reclassified as "Advertising" for the six months ended June 30, 2023.

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

Chairman's Statement

Dear Shareholders,

We are pleased to report a very strong half-year result, as reflected by an Adjusted Net Profit attributable to Owners of the Company of approximately RMB151.3 million for the six months ended June 30, 2023, that grew 320.4% year-over-year. IFRSs Net Profit attributable to Owners of the Company was even higher at approximately RMB227.6 million.

STRATEGIC HIGHLIGHT

Digital content is becoming more and more important in today's world. Whether it is sharing one's precious moment on social media, or creating a video to drive product sales online, powerful photo and video editing tools are increasingly indispensable especially if one wants to stand out. This has created a significant market opportunity for Meitu. We believe we are in a strong position to address this trend with our expanding portfolio of AIGC-powered photo, video and creation apps, as well as the strong brand recognition among our 247 million monthly active users.

An integrated AIGC strategy

Since the beginning of 2023, we have been consistently launching new AIGC features such as AI Anime, AI Doodle, AI Posters and AI Portraits, etc. A number of these features went viral on social media, driving many achievements and accolades for our apps throughout the first half of 2023, such as achieving #1 and #2 positions on iOS App Store Photo & Video App Category in multiple countries. Apart from launching new standalone AIGC features such as AI Portraits, we have also systematically added AIGC features into the core image and video editing work flow. These features include AI Removal, AI Image Quality and AI Background Expansion etc. together with our vast and professional yet easy-to-use editing tool sets, we are now empowering millions of users to conveniently create very high-quality digital contents that are otherwise too cumbersome or simply inaccessible without the aid of AI technologies.

Launching large vision model *MiracleVision* for AIGC

On June 19, 2023, we have announced the launch of our self-developed large vision model *MiracleVision* that will form the bedrock of Meitu's AIGC features in the future. *MiracleVision* is created with equal emphasis on both art and technology, and we believe this is a key that will set it apart from other competitive large vision models. While *MiracleVision* is capable of generating high quality images across all categories, in its initial phase we have paid special attention to three vertical areas, namely, East Asian portraits, Chinese-themed designs, as well as commercial product design, as we expect increasing demand from users for high-quality AIGC images from these verticals.

Addressing work-related productivity use cases

One other important development during the first half of 2023 was that we have successfully expanded our product portfolio to cover work-related productivity use cases. In particular, X-Design, our cross-platform (PC, Web and mobile) application that optimizes graphic design with an emphasis on commercial products, has seen meaningful revenue growth. As mentioned, the market for productivity tools for creating digital content is huge, and based on our estimate, it could be 4-5 times bigger than that of the consumer market for digital content creation tools. Communicators, our target audience for this productivity tools market, include a wide range of individuals such as influencers, online sellers, vloggers, marketers, as well as small businesses. While they come from various backgrounds, they all share the same goal of making their own unique voice in the creator economy through digital contents, and yet few of them are professional digital designers. This is where the greatest opportunity lies: enabling these communicators to communicate themselves through the use of our productivity tools created with an equal emphasis on art and technology, and that are easy-to-use yet powerful and precise with the enhancement of AIGC functionalities. Keeping in mind that many of these communicators are non-professional designers, our strategy is to launch productivity tools that are catered to specific use cases and simple to use.

For example, "*Action*"（開拍）is an app that we recently launched to address various pain points of creating a narrated video such as the ones made for promoting commercial product sales or educational content. One of the most intriguing features is AI-editing. Instead of going into the timeline of the video and making edits frame by frame, users can now make edits directly to the script, and our AI will make corresponding edits to the video itself. This feature alone already saves time significantly from editing a narrated video from hours to minutes. More importantly, *Action* also integrates Meitu's industry-leading core beautification and virtual makeup features that enable the narrator to appear his/her best on screen. Such integration gives us a very strong competitive edge, especially against AIGC startups, as our core features have very high technical barriers of entry from a software engineering perspective, and our understanding of user behavior and aesthetic trends are at the core of Meitu's culture.

Revenue from Solutions for Beauty Industry normalizing in the second quarter of 2023

Although the pandemic restrictions were lifted in the beginning of 2023, our Solutions for Beauty Industry business that focuses on serving brands and physical cosmetic store clients only started to see normalized revenue growth towards the second quarter of 2023.

Leveraging the strong technological capabilities of our MTLab, we are integrating more AIGC features into this business segment as well, such as using AIGC to generate more accurate skin analysis and condition prediction for *EveLab Insight's* skin analysis report.

Despite overall meaningful revenue contribution to the Group, this business is still at its nascent stage in terms of profitability, both at the gross and the net level. We will continue to optimize our services and products to serve our clients better, aiming to contribute to the digitization of the beauty industry going forward.

Solid strategy translating into financial growth and outlook

For the six months ended June 30, 2023, revenue from photo, video and design products was approximately RMB602 million, up 62% year-over-year. A vast majority of revenue model within this segment was VIP subscription. We noticed an acceleration of revenue growth in this business during the second quarter of 2023 as we continue to execute our integrated AIGC strategy. In June 2023, our total paying subscribers across all our photo, video and design products were approximately 7.2 million, representing approximately 2.9% of subscriber rate of our MAU base, compare to 2.0% a year ago. This fast-growing business has become the primary driver for our Company's overall profitability.

Looking ahead, as we continue to execute our integrated AIGC strategy, launching more apps and features that address the productivity use cases, as well as optimizing our pricing strategies, we believe there is still ample room for both subscriber penetration and ARPPU to grow in the future.

APPRECIATION

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

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

Management Discussion and Analysis

SIX MONTHS ENDED JUNE 30, 2023 COMPARED TO SIX MONTHS ENDED JUNE 30, 2022

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Revenue	**1,260,881**	971,188
Cost of sales	**(506,859)**	(467,803)
Gross profit	**754,022**	503,385
Selling and marketing expenses	**(221,599)**	(182,736)
Administrative expenses	**(144,105)**	(136,341)
Research and development expenses	**(294,264)**	(265,487)
Net impairment losses on financial assets	**(8,314)**	(10,527)
Reversal of impairment losses/(impairment losses) on cryptocurrencies	**185,563**	(305,457)
Other income	**37,973**	78,477
Other (losses)/gains, net	**(83,404)**	62,548
Finance income, net	**23,578**	4,145
Shares of losses of investments accounted for using the equity method	**(12,892)**	(5,720)
Profit/(loss) before income tax	**236,558**	(257,713)
Income tax expense	**(27,089)**	(23,900)
Profit/(loss) for the period	**209,469**	(281,613)
Profit/(Loss) attributable to:		
– Owners of the Company	**227,627**	(266,245)
– Non-controlling interests	**(18,158)**	(15,368)
	209,469	(281,613)

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Non-IFRSs measure:		
Adjusted Net Profit/(Loss) attributable to		
– Owners of the Company[(1)]	**151,296**	35,988
– Non-controlling interests	**(16,045)**	(10,581)
	135,251	25,407

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

Revenue

Leveraging our massive user base, we focus on the image and beauty industries to provide our enormous consumers and business users with a series of products and services. In respect of the image business, we generate revenue mainly through subscription services, in-app advertising and marketing. In respect of the beauty industry services, we generate revenue mainly through skin analysis services, Enterprise Resource Planning ("**ERP**") solutions, and supply chain management services. Therefore, our revenue can be categorized into (i) photo, video and design products; (ii) solutions for beauty industry; (iii) advertising; and (iv) others.

	Six months ended June 30,			
	2023		2022	
	Amount RMB'000	**% of total revenues**	Amount RMB'000 (Redefined)	% of total revenues
Photo, video and design products	**602,190**	**47.8%**	371,294	38.2%
Solutions for beauty industry	**286,444**	**22.7%**	218,412	22.5%
Advertising	**349,161**	**27.7%**	272,462	28.1%
Others	**23,086**	**1.8%**	109,020	11.2%
Total	**1,260,881**	**100.0%**	971,188	100.0%

The above table presents our revenue lines and as percentages of our total revenues for the periods presented. For the six months ended June 30, 2023, our total revenue increased by 29.8% to RMB1,260.9 million from RMB971.2 million for the six months ended June 30, 2022. This increase was mainly driven by the strong growth in our major business, especially in the photo, video and design products.

Photo, video and design products

Our photo, video and design products maintained a strong growth momentum, with revenue recording a year-over-year increase of 62.2% to RMB602.2 million for the six months ended June 30, 2023 (six months ended June 30, 2022: revenue of RMB371.3 million (redefined)). Currently, we have enabled a membership subscription mode for most of the image product series. The increasing subscription penetration rate is a key indicator of our business development, as we are at the initial development stage of developing our subscription business. Therefore, our main strategies are to turn users into subscribers by focusing on product and feature innovation, performance iterative, and in-app cost-free marketing. During the first half of the year, we continued to enrich the benefits of paid members and rolled out more effective strategies for new member introduction and expired member recall, so as to enhance the overall membership penetration rate. As of June 30, 2023, VIP users of our apps added up to over 7.2 million, increasing by 44% year on year, with a payment penetration rate of approximately 2.9%. In the future, we will consider investing in promotion or traffic acquisition to further improve the payment rate when the subscription business has progressed to the next development stage.

Furthermore, we have launched different series of products targeting the needs of users in daily entertainment and working scenarios. Especially for the products designed for enhancing productivity, we have rolled out specific features catering to the demands of users from different industries. Meanwhile, we have been relying on AIGC technology to empower and improve the effect of product outputs, reduce costs and increase efficiency for our users. It is also conducive to improving the overall Average Revenue Per User ("**ARPU**") of our subscription business and enhancing users' stickiness to us.

Solutions for beauty industry

Our revenue from solutions for beauty industry grew by 31.1% year-over-year to RMB286.4 million for the six months ended June 30, 2023 (six months ended June 30, 2022: revenue of RMB218.4 million (redefined)), mainly due to the increase in cosmetic supply chain services from the solutions for beauty industry.

Currently, a majority of the revenues of this business is generated from our solutions for beauty industry. With the market insight, e.g., we provide ERP services to over 10,000 offline cosmetic stores, overseeing business changes such as pricing, sales trend and inventory status of offline cosmetic stores. Based on this service, we have further developed our solutions for beauty industry to help our customers to optimize their cosmetic purchasing decisions. Gross margin for this business is currently low as we are now focusing on expanding market share rather than profitability by increasing collaboration with clients of products from well-known brands and expanding the utilization of supply chain services by downstream merchants. However, in the longer-term we would raise the margin profile through introducing niche products, functional products and etc..

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

Advertising

Our revenue from advertising increased by 28.2% year-over-year to RMB349.2 million for the six months ended June 30, 2023 (six months ended June 30, 2022: revenue of RMB272.5 million (redefined)). Our advertising business has shown a recovery momentum due to an increase in contribution of programmatic advertising. Our revenue from programmatic advertising mainly arose from e-commerce, network services and other customers. However, the overall advertising business is expected to grow steadily going forward as we shift our key monetization model to subscription model and tilt our resource allocation towards photo, video and design products.

Others

For the six months ended June 30, 2023, other revenues from the Group decreased by 78.8% year-over-year to RMB23.1 million from RMB109.0 million (redefined) for the six months ended June 30, 2022, due to lower revenue as a result of the gradual closure of the influencer marketing solutions ("**IMS**") business.

Cost of Sales

Our cost of sales increased by 8.4% to RMB506.9 million for the six months ended June 30, 2023, compared to RMB467.8 million for the six months ended June 30, 2022, mainly due to the increased corresponding cloud computing service fees as a result of the increase in the usage of AIGC related services by users, combined with increased costs from the expansion of cosmetic supply chain services from the solutions for beauty industry, which was partially offset by the shrinking costs of the IMS business.

Gross Profit and Margin

Our gross profit increased by 49.8% to RMB754.0 million for the six months ended June 30, 2023 from RMB503.4 million for the six months ended June 30, 2022. Our gross margin increased to 59.8% for the first half of 2023, from 51.8% for the same period last year, as there was an increase in revenue from photo, video and design products, our main business, and the rebound in advertising business.

Research and Development Expenses

Research and development expenses increased by 10.8% to RMB294.3 million for the six months ended June 30, 2023 from RMB265.5 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 21.3% to RMB221.6 million for the six months ended June 30, 2023, from RMB182.7 million for the six months ended June 30, 2022, primarily due to the increase in promotional channel expenses arising from the business expansion in the photo, video and design products and the increase in sales and marketing staff costs.

Administrative Expenses

Administrative expenses increased by 5.7% to RMB144.1 million for the six months ended June 30, 2023 from RMB136.3 million for the same period last year, primarily due to an increase in staff costs.

Reversal of Impairment Losses on Cryptocurrencies

As of June 30, 2023, the fair values of the units of Ether (the "**Acquired Ether**") and the units of Bitcoin (the "**Acquired Bitcoin**") acquired by the Group determined based on the then prevailing market prices were approximately US$57.41 million and US$28.28 million, respectively. In accordance with the relevant accounting standards under IFRSs, the Group accounts for the acquired cryptocurrencies as intangible assets and adopts the cost model for the measurement.

As the market prices of the acquired cryptocurrencies as of June 30, 2023 were higher than those of December 31, 2022, a reversal of impairment losses on the acquired cryptocurrencies of approximately RMB185.6 million was recognised. Consequently, reversal of impairment losses of approximately RMB90.8 million and RMB94.8 million were recognised by the Group for the six months ended June 30, 2023 in relation to the Acquired Bitcoin and the Acquired Ether, respectively.

The impairment in relation to the Acquired Bitcoin as of June 30, 2023 is reversible (whether in whole or in part) in the Group's upcoming annual results for the year ending December 31, 2023 should there be a further 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 and April 8, 2021.

Other Income

Other income for the six months ended June 30, 2023 decreased to RMB38.0 million from RMB78.5 million for the six months ended June 30, 2022, primarily due to a decrease in government grants.

Other Losses, Net

Other losses, net were RMB83.4 million for the six months ended June 30, 2023, compared to a net gain of RMB62.5 million for the six months ended June 30, 2022, primarily attributable to: (i) remeasurement losses of RMB41.0 million on consideration to non-controlling shareholders of a subsidiary; and (ii) a RMB42.7 million decrease in fair value of the Group's long-term investments.

Finance Income, Net

Finance income, net mainly comprised of bank interest income and foreign exchange gains. Our net finance income increased by 468.8% to RMB23.6 million for the six months ended June 30, 2023, from RMB4.1 million for the six months ended June 30, 2022, primarily due to the increase in bank interest income.

Income Tax Expense

Income tax expenses for the six months ended June 30, 2023 were RMB27.1 million, compared to RMB23.9 million for the six months ended June 30, 2022, primarily due to the Group's increasing profitability.

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

Net profit for the six months ended June 30, 2023 significantly increased to RMB209.5 million from a net loss of RMB281.6 million for the six months ended June 30, 2022, primarily due to 1) the business revenue arising from image products empowered by the generative artificial intelligence technologies maintaining a strong growth momentum, and 2) the reversal of impairment due to the increase in market prices of the acquired cryptocurrencies which was recognized 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-IFRSs financial measure, "Adjusted Net Profit/(Loss)", as an additional financial measure, which is not required by, or presented in accordance with IFRSs. For the purpose of this 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 does 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-IFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

Adjusted Net Profit attributable to the Owners of the Company was RMB151.3 million for the six months ended June 30, 2023, compared to RMB36.0 million for the six months ended June 30, 2022, mainly due to the growth in revenue from our main businesses such as the photo, video and design products. From the fourth quarter of 2019, we started to make a positive Adjusted Net Profit attributable to the Owners of the Company for consecutive fiscal reporting periods.

The following table reconciles our Adjusted Net Profit/(Loss) for the six months ended June 30, 2023 and 2022 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Six months ended June 30,					
	2023			2022		
(RMB'000, unless specified)	**Total**	**Owners of the Company**	**Non-controlling interests**	Total	Owners of the Company	Non-controlling interests
Profit/(Loss) for the period	**209,469**	**227,627**	**(18,158)**	(281,613)	(266,245)	(15,368)
Excluding:						
Share-based compensation	**32,983**	**31,555**	**1,428**	29,183	27,171	2,012
Changes in fair value of long-term investments	**44,789**	**44,789**	**–**	(56,994)	(56,994)	–
Remeasurement losses on consideration to non-controlling shareholders of a subsidiary	**40,970**	**40,970**	**–**	–	0	–
Amortization of intangible assets and other expenses related to acquisition	**2,200**	**1,394**	**806**	10,400	7,136	3,264
(Reversal of impairment losses)/impairment losses on cryptocurrencies	**(185,563)**	**(185,563)**	**–**	305,457	305,457	–
Tax effects	**(9,597)**	**(9,476)**	**(121)**	18,974	19,463	(489)
Adjusted net profit/(loss) for the period	**135,251**	**151,296**	**(16,045)**	25,407	35,988	(10,581)

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, 2023 and December 31, 2022 were as follows:

	June 30, 2023 RMB'000	December 31, 2022 RMB'000
Cash and cash equivalents	**664,573**	946,602
Short-term bank deposits and current portion of long-term bank deposits	**520,136**	352,908
Long-term bank deposits	**180,000**	50,000
Short-term investments	**55,966**	40,521
Cash and other liquid financial resources	**1,420,675**	1,390,031

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

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

Treasury Policy

We have adopted a prudent financial management approach towards our treasury policies and thus maintained a healthy liquidity position throughout the six months ended June 30, 2023. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital Expenditure

Our capital expenditures primarily included expenditures for refurbishment of our office building and purchases of property and equipment such as servers and computers.

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Purchase of property and equipment	**28,602**	37,552
Purchase of intangible assets	**242**	500
Total	**28,844**	38,052

Long-term Investment Activities

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Investment in a joint venture	**10,000**	–
Investment in financial assets at fair value through profit or loss	**5,000**	33,321
Investment in associates	**4,875**	2,000
Total	**19,875**	35,321

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, 2023 and 2022.

Pledge of Assets

As of June 30, 2023, we pledged a restricted deposit of RMB300,000 (as of December 31, 2022: RMB300,000) to guarantee payment of certain operating expenses.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities (as of December 31, 2022: nil).

Borrowings and Gearing Ratio

As of June 30, 2023, we pledged a bank borrowing of RMB19.98 million at an annualized interest rate of 3.73% (as of December 31, 2022: RMB10.0 million at an annualized interest rate of 4.15%). Therefore, the gearing ratio of the Group was 0.50% as of June 30, 2023 (as of December 31, 2022: 0.30%). The gearing ratio was calculated as the total borrowings divided by the total equity on the respective reporting date. For this purpose, total debt is defined as bank loan as shown in the consolidated balance sheet. The Group's gearing ratio remained at a relatively low level as the Group did not place material reliance on borrowings to finance the Group's operations.

Employee and Remuneration Policy

The Group had a total of 2,212 full-time employees as of June 30, 2023 (as of June 30, 2022: 2,056), 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, 2023, the relationship between the Group and its employees have been stable. We did not experience any strikes or other labor disputes which materially affected our business activities.

Significant Investments Held

Investments in Cryptocurrency

During the six months ended June 30, 2023, the Group had, pursuant to the Cryptocurrency Investment Plan, continued to hold approximately 31,000 units of Ether and approximately 940.4970 units of Bitcoin. As of June 30, 2023, the fair values of the Acquired Ether and the Acquired Bitcoin determined based on the then prevailing market prices were approximately US$57.41 million and US$28.28 million, respectively.

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

During the six months ended June 30, 2023, we did not conduct any acquisitions or disposals that constituted notifiable transactions for the Company.

Minority Investments

Meitu Networks owns approximately RMB1.4 million registered capital of Shenzhen Hujia Technology Co., Ltd.（深圳市護家科技有限公司）(“**Hujia Technology**”), representing approximately 23.81% equity interest (with preferential rights) on a fully diluted basis in Hujia Technology, which is accounted for as hybrid financial instruments and designated as financial assets measured at fair value through profit or loss. Hujia Technology is a private company which principally operates in the skincare products business in the PRC, with business operations still in good condition during the six months ended June 30, 2023.

The Group hired a professional valuer to determine the fair value of its equity interests in Hujia Technology (“**Hujia Technology Equity Interests**”), and a valuation report in relation to such Hujia Technology Equity Interests as of June 30, 2023 was issued in August, 2023. After taking into account the dilution effect on the Group’s shareholding in Hujia Technology due to the employee incentive shares issued by Hujia Technology between January 1, 2023 and June 30, 2023, the fair value of the Hujia Technology Equity Interests, as reassessed by the professional valuer in the valuation report, was approximately RMB698.7 million (equivalent to approximately 13.25% of the Group’s total assets).

Therefore, after taking into account the dilution effect on the Group’s shareholding in Hujia Technology due to the employee incentive shares issued by Hujia Technology between January 1, 2023, and June 30, 2023, the Group recorded an unrealized loss of approximately RMB35.3 million in relation its equity interests held in Hujia Technology as of June 30, 2023, and the Group did not receive any dividends from Hujia Technology for the six months ended June 30, 2023.

As there is potential synergy between Hujia Technology and the Group’s beauty SaaS business in the future, the Group believes that this investment is in line with the Group’s investment strategy, and intends to continue to hold the Hujia Technology Equity Interests.

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

Save as disclosed above, there were no other significant investments held by the Group during the six months ended June 30, 2023.

Future Plans for Material Investments and Capital Assets

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

Save as disclosed in this interim report, the Group did not have any other plans for material investments and capital assets as of June 30, 2023.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

On December 25, 2020, Meitu Networks and the minority shareholders of Ruisheng Tianhe at the relevant time (being Ms. Liu Na, Ms. Chen Xi, Ms. Luo Huifang and Ms. Liu Renying) entered into the Disposal Agreement, which included a Clawback Provision (as defined in the announcement of the Company dated December 25, 2020), and the Acquisition Agreement.

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

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

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

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

Save as disclosed above, we did not conduct any material acquisition or disposal of subsidiaries and/or affiliated companies during the six months ended June 30, 2023.

Other Information

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

As of June 30, 2023, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and/or the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding[4]
Mr. WU Zeyuan[1] [2]	Beneficial owner/Beneficiary of trusts	574,496,670	12.92%
Mr. Chen Jiarong[3]	Beneficial owner/Interest in a controlled corporation	517,740,180	11.64%

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) 2,125,000 Shares were held by the Meitu General Trust in the form of unvested Share awards.

(3) Mr. Chen's interest in these Shares includes the interest in 435,024,180 Shares held by Kingkey Enterprise Holdings Limited, the 50% interest of which is held by Mr. Chen.

(4) The percentages are calculated on the basis of 4,446,535,488 Shares in issue as of June 30, 2023.

Save as disclosed above, as of June 30, 2023, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and/or the Stock Exchange pursuant to the Model Code.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2023, 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[5]
Cai Wensheng[1]	Interest in a controlled corporation/ Beneficiary of a trust	1,126,600,000	25.34%
Easy Prestige[2]	Interest in a controlled corporation	566,666,670	12.74%
Xinhong Capital[2]	Beneficial owner	566,666,670	12.74%
Baolink Capital[1]	Beneficial owner	506,600,000	11.39%
Longlink Limited[1]	Interest in a controlled corporation	620,000,000	13.94%
Longlink Capital[1]	Beneficial owner	620,000,000	13.94%
Lion Trust (Singapore) Limited[3]	Trustee of a discretionary trust	1,398,366,670	31.45%
Kingkey Enterprise Holdings Limited	Beneficial owner	435,024,180	9.78%
Chen Jiajun	Interest in a controlled corporation	435,024,180	9.78%

Notes:

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

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

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

(4) The percentages are calculated on the basis of 4,446,535,488 Shares in issue as of June 30, 2023.

Save as disclosed herein, as of June 30, 2023, no person, other than the Directors whose interests are set out in this interim report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE 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 of June 30, 2023, outstanding options representing 14,013,342 underlying Shares were granted to eligible participants pursuant to the Pre-IPO ESOP. Details of the Pre-IPO ESOP are set out in Note 18 to the interim condensed consolidated financial information.

No further option could be granted under the Pre-IPO ESOP.

Details of Options Granted under the Pre-IPO ESOP

Name and/or Category of Participants	Date of Grant	Options Outstanding as of January 1, 2023	Options Granted During the six months	Exercise Period	Vesting Period	Exercise Price	Closing Price of Shares Immediately Before Date of Grant (For Options Granted During the six months)	Fair Value of Options as at the Date of Grant (For Options Granted During the six months)	Options Exercised During the six months	Weighted Average Closing Price of the Shares Immediately Before the Date of Exercise (For Options Exercised During the six months)	Options Cancelled During the six months	Options Lapsed During the six months	Options Outstanding as of June 30, 2023
Employees (Excluding Directors and Chief Executive)	During 2016	3,129,982	–	10 Years from the Date of Grant	See Note (1)	US$0.03	–	–	1,836,866	HK$2.60	–	–	1,293,116
	During 2015	1,801,222	–	10 Years from the Date of Grant	See Note (1)	US$0.03	–	–	337,500	HK$2.70	–	–	1,463,722
	During 2014	11,136,316	–	10 Years from the Date of Grant	See Note (1)	US$0.03	–	–	1,655,812	HK$2.53	–	–	9,480,504
		16,067,520							**3,830,178**		**-**	**-**	**12,237,342**
Other Participant(s)	During 2014	1,776,000	–	10 Years from the Date of Grant	See Note (2)	US$0.03	–	–	–	–	–	–	1,776,000
		1,776,000											**1,776,000**
Total		**17,843,520**							**3,830,178**		**-**	**-**	**14,013,342**

Notes:

(1) The options granted shall vest according to the following schedule: (i) 25% of the options shall vest on the first anniversary from the date of grant; and (ii) the remaining 75% shall vest each month thereafter over a period of 36 months from the date of grant in 36 equal tranches.

(2) The options granted were fully vested on August 1, 2016.

2. Post-IPO Share Option Scheme

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

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

As of January 1, 2023 and June 30, 2023, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 422,729,455 Shares, representing 9.52% and 9.51% of the issued share capital of the Company respectively.

3. Post-IPO Share Award Scheme

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

The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons, which may include 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 may determine, 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 retain eligible persons to make contributions to the long-term growth and profits of the Group.

As of June 30, 2023, 148,566,733 outstanding awarded Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme (excluding Shares granted which have been forfeited in accordance with the Post-IPO Share Award Scheme). The total number of Shares available for grant under the Post-IPO Share Award Scheme (excluding Shares granted which have been forfeited in accordance with the Post-IPO Share Award Scheme) as of January 1, 2023 and June 30, 2023 were 90,337,128 Shares and 62,797,994 Shares, representing 2.03% and 1.41% of the issued share capital of the Company respectively. Details of the Post-IPO Share Award Scheme are set out in Note 18 to the interim condensed consolidated financial information.

Details of Share Awards Granted under the Post-IPO Share Award Scheme

Name and/or Category of Participants	Date of Grant	Unvested Awards Outstanding as of January 1, 2023	Awards Granted During the six months	Vesting Period	Purchase Price	Closing Price of Shares Immediately Before Date of Grant (For Awards Granted During the six months)	Fair Value per Awarded Share as at the Date of Grant (For Awards Granted During the six months)[1]	Awards Vested During the six months	Weighted Average Closing Price of the Shares Immediately Before the Date of Vesting (For Awards Vested During the six months)	Awards Cancelled During the six months	Awards Lapsed During the six months	Unvested Awards Outstanding as of June 30, 2023
Directors and Chief Executive												
WU Zeyuan	Apr 1, 2023	–	2,550,000	May 1, 2023 – Apr 1, 2024 [2]	Nil	HK$2.63	HK$2.56	425,000	HK$1.99	–	–	2,125,000
	Apr 4, 2022	1,000,000	–	May 4, 2022 – Apr 4, 2023 [2]	Nil	–	–	1,000,000	HK$2.36	–	–	–
		1,000,000	**2,550,000**					**1,425,000**		**–**	**–**	**2,125,000**
Employees (Excluding Directors and Chief Executive)	Apr 1, 2023	–	5,955,684	Apr 1, 2023 – Apr 1, 2024 [4]	Nil	HK$2.63	HK$2.56	992,614	HK$1.99	–	–	4,963,070
	Apr 1, 2023	–	13,149,830	Apr 1, 2024 – Apr 1, 2025 [3]	Nil	HK$2.63	HK$2.56	–	–	253,500	–	12,896,330
	Apr 1, 2023	–	2,343,888	Apr 1, 2023 [10]	Nil	HK$2.63	HK$2.56	2,342,531	HK$2.63	1,357	–	–
	Apr 1, 2023	–	5,100,000	Apr 1, 2024 – Apr 1, 2025 [11]	Nil	HK$2.63	HK$2.56	–	–	–	–	5,100,000
	Nov 1, 2022	257,803	–	Nov 1, 2023 – Nov 1, 2024 [3]	Nil	–	–	17,602	HK$1.94	–	–	240,201
	Sep 1, 2022	425,200	–	Sep 1, 2023 – Sep 1, 2024 [3]	Nil	–	–	–	–	50,000	–	375,200
	May 1, 2022	182,125	–	May 1, 2023 – May 1, 2024 [3]	Nil	–	–	91,063	HK$2.18	–	–	91,062
	Apr 1, 2022	1,396,664	–	Apr 1, 2022 – Apr 1, 2023 [4]	Nil	–	–	1,396,664	HK$2.22	–	–	–
	Apr 1, 2022	500,000	–	Apr 1, 2022 – Apr 1, 2023 [5]	Nil	–	–	500,000	HK$2.63	–	–	–
	Apr 1, 2022	12,488,688	–	Apr 1, 2023 – Apr 1, 2024 [3]	Nil	–	–	6,244,350	HK$2.62	85,000	–	6,159,338
	Apr 1, 2022	3,000,000	–	Apr 1, 2023 – Apr 1, 2024 [6]	Nil	–	–	2,616,887	HK$2.63	383,113	–	–
	Jan 1, 2022	222,810	–	Jan 1, 2023 – Jan 1, 2024 [3]	Nil	–	–	111,405	HK$1.37	–	–	111,405
	During 2021	9,637,405	–	See Note (3)	Nil	–	–	7,304,101	HK$2.44	1,283,225	–	1,050,079
	During 2020	105,000	–	See Note (7)	Nil	–	–	52,500	HK$1.37	–	–	52,500
	During 2019	1,437,271	–	See Note (7)	Nil	–	–	1,381,146	HK$2.43	–	–	56,125
		29,652,966	**26,549,402**					**23,050,863**		**2,056,195**	**–**	**31,095,310**
Consultants	Apr 1, 2023	–	471,601	Apr 1, 2024 – Apr 1, 2025 [3]	Nil	HK$2.63	HK$2.56	–	–	–	–	471,601
	Apr 1, 2023	–	24,326	Apr 1, 2023 [10]	Nil	HK$2.63	HK$2.56	24,326	HK$2.63	–	–	–
	Sep 1, 2022	145,000	–	See Note (3)	Nil	–	–	–	–	–	–	145,000
	Jan 1, 2022	1,863,222	–	See Note (3)	Nil	–	–	931,611	HK$1.37	–	–	931,611
		2,008,222	**495,927**					**955,937**		**–**	**–**	**1,548,212**
Total		**32,661,188**	**29,595,329**					**25,431,800**		**2,056,195**	**–**	**34,768,522**

Notes:

(1) The fair value of the awarded shares as of the date of grant was determined based on the market price of the Company's shares as at the respective grant dates, further details of which are set out in Note 18 to the interim condensed consolidated financial information.

(2) The share awards granted to Mr. Wu shall vest monthly in 12 equal tranches over a period of 12 months from the date of grant.

(3) The share awards granted shall vest annually in 2 equal tranches on the first and second anniversary from the date of grant.

(4) The share awards granted shall vest monthly in 12 equal tranches over a period of 12 months from the date of grant.

(5) The share awards granted shall fully vest on the first anniversary from the date of grant.

(6) The share awards granted shall vest subject to the following conditions: (i) 40% of the share awards shall vest subject to the business unit's overall performance for the year (including but not limited to, the annual gross profit from operations, prevention in the decline of number of Android daily active users (DAU), increase in number of saved images from users, etc.); (ii) 30% of the share awards shall vest if the weighted average Share price for the year shall be HK$2.30 or above; and (iii) 30% of the share awards shall vest subject to the approval and favourable performance appraisal by the Chief Executive Officer of the Group.

(7) The share awards granted shall vest annually in 4 equal tranches on the first, second, third and fourth anniversary from the date of grant.

(8) The share awards granted shall vest subject to the following conditions: (i) 40% of the share awards shall vest subject to the business unit's overall performance for the year (including but not limited to, the annual gross profit from operations, prevention in the decline of number of Android daily active users (DAU), increase in number of saved images from users, etc.); (ii) 30% of the share awards shall vest if the weighted average Share price for the year shall be HK$1.69 or above; and (iii) 30% of the share awards shall vest subject to the approval and favourable performance appraisal by the Chief Executive Officer of the Group.

(9) The share awards granted shall vest according to the following schedule: (i) 25% of the share awards shall vest on the first anniversary from the date of grant; and (ii) the remaining 75% shall vest each month thereafter over a period of 36 months from the date of grant in 36 equal tranches.

(10) The share awards were granted with immediate vesting to a vast majority of the employees and consultants of the Group. For further details, please refer to the announcement of the Company published on April 2, 2023.

(11) The share awards granted shall vest subject to the following conditions: (i) 40% of the share awards shall vest subject to the business unit's overall performance for the year (including but not limited to, the annual gross profit from operations, prevention in the decline of number of Android daily active users (DAU), increase in number of saved images from users, etc.); (ii) 30% of the share awards shall vest if the weighted average Share price for the year shall be HK$3.80 or above; and (iii) 30% of the share awards shall vest subject to the approval and favourable performance appraisal by the Chief Executive Officer of the Group.

The total number of Shares that may be issued in respect of the options and share awards granted pursuant to the Pre-IPO ESOP and the Post-IPO Share Award Scheme during the six months ended June 30, 2023 is 48,781,864 Shares and constitutes approximately 1.10% after dividing it by the total number of issued Shares as of June 30, 2023.

4. EveLab Insight Share Award Scheme

As disclosed in the Company's announcement dated July 30, 2021, in order to facilitate fundraising activities for the Smart Hardware Business, the Group transferred the Smart Hardware Business to a separate holding structure at the offshore and onshore levels, where EveLab Insight (a subsidiary of the Company) became the holding company of the Group's Smart Hardware Business.

On June 2, 2021, the board of directors of EveLab Insight (the "**EveLab Insight Board**") and its shareholder (namely, the Company) adopted the EveLab Insight Share Award Scheme under which 20% of EveLab Insight's shares (the "**EveLab Insight Shares**") has been reserved for granting to employees, consultants, and all other eligible participants of the Group who have contributed or will contribute to the Smart Hardware Business. Certain amendments to the rules of the EveLab Insight Share Award Scheme were approved by the EveLab Insight Board on September 30, 2021.

The purpose of the EveLab Insight Share Award Scheme is to align the interests of eligible persons, which may include 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 EveLab Insight Board may determine, and for this purpose shall include any trust, company or other entity or form of business vehicle which such individual or his/her family member is a beneficiary of or holds beneficial interest in ("**Eligible Vehicle**"), with those of the Group through ownership of the EveLab Insight Shares, dividends and other distributions paid on the EveLab Insight Shares and/or the increase in value of the EveLab Insight Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

As of June 30, 2023, a total of 67,500,000 EveLab Insight Shares had been granted or agreed to be granted under the EveLab Insight Share Award Scheme (excluding EveLab Insight Shares granted which have been forfeited in accordance with the EveLab Insight Share Award Scheme), representing approximately 13.5% of the issued share capital of EveLab Insight as of June 30, 2023.

EveLab Insight is neither a listed company nor a principal subsidiary of the Company under the definition of Chapter 17 of the Listing Rules, and therefore the EveLab Insight Share Award Scheme is not subject to disclosure obligations under Chapter 17 of the Listing Rules.

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, ensure that its affairs are conducted in accordance with applicable laws and regulations and enhance the transparency and accountability of the Board to all shareholders of the Company.

Except for code provision C.2.1 ("**Code Provision C.2.1**") in Part 2 in the CG Code as set out in Appendix 14 to the Listing Rules, during the six months ended June 30, 2023, the Company has complied with the applicable code provisions of the CG Code.

Pursuant to the Code Provision C.2.1, it is stated that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Despite the deviation from the Code Provision C.2.1, the Board believes that Mr. Wu Zeyuan will provide solid and continuous leadership to both the Board and the management of the Group with his extensive experience and knowledge in management and operation of the Group. Further, the Board has also considered and is of the view that the composition of the executive, the non-executive and the independent non-executive directors on the Board and the various committees of the Board formed in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. As such, the Board considers that the deviation from Code Provision C.2.1 is appropriate in the current situation.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' dealings in the securities of the Company. Having made specific enquiry with all the directors, all directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended June 30, 2023 regarding their dealings in the securities of the Company.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the six months ended June 30, 2023 after making reasonable enquiry.

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

During the six months ended June 30, 2023, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM LISTING

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended June 30, 2023 and this interim report. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of the senior management and the Company's auditor. Based on the review and discussions with the management, the Audit Committee was satisfied that the Group's unaudited interim financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended June 30, 2023.

FOREIGN INVESTMENTS IN VALUE-ADDED TELECOMMUNICATIONS BUSINESSES IN THE PRC

Updates in Relation to the FITE Regulations

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "**FITE Regulations**"), which were amended on September 10, 2008, February 6, 2016 and March 29, 2022, respectively. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including provision of Internet content services. In addition, prior to May 1, 2022, a major foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a good proven track record of business operations overseas (the "**Qualification Requirements**"). Under the latest amendments to the FITE Regulations which became effective on May 1, 2022, the foreign investors' equity ownership in a company providing value-added telecommunications services in the PRC is still prohibited from exceeding 50%, unless otherwise provided in the PRC laws, regulations or rules. In addition, the latest FITE Regulations have abolished the Qualification Requirements such that it is no longer a pre-requisite for establishing foreign-invested value-added telecommunications enterprises in the PRC. Based on the Notice regarding the Strengthening of Ongoing and Post Supervision of Foreign Invested Telecommunication Enterprises issued by the MIIT in October 2020, foreign invested telecommunications enterprises are also no longer required to obtain the prior MIIT approval letter on foreign investment in telecommunications businesses. Nonetheless, these enterprises still need to submit the relevant materials to the MIIT to apply for telecommunications operating permits, and the other requirements provided by the FITE Regulations still apply. Essentially, the corresponding foreign investment will also be considered by the MIIT in its approval process for the telecommunications operating permits (the "**MIIT Approval Process**"). However, as of June 30, 2023, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation to clarify the MIIT Approval Process and in practice there are still uncertainties as to whether the local authority will accept and consider the application from a foreign-invested enterprise and whether foreign investors without a satisfactory proven track record and operational experiences in operating value-added telecommunications businesses may affect the approval result.

Efforts and Actions Undertaken in Preparation of Application for Telecommunications Operating Permit

Despite the lack of clear guidance and unpredictability of the MIIT Approval Process, as of June 30, 2023, we are still in the process of consulting with our PRC legal advisors to explore and determine the most viable way for the Company to hold Meitu Networks and its subsidiaries, the Onshore Target Company and its subsidiaries, and MeituEve Networks and its subsidiaries, directly through equity ownership. We will also consult with competent authorities on the feasibility and procedures for the foreign-invested enterprise to apply for the ICP License. As of June 30, 2023, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company currently gains effective control over, and receives 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 subsidiary in the PRC, on the one hand, and Meitu Networks and its respective shareholders, on the other hand, (ii) MeituEve Networks and its subsidiaries through the MeituEve Contractual Arrangements between MeituEve Technology, the Company's subsidiary in the PRC, on the one hand, and MeituEve Networks and its shareholder, on the other hand, and (iii) 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, the MeituEve Contractual Arrangements and the Dajie VIE Agreements allow the results of operations and assets and liabilities of (i) Meitu Networks and its subsidiaries, (ii) MeituEve Networks and its subsidiaries, and (iii) the Onshore Target Company and its subsidiaries, to be consolidated into our results of operations and assets and liabilities under IFRSs as if they were wholly-owned subsidiaries of our Group.

Further details of (i) 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 2022 annual report published on April 26, 2023; and (ii) the MeituEve Contractual Arrangements are set out in the Company's announcement dated July 30, 2021 and the Company's 2022 annual report published on April 26, 2023.

CHANGE IN INFORMATION OF DIRECTORS

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

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

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

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

4. Mr. HONG Yupeng was appointed as a non-executive Director and a member of the Audit Committee effective from June 1, 2023.

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

IMPORTANT EVENTS AFTER THE REPORTING DATE

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

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

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

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

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

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 35 to 75, which comprises the interim condensed consolidated balance sheet of Meitu, Inc. (the "**Company**") and its subsidiaries (together, the "**Group**") as of June 30, 2023 and the interim condensed consolidated income statement, 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 selected 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 28, 2023

Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Revenue	5	**1,260,881**	971,188
Cost of sales	6	**(506,859)**	(467,803)
Gross profit		**754,022**	503,385
Selling and marketing expenses	6	**(221,599)**	(182,736)
Administrative expenses	6	**(144,105)**	(136,341)
Research and development expenses	6	**(294,264)**	(265,487)
Net impairment losses on financial assets		**(8,314)**	(10,527)
Reversal of impairment losses/(impairment losses) on cryptocurrencies	12	**185,563**	(305,457)
Other income		**37,973**	78,477
Other (losses)/gains, net	7	**(83,404)**	62,548
Finance income, net		**23,578**	4,145
Share of losses of investments accounted for using the equity method	8(a)	**(12,892)**	(5,720)
Profit/(loss) before income tax		**236,558**	(257,713)
Income tax expense	9	**(27,089)**	(23,900)
Profit/(loss) for the period		**209,469**	(281,613)
Profit/(loss) attributable to:			
– Owners of the Company		**227,627**	(266,245)
– Non-controlling interests		**(18,158)**	(15,368)
		209,469	(281,613)
Earning/(loss) per share for loss attributable to owners of the Company for the period (expressed in RMB per share)	10		
– Basic		**0.05**	(0.06)
– Diluted		**0.05**	(0.06)

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

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Profit/(loss) for the period		**209,469**	(281,613)
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**12,002**	52,363
Items that will not be reclassified to profit or loss			
Currency translation differences		**33,465**	–
Change in fair value of financial assets at fair value through other comprehensive income	17	**(2,397)**	(6,618)
Other comprehensive income for the period, net of tax		**43,070**	45,745
Total comprehensive income/(loss) for the period, net of tax		**252,539**	(235,868)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**269,741**	(223,619)
– Non-controlling interests		**(17,202)**	(12,249)
		252,539	(235,868)

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, 2023 RMB'000	Audited December 31, 2022 RMB'000
ASSETS			
Non-current assets			
Property and equipment	12	**459,191**	441,239
Right-of-use assets		**25,466**	27,870
Term deposits	15	**180,000**	50,000
Intangible assets	12	**859,835**	659,841
Long-term investments			
– Investments in associates and joint ventures	8(a)	**127,239**	123,733
– Financial assets at fair value through profit or loss	8(b)	**1,113,060**	1,195,064
– Financial assets at fair value through other comprehensive income	8(c)	**35,003**	36,181
Prepayments and other receivables	14	**9,509**	5,643
Deferred tax assets		**10,733**	8,937
		2,820,036	2,548,508
Current assets			
Inventories		**52,438**	25,591
Trade receivables	13	**306,141**	350,633
Prepayments and other receivables	14	**808,420**	684,914
Contract costs		**45,896**	54,371
Short-term investments	4.3	**55,966**	40,521
Term deposits	15	**520,136**	352,908
Restricted cash		**300**	300
Cash and cash equivalents		**664,573**	946,602
		2,453,870	2,455,840
Total assets		**5,273,906**	5,004,348

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited June 30, 2023 RMB'000	Audited December 31, 2022 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	**283**	283
Share premium	16	**7,093,538**	7,174,119
Reserves	17	**151,196**	36,628
Accumulated losses		**(3,213,780)**	(3,441,407)
Non-controlling interests		**(116,781)**	(60,109)
Total equity		**3,914,456**	3,709,514
Liabilities			
Non-current liabilities			
Lease liabilities		**9,708**	11,370
Deferred tax liabilities		**205,618**	214,600
		215,326	225,970
Current liabilities			
Borrowings		**19,980**	10,000
Trade and other payables	19	**794,810**	734,098
Lease liabilities		**16,148**	16,784
Income tax liabilities		**80,138**	62,739
Contract liabilities		**233,048**	245,243
		1,144,124	1,068,864
Total liabilities		**1,359,450**	1,294,834
Total equity and liabilities		**5,273,906**	5,004,348

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

On behalf of the Board

Wu Zeyuan
Director

Hong Yupeng
Director

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to owners of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance as of January 1, 2023		283	7,174,119	36,628	(3,441,407)	3,769,623	(60,109)	3,709,514
Comprehensive income								
Profit/(loss) for the period		–	–	–	227,627	227,627	(18,158)	209,469
Other comprehensive income/(loss)								
Change in value of financial assets at fair value through other comprehensive income	8(c)	–	–	(2,397)	–	(2,397)	–	(2,397)
Currency translation differences	17	–	–	44,511	–	44,511	956	45,467
Total comprehensive income/(loss) for the six months ended June 30, 2023		–	–	42,114	227,627	269,741	(17,202)	252,539
Transactions with owners in their capacity as owners								
Value of employee services:								
– Post-IPO Share Award Scheme	18(b)	–	–	29,503	–	29,503	–	29,503
– Share incentive to senior management of subsidiaries	18(d)	–	–	3,481	–	3,481	–	3,481
Shares issued upon exercise of employee share options	16	–	814	–	–	814	–	814
Dividends	11	–	(81,395)	–	–	(81,395)	–	(81,395)
Acquisition of additional equity interests in non-wholly owned subsidiaries	17	–	–	39,470	–	39,470	(39,470)	–
Total transactions with owners in their capacity as owners		–	(80,581)	72,454	–	(8,127)	(39,470)	(47,597)
Balance as of June 30, 2023		283	7,093,538	151,196	(3,213,780)	4,031,237	(116,781)	3,914,456

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to owners of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance as of January 1, 2022		281	7,136,647	(91,642)	(3,528,927)	3,516,359	(557)	3,515,802
Comprehensive loss								
Loss for the period		–	–	–	(266,245)	(266,245)	(15,368)	(281,613)
Other comprehensive income/(loss)								
Change in value of financial assets at fair value through other comprehensive income	8(c)	–	–	(6,618)	–	(6,618)	–	(6,618)
Currency translation differences	17	–	–	49,244	–	49,244	3,119	52,363
Total comprehensive income/(loss) for the six months ended June 30, 2022		–	–	42,626	(266,245)	(223,619)	(12,249)	(235,868)
Transactions with owners in their capacity as owners								
Value of employee services:								
– Post-IPO Share Award Scheme	18(b)	–	–	21,258	–	21,258	–	21,258
– Share incentive to senior management of subsidiaries	18(d)	–	–	5,913	–	5,913	2,012	7,925
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax		19	37,282	–	–	37,301	–	37,301
Non-controlling interests on acquisition of a subsidiary		–	–	–	–	–	11,273	11,273
Shares issued upon exercise of employee share options	16	–	82	–	–	82	–	82
Total transactions with owners in their capacity as owners		19	37,364	27,171	–	64,554	13,285	77,839
Balance as of June 30, 2022		300	7,174,011	(21,845)	(3,795,172)	3,357,294	479	3,357,773

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, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		**162,545**	(106,440)
Interest received		**1,508**	1,744
Interest paid		**(342)**	(205)
Income tax paid		**(19,085)**	(13,272)
Net cash generated from/(used in) operating activities		**144,626**	(118,173)
Cash flows from investing activities			
Purchase of property and equipment		**(33,242)**	(24,015)
Purchase of intangible assets		**(242)**	(500)
Proceeds from disposal of property and equipment and intangible assets		**–**	45
Acquisition in associates in the form of ordinary shares	8(a)	**(4,875)**	(2,000)
Acquisition in a joint venture	8(a)	**(10,000)**	–
Acquisition in financial assets at fair value through profit or loss	8(b)	**(5,000)**	(33,321)
Proceeds from disposal of financial assets at fair value through profit or loss		**44,871**	3,527
Purchase of short-term investments, net		**(15,391)**	(72,000)
Investment income received from short-term investments and term bank deposits		**9,817**	5,307
Placement of term bank deposits		**(489,079)**	(120,873)
Receipt from maturity of term bank deposits		**215,337**	408,450
Prepayments for acquisition of equity investment		**(12,368)**	–
Loans to a third party		**–**	(20,000)
Repayments received from an investee company		**–**	35,650
Payment for acquisition of a subsidiary, net of cash acquired		**–**	(8,641)
Net cash (used in)/generated from investing activities		**(300,172)**	**171,629**

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Cash flows from financing activities			
Proceeds from short-term borrowings		14,980	5,000
Repayment of short-term borrowings		(5,000)	(5,000)
Dividends paid to the Company's shareholders		(81,395)	–
Payments for acquisition of non-controlling interests in non-wholly owned subsidiaries	19(a)	(56,245)	–
Payments for lease liabilities		(11,329)	(16,874)
Proceeds from shares issued under employee share option scheme		720	131
Net cash used in financing activities		(138,269)	(16,743)
Net (decrease)/increase in cash and cash equivalents		(293,815)	36,713
Cash and cash equivalents at the beginning of the period		946,602	738,732
Effects of exchange rate changes on cash and cash equivalents		11,786	17,620
Cash and cash equivalents at the end of the period		664,573	793,065

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

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

The interim condensed consolidated balance sheet as of June 30, 2023, 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 selected explanatory notes (collectively defined as the "**Interim Financial Information**") of the Group have been approved for issue by the Board of Directors ("**Board**") on August 28, 2023.

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, 2022, 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, 2022, 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.

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 January 1, 2023:

Amendments to annual improvements project	Annual improvements 2018-2020 cycle
IFRS 17	Insurance Contracts
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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, 2023 and have not been early adopted:

New standards, amendments, improvement and interpretation		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	January 1, 2024
IAS 1 (Amendments)	Non-current liabilities with covenants	January 1, 2024
IFRS 16 (Amendments)	Lease liability in sale and leaseback	January 1, 2024
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.

3 ESTIMATES

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2022.

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, 2022.

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

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

4.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of June 30, 2023 by level of the inputs to valuation methodologies used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.3 Fair value estimation (Continued)

There were no transfers among Levels 1, 2 and 3 during the period. The following table presents the Group's financial assets that are measured at fair value as of June 30, 2023 and December 31, 2022.

	Unaudited			
	Level 1	**Level 2**	**Level 3**	**Total**
As of June 30, 2023	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Assets:				
Long-term investments				
– Financial assets at fair value through profit or loss (Note 8(b))	**–**	**–**	**1,113,060**	**1,113,060**
– Financial assets at fair value through other comprehensive income (Note 8(c))	**24,341**	**–**	**10,662**	**35,003**
Short-term investments	**–**	**–**	**55,966**	**55,966**
	24,341	**–**	**1,179,688**	**1,204,029**

	Audited			
	Level 1	Level 2	Level 3	Total
As of December 31, 2022	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Long-term investments				
– Financial assets at fair value through profit or loss	–	–	1,195,064	1,195,064
– Financial assets at fair value through other comprehensive income	25,905	–	10,276	36,181
Short-term investments	–	–	40,521	40,521
	25,905	–	1,245,861	1,271,766

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation methodologies which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is or are not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation methodologies used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and

- other methodologies, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(c) Financial instruments in level 3

Level 3 instruments of the Group's assets and liabilities mainly include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and short-term investments.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments for the six months ended June 30, 2023.

	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 RMB'000	Total RMB'000
Opening balance as of December 31, 2022	1,195,064	10,276	40,521	1,245,861
Additions	5,000	–	1,314,900	1,319,900
Changes in fair value (Note 7)	(42,651)	–	3,451	(39,200)
Disposals	(44,871)	–	(1,303,298)	(1,348,169)
Currency translation differences	518	386	392	1,296
Closing balance as of June 30, 2023	**1,113,060**	**10,662**	**55,966**	**1,179,688**
Total unrealized (losses)/gains and change in fair value for the period included in "other (losses)/gains, net"	**(43,788)**	**–**	**54**	**(43,734)**

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

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The valuation of the level 3 instruments mainly included investments in private companies (Note 8) and short-term investments. 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, terminal growth rate, estimate of weighted average cost of capital ("**WACC**"), recent market transactions, marketability discount, enterprise value-to-sales ratio, expected return rate and other exposure etc.

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

The quantitative information about fair value measurements using significant unobservable inputs (Level 3) is presented as follows:

Description	Fair value as of June 30, 2023 RMB'000	Valuation technique(s)	Unobservable inputs	Range of inputs
Financial assets at fair value through profit or loss (Note 8(b))	1,113,060	Discounted Cash flow	Terminal growth rate	2.3%-2.5%
			WACC	25.0%-27.0%
		Equity Allocation model	Marketability discount	20.0%-30.0%
			Enterprise value-to-sales ratio	2.0-4.8
Financial assets at fair value through other comprehensive income (Note 8(c))	10,662	Discounted Cash flow	Terminal growth rate	2.0%
			WACC	18.0%
Short-term investments	55,966	Discounted Cash flow	Expected return rate	2.9%-3.0%

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

4.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

(i) Financial assets at fair value through profit or loss

As of June 30, 2023, if the marketability discount and enterprise value-to-sales ratio shifted upward/downward by 5%, respectively, the impact on the fair value would be RMB8,944,000 lower/RMB9,528,000 higher and RMB36,062,000 higher/RMB35,500,000 lower, respectively.

The lower the terminal growth rate and the higher the WACC, the lower the fair value. The sensitivity of the terminal growth rate and the WACC is immaterial for the fair value of financial assets at fair value through profit or loss.

(ii) Financial assets at fair value through other comprehensive income

The lower the terminal growth rate and the higher the WACC, the lower the fair value. The sensitivity of the terminal growth rate and the WACC is immaterial for the fair value of financial assets at fair value through other comprehensive income.

(iii) Short-term investments

The higher the expected return rate, the lower the fair value. The sensitivity of expected return rate is immaterial for the fair value of short-term investments.

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 role of CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director of the Company who makes strategic decisions. The Group does not distinguish between markets or segments for the purpose of internal reporting. As of June 30, 2023, the total non-current assets other than financial instruments and deferred tax assets located in the PRC and other countries or regions amounted to RMB1,960,155,000 (December 31, 2022: RMB1,997,169,000) and RMB668,997,000 (December 31, 2022: RMB492,402,000), respectively.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The results of the revenue for the six months ended June 30, 2023 and 2022 are as follows:

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Photo, video and design products (Note (i))	**602,190**	371,294
Solutions for beauty industry (Note (ii))	**286,444**	218,412
Advertising (Note (iii))	**349,161**	272,462
Others	**23,086**	109,020
Total revenue	**1,260,881**	971,188

(i) Certain revenue streams under "VIP Subscription business", "Internet value-added services" and "SaaS and related businesses" reported for the six months ended June 30, 2022 had been redefined and reclassified as "Photo, video and design products" for the six months ended June 30, 2023.

(ii) Certain revenue stream under "SaaS and related businesses" reported for the six months ended June 30, 2022 had been redefined and reclassified as "Solutions for beauty industry" for the six months ended June 30, 2023. Solutions for beauty industry was mainly generated from sales of cosmetic and smart hardware products amounting to RMB273,914,000 during the six months ended June 30, 2023 (six months ended June 30, 2022: RMB204,413,000), which are recognized when the control of the products is transferred.

(iii) Certain revenue streams under "Online Advertising" and "Internet value-added services" reported for the six months ended June 30, 2022 had been redefined and reclassified as "Advertising" for the six months ended June 30, 2023.

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Timing of revenue recognition		
Over time	**902,283**	604,006
At a point in time	**358,598**	367,182
	1,260,881	971,188

No revenue from any customer exceeded 10% or more of the Group's revenue for the six months ended June 30, 2023 and 2022.

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

6 EXPENSES BY NATURE

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Employee benefit expenses	**468,655**	417,961
Inventories consumed and recognized as cost of sales	**260,650**	199,558
Revenue sharing fee to payment channels	**128,044**	78,915
Promotion and advertising expenses	**101,413**	88,746
Bandwidth and storage related costs	**71,409**	44,567
Remuneration paid to influencers	**23,015**	113,673
Depreciation of property and equipment and right-of-use assets	**20,986**	21,449
Tax and levies	**16,941**	17,565
Travelling and entertainment expenses	**10,935**	4,821
Operating lease expenses	**8,656**	8,880
Amortization of intangible assets (Note 12)	**3,779**	9,981
Others	**52,344**	46,251
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	**1,166,827**	1,052,367

7 OTHER (LOSSES)/GAINS, NET

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Remeasurement losses on consideration to non-controlling shareholders of a subsidiary (Note 19(a))	**(40,970)**	–
Fair value changes on financial assets at fair value through profit or loss (Note 8(b))	**(42,651)**	56,994
Gains on short-term investments	**3,451**	4,032
Others	**(3,234)**	1,522
	(83,404)	62,548

8(A) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
At the beginning of the period	**123,733**	118,133
Addition	**14,875**	2,000
Share of losses of the associates and a joint venture	**(12,892)**	(5,720)
Currency translation differences	**1,523**	2,372
At the end of the period	**127,239**	116,785

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

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
At the beginning of the period	**1,195,064**	801,005
Additions	**5,000**	33,321
Changes in fair value (Note 7)	**(42,651)**	56,994
Converted from a financial asset to a subsidiary	**–**	(210,321)
Disposals and redemption	**(44,871)**	(3,527)
Currency translation differences	**518**	2,429
At the end of the period	**1,113,060**	679,901

The Group made investments in redeemable convertible preferred shares and ordinary shares with preferred rights (collectively as "**preferred shares**") of certain private companies, and these investments held by the Company contain certain embedded derivatives. Additionally, in connection with certain investments in the preferred shares, the Group also holds board seats in certain investees, in which it can participate in the investees' financial and operating activities. These investee companies are accounted for as associates of the Group. After an assessment performed on the Group's business model adopted for managing financial assets and a test on whether the contractual cash flows represent SPPI, the Group recognized these investments as financial assets at fair value through profit or loss.

The Group performs assessment on the fair value of these financial assets periodically. Management reviews the investees' financial/operating performances and forecasts, and applies the appropriate valuation techniques, where applicable, in order to determine their respective fair values. During the six months ended June 30, 2023, change in fair value amounting to RMB42,651,419 was recognized as other (losses)/gains, net in the consolidated income statement (Note 7).

8(C) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
At the beginning of the period	**36,181**	37,156
Changes in fair value	**(2,397)**	(6,618)
Currency translation differences	**1,219**	1,771
	35,003	32,309

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

During the six months ended June 30, 2023, change in fair value amounting to RMB2,397,200 was recognized as other comprehensive income in the consolidated balance sheet (Note 17).

9 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended June 30, 2023 and 2022 are analyzed as follows:

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Current income tax	**37,867**	5,885
Deferred income tax	**(10,778)**	18,015
	27,089	23,900

9 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 utilised previous unrecognized tax losses.

(iii) Corporate income tax in other countries

Income tax rates 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 the PRC was calculated at the tax rate of 25% on the assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

Beijing Dajie Zhiyuan Information Technology Co., Ltd. ("**Zhiyuan**"), Tianjing Meijie Technology Co., Ltd ("**Meijie**") and Meidd Technology (Shenzhen) Co., Ltd. ("**Meidd**") have been qualified as "High and New Technology Enterprise" ("**HNTE**") under the EIT Law and were entitled to a preferential income tax rate of 15% for the six months ended June 30, 2023.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities were entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

10 EARNING/(LOSS) PER SHARE

(a) Basic

	Unaudited Six months ended June 30, 2023	Unaudited Six months ended June 30, 2022
Earning/(Loss) attributable to owners of the Company for the calculation of basic EPS (RMB'000)	**227,627**	(266,245)
Weighted average number of ordinary shares in issue (thousand)	**4,405,516**	4,366,019
Basic earning/(loss) per share (in RMB/share)	**0.05**	(0.06)

(b) Diluted

The shares options awarded under Pre-IPO ESOP (Note 18), awarded shares under the Post-IPO Share Award Scheme (Note 18), and awarded shares for the senior management of a non-wholly owned subsidiary granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS).

10 EARNING/(LOSS) PER SHARE (CONTINUED)

(b) Diluted (Continued)

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

	Unaudited Six months ended June 30, 2023
Earning attributable to owners of the Company for the calculation of diluted EPS (RMB'000)	**227,627**
Weighted average number of ordinary shares in issue (thousand)	**4,405,516**
Adjustments for share options and awarded shares (thousand)	**57,700**
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand)	**4,463,216**
Diluted EPS (RMB per share)	**0.05**

As the Group incurred losses for the six months ended June 30, 2022, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the six months ended June 30, 2022 is the same as basic loss per share.

11 DIVIDENDS

The final dividends amounting to RMB81,395,000 were paid by the Company during the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

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

12 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

(a) Property and equipment

	Construction in progress RMB'000	Buildings RMB'000	Other property and equipment RMB'000	Total RMB'000
As of December 31, 2022				
Cost	428,376	–	84,456	512,832
Accumulated depreciation and impairment	–	–	(71,593)	(71,593)
Net book amount	428,376	–	12,863	441,239
Unaudited				
Six months ended June 30, 2023				
Opening net book amount	428,376	–	12,863	441,239
Additions	20,934	–	7,668	28,602
Transfer from construction in progress to buildings, intangible assets and others	(448,750)	424,255	22,392	(2,103)
Depreciation charges	–	(3,637)	(4,701)	(8,338)
Disposals	–	–	(237)	(237)
Currency translation differences	–	–	28	28
Closing net book amount	560	420,618	38,013	459,191
As of June 30, 2023				
Cost	560	424,255	114,783	539,598
Accumulated depreciation and impairment	–	(3,637)	(76,770)	(80,407)
Net book amount	560	420,618	38,013	459,191

12 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets

	Crypto-currencies RMB'000	Goodwill (Note (ii)) RMB'000	Others RMB'000	Total RMB'000
As of December 31, 2022				
Cost	696,460	433,311	313,752	1,443,523
Accumulated amortization and impairment	(328,350)	(195,375)	(259,957)	(783,682)
Net book amount	368,110	237,936	53,795	659,841
Unaudited				
Six months ended June 30, 2023				
Opening net book amount	368,110	237,936	53,795	659,841
Transfer from construction in progress	–	–	2,103	2,103
Additions	–	–	242	242
Amortization charges	–	–	(3,779)	(3,779)
Reversal of impairment losses (Note (i))	185,563	–	–	185,563
Currency translation differences	15,669	–	196	15,865
Closing net book amount	569,342	237,936	52,557	859,835
As of June 30, 2023				
Cost	722,580	433,311	302,723	1,458,614
Accumulated amortization and impairment	(153,238)	(195,375)	(250,166)	(598,779)
Net book amount	569,342	237,936	52,557	859,835

12 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets (Continued)

(i) Impairment tests for cryptocurrencies

Cryptocurrencies purchased and held by the Group have been assessed based on each type of cryptocurrencies for impairment testing. The Group carries out their impairment testing by comparing the recoverable amounts of cryptocurrencies to their carrying amounts. An impairment loss will be recognized when the recoverable amount is lower than the carrying amount, while a gain will not be recognized even when the recoverable amount is higher than the carrying amount. A gain will only be recognized if the cryptocurrency is disposed of, assuming the proceeds from disposal at that time are higher than its carrying amount.

The costs of cryptocurrencies of the Group are presented below:

	As of June 30, 2023 RMB'000
Ethers	**365,020**
Bitcoins	**204,322**
	569,342

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

As of June 30, 2023, the Group carried out impairment tests for Ethers and Bitcoins, respectively. Based on these impairment tests, the prevailing market prices of Ethers and Bitcoins as of June 30, 2023 were higher than that of December 31, 2022, and therefore the reversal of impairment losses of RMB185,563,000 in total was recognized in profit or loss by the Group for the six months ended June 30, 2023 (for the six months ended June 30, 2022: impairment losses of RMB305,457,000).

12 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets (Continued)

(ii) Impairment tests for goodwill

As of June 30, 2023, goodwill was allocated to the Group's cash-generating units ("**CGUs**") identified as follows:

	As of June 30, 2023 RMB'000
Cosmetic stores ERP SaaS and supply chain business	**221,532**
Advertising agency services	**16,404**
	237,936

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, 2023.

13 TRADE RECEIVABLES

The Group grants a credit period of 30 to 120 days to its customers. As of June 30, 2023 and December 31, 2022, the aging analysis of trade receivables (net of allowance for doubtful debts) based on transaction date were as follows:

	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
Trade receivables		
Up to 6 months	**259,569**	280,600
6 months to 1 year	**40,770**	64,598
Over 1 year	**5,802**	5,435
	306,141	350,633

As of June 30, 2023 and December 31, 2022, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

14 PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
Included in non-current assets		
Rental and other deposits	7,623	3,072
Others	1,944	2,624
Less: loss allowance	(58)	(53)
	9,509	5,643
Included in current assets		
Other receivables in relation to payment on behalf of advertisers	614,340	544,264
Prepayment to advertising platform for advertising agency services	83,420	66,063
Deductible value-added tax	30,172	30,216
Rental and other deposits	30,062	32,088
Loan to a third party	20,000	20,000
Interest receivables	19,580	5,427
Prepayment for procurement of supply chain business	15,270	1,128
Others	37,140	19,617
Less: loss allowance	(41,564)	(33,889)
	808,420	684,914

As of June 30, 2023 and December 31, 2022, the carrying amounts of other receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

15 TERM DEPOSITS

	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
Included in non-current assets:		
Long-term bank deposits	**180,000**	50,000
Included in current assets:		
Short-term bank deposits	**265,565**	322,908
Current portion of long-term bank deposits	**254,571**	30,000
	520,136	352,908
	700,136	402,908

(a) As of June 30, 2023, short-term bank deposits amounting to RMB265,565,000 (December 31, 2022: RMB322,908,000) are bank deposits with original maturities over three months but less than one year and redeemable on maturity, while long-term bank deposits amounting to RMB434,571,000 (December 31, 2022: RMB80,000,000) are bank deposits with original maturities over one year and redeemable on maturity. As of June 30, 2023, the principal amount of RMB254,571,000 would mature within 12 months and accordingly, presented as current assets in the consolidated balance sheet. These bank deposits are denominated in RMB, US$ and HK$, and the weighted average effective interest rate was 4.24% per annum for the six months ended June 30, 2023 (six months ended June 30, 2022: 2.92%).

16 SHARE CAPITAL AND PREMIUM

As of June 30, 2023 and December 31, 2022, the authorized share capital of the Company comprises 6,000,000,000 ordinary shares with par value of US$0.00001 per share.

	Note	Number of ordinary shares '000	Nominal value of ordinary shares US$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:					
As of January 1, 2023		**4,442,705**	**43**	**283**	**7,174,119**
Employee share option scheme under Pre-IPO ESOP					
– shares issued and proceeds received	(a)	**3,830**	*****	******	**814**
Dividends	11	**–**	**–**	**–**	**(81,395)**
As of June 30, 2023		**4,446,535**	**43**	**283**	**7,093,538**
As of January 1, 2022		4,352,403	43	281	7,136,647
Employee share option scheme under Pre-IPO ESOP					
– shares issued and proceeds received	(a)	420	*	**	82
Post-IPO Share Award Scheme					
– shares issued	(b)	30,000	–	–	–
Consideration of business acquisition					
– shares issued	(c)	29,453	–	19	37,282
As of June 30, 2022		4,412,276	43	300	7,174,011

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

** The amount is less than RMB1,000.

(a) During the six months ended June 30, 2023, 3,830,000 pre-IPO share options with exercise price of US$0.03 were exercised (six months ended June 30, 2022: 420,000 pre-IPO share options).

(b) During the six months ended June 30, 2023, no new shares were issued by the Company under the Post-IPO Share Award Scheme (six months ended June 30, 2022: 30,000,000 shares).

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

17 RESERVES

	Statutory surplus reserve RMB'000	Share-based compensation reserve RMB'000	Fair value of financial assets at fair value through other comprehensive income RMB'000	Currency translation differences RMB'000	Other reserves RMB'000	Total RMB'000
As of January 1, 2023	**33,449**	**546,515**	**8,619**	**(375,979)**	**(175,976)**	**36,628**
Value of employee services:						
– Post-IPO Share Award Scheme (Note 18 (b))	**–**	**29,503**	**–**	**–**	**–**	**29,503**
– Share incentive to senior management of subsidiaries	**–**	**3,481**	**–**	**–**	**–**	**3,481**
Changes in fair value of financial assets at fair value through other comprehensive income (Note 8 (c))	**–**	**–**	**(2,397)**	**–**	**–**	**(2,397)**
Currency translation differences (Note (a))	**–**	**–**	**–**	**44,511**	**–**	**44,511**
Acquisition of additional equity interests in non-wholly owned subsidiaries (Note (b))	**–**	**–**	**–**	**–**	**39,470**	**39,470**
As of June 30, 2023	**33,449**	**579,499**	**6,222**	**(331,468)**	**(136,506)**	**151,196**
As of January 1, 2022	26,827	501,455	13,031	(456,979)	(175,976)	(91,642)
Value of employee services:						
– Post-IPO Share Award Scheme (Note 18 (b))	–	21,258	–	–	–	21,258
– Share incentive to senior management of subsidiaries	–	5,913	–	–	–	5,913
Changes in fair value of financial assets at fair value through other comprehensive income (Note 8 (c))	–	–	(6,618)	–	–	(6,618)
Currency translation differences (Note (a))	–	–	–	49,244	–	49,244
As of June 30, 2022	26,827	528,626	6,413	(407,735)	(175,976)	(21,845)

(a) Currency translation differences represent the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

(b) As detailed in Note 19, in June 2023, the Group acquired the remaining 19.81% equity interests of Ruisheng Tianhe (Beijing) Media and Technology Co., Ltd. ("**Ruisheng Tianhe**"). Accordingly, the non-controlling interest was reduced by RMB39,470,000 and the other reserves were credited by the same amount.

18 SHARE-BASED PAYMENTS

(a) Pre-IPO ESOP

On February 15, 2014, the Board of Directors of the Company approved the establishment of the Pre-IPO ESOP with the purpose of providing incentives for employees and persons contributing to the Group. The Pre-IPO ESOP shall be valid and effective for 10 years from the grant date. The overall limit on the number of underlying shares is 116,959,070 shares.

(i) Shares options granted to employees under the Pre-IPO ESOP

The exercise price of the granted options to employees shall be US$0.03 per share. Except as provided otherwise in the grant letter or offer in any other form by the Board of Directors, 25% of the shares subject to the option shall vest on the first vesting date, and the remaining 75% shares shall vest over the next 36 months. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share options were granted under Pre-IPO ESOP to employees of the Company for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil).

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

	Exercise price	**Number of share options Six months ended June 30,**	
		2023	2022
At the beginning of the period		**17,843,520**	18,692,770
Exercised (Note (i))	US$0.03	**(3,830,178)**	(420,000)
At the end of the period		**14,013,342**	18,272,770

Notes:

(i) As a result of the options exercised during the six months ended June 30, 2023, 3,830,178 ordinary shares (six months ended June 30, 2022: 420,000 ordinary shares) were issued by the Company (Note 16). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$2.58 per share (equivalent to RMB2.31 per share) (six months ended June 30, 2022: HK$1.34 per share (equivalent to RMB1.11 per share)).

As of June 30, 2023, all share options granted are vested and exercisable, and will expire in 2026.

18 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 awarded shares for the six months ended June 30, 2023 and 2022 are as follows:

	Post-IPO Share Award Scheme Number of shares Six months ended June 30,	
	2023	2022
At the beginning of the period	**32,661,188**	38,799,803
Granted	**29,595,329**	26,045,868
Vested	**(25,431,800)**	(16,125,737)
Forfeited	**(2,056,195)**	(3,268,105)
At the end of the period	**34,768,522**	45,451,829

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, 2023 was HK$2.63 per share (equivalent to approximately RMB2.30 per share) (six months ended June 30, 2022: HK$0.98 per share (equivalent to approximately RMB0.71 per share)).

During the six months ended June 30, 2023, the Group recorded share-based compensation of RMB29,503,000 (six months ended June 30, 2022: RMB21,258,000) related to Post-IPO Share Award Scheme.

The outstanding awarded shares as of June 30, 2023 were divided into two to four tranches on an equal basis as of their grant dates. The first tranche can be vested after a specified period ranging from one to twelve months from the grant date, and the remaining tranches will become vested in each subsequent year.

18 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, 2023, the Expected Retention Rate, excluding senior management, was assessed to be 94% (2022: 94%). For senior management, the Group estimates the Expected Retention Rate on individual basis.

(c) Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the board on November 25, 2016 and adopted with effect from the completion of the IPO. As of June 30, 2023, no options have been granted by the Group under the Post-IPO Share Option Scheme.

(d) Share Incentive to Senior Management of Subsidiaries

Certain share incentive was offered to several senior management of subsidiaries with a service period or based on the future performance forecast. During the six months ended June 30, 2023, the Group recorded share-based compensation for share incentive of RMB3,481,000 (six months ended June 30, 2022: RMB7,925,000).

19 TRADE AND OTHER PAYABLES

	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
Included in current liabilities		
Payroll and welfare payables	**254,472**	311,455
Payables to platforms for agency services	**174,943**	80,984
Trade payables	**131,642**	135,315
Other tax payables	**91,555**	48,729
Payables to non-controlling shareholders of a subsidiary (Note (a))	**56,152**	71,427
Deposits payable	**34,177**	33,650
Others	**51,869**	52,538
	794,810	734,098

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, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
Up to six months	**80,713**	96,170
Over six months	**50,929**	39,145
	131,642	135,315

19 TRADE AND OTHER PAYABLES (CONTINUED)

(a) On January 25, 2018, the Group acquired an aggregate 50.48% equity interests of Ruisheng Tianhe and it became the Group's subsidiary accordingly. There was a contractual undertaking in the sales and purchase agreement that the Group was obliged to acquire the remaining 49.52% equity interests in Ruisheng Tianhe before the end of December 31, 2021. The purchase price would be determined at the time of the future acquisition dates, through different tranches within four years, according to a formula based on the future performance of Ruisheng Tianhe, which reflect the respective fair values of the interests. The Group had initially recognized a financial liability of RMB183,704,000 in 2018 associated with such an obligation based on the then estimated outcome of the performance of Ruisheng Tianhe, with a corresponding debit recorded in the reserve of the Group under such a forward contract arrangement.

In May 2019, the Group acquired the first tranche of 14.86% additional equity interests of Ruisheng Tianhe at a cash consideration of RMB59,356,000. In May 2020, the Group acquired the second tranche of 14.86% additional equity interests of Ruisheng Tianhe at a cash consideration of RMB6,687,000.

The Group and the non-controlling shareholders of Ruisheng Tianhe entered into an agreement in December 2020, pursuant to which the Group agreed to sell, and the non-controlling shareholders agreed to purchase 14.86% equity interests in Ruisheng Tianhe at an aggregate cash consideration of RMB7,690,000. The Equity Transaction was completed on December 28, 2020. Pursuant to the agreement, the non-controlling shareholders of Ruisheng Tianhe shall be required to sell back to the Group the 14.86% equity interest of Ruisheng Tianhe at same consideration plus 5% compound interest per annum if (1) Ruisheng Tianhe fails to file an application for an initial public offering in the PRC on or prior to December 31, 2022; or (2) Ruisheng Tianhe fails to complete a qualified initial public offering in the PRC on or prior to December 31, 2023 (unless the listing application is being processed by the relevant PRC authorities by then, that the relevant deadline will then be extended to no later than December 31, 2024) (collectively defined as "**Triggering Conditions**").

On December 25, 2020, the Group and the non-controlling shareholders of Ruisheng Tianhe also entered into a sales and purchase agreement ("**New SPA**") regarding the acquisition of the remaining third tranche of 19.81% equity interests. The Group will be obliged to purchase the remaining 19.81% equity interest from the non-controlling shareholders on or before June 30 of the year immediately following the year in which any of the Triggering Conditions have been triggered. The purchase price will be determined, at the time of that future acquisition date, according to a formula based on future performance of Ruisheng Tianhe for the year when the Triggering Conditions occur, which reflect the respective fair values of the underlying equity interests.

19 TRADE AND OTHER PAYABLES (CONTINUED)

As of December 31, 2021, management of the Group had assessed and remeasured the financial liabilities due to the non-controlling shareholders at RMB73,282,000 for the remaining 19.81% equity interest of Ruisheng Tianhe based on the best estimate of the timing of the future acquisition date, and the corresponding performance forecast of Ruisheng Tianhe in accordance with the provisions laid down in the New SPA.

As of December 31, 2022, Ruisheng Tianhe did not file an application for an initial public offering in the PRC, therefore the Triggering Conditions had occurred and the Group would be obliged to repurchase the 14.86% equity interests of Ruisheng Tianhe and purchase the remaining 19.81% equity interests ("**Remaining Equity Interests Transaction**"). The financial liabilities due to the non-controlling shareholders for the remaining 19.81% equity interests of Ruisheng Tianhe had been re-assessed and remeasured to RMB63,392,000 based on the best estimate of the performance forecast of Ruisheng Tianhe.

During the six months ended June 30, 2023, the financial liabilities due to the non-controlling shareholders for the remaining 19.81% equity interests of Ruisheng Tianhe had been remeasured to RMB104,362,000 based on the adjusted performance result, which is agreed by management of the Group and non-controlling shareholders of Ruisheng Tianhe. As a result, remeasurement losses of RMB40,970,000 were recognized for the six months ended June 30, 2023.

The Remaining Equity Interests Transaction amount of RMB56,245,000 had been paid during the six months ended June 30, 2023 and the remaining amount of RMB56,152,000 is expected be paid to the non-controlling shareholders within one year.

The transaction of acquiring the 19.81% equity interests of Ruisheng Tianhe has been completed on June 27, 2023 and Ruisheng Tianhe therefore became the wholly owned subsidiary of the Group since then.

20 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, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
Construction in progress	**4,498**	17,850
Investment commitments	**–**	4,000
	4,498	21,850

21 CONTINGENCIES

The Group did not have any significant contingent liabilities as of June 30, 2023.

22 SUBSEQUENT EVENTS

On August 4, 2023, the Company and one of the non-controlling shareholders who was held by a member of the senior management of Dajie Net Investment Holdings Ltd. ("**Dajie Net**") ("**Purchaser**"), entered into a share sale and purchase agreement pursuant to which the Company had conditionally agreed to sell, and the Purchaser had conditionally agreed to purchase, 90,276,751 shares representing approximately 20% equity interest in Dajie Net at a consideration of US$1.00.

Upon completion, the Company's shareholding in Dajie Net will reduce from approximately 58.98% to approximately 38.98%. Dajie Net's financial results will cease to be consolidated into the Group's financial statements due to loss of control, and the Company's remaining shareholding in Dajie Net will be recognized as investment in associate and it is expected that a gain on disposal of approximately RMB70,000,000 would be recognized into the consolidated income statement for the year ending December 31, 2023.

23 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, 2023 and 2022.

(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, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
(i)	Sales of goods and services:		
	An associate	**1,452**	–
	Others	**81**	140
		1,533	140
(ii)	Purchases of goods and services:		
	An associate	**2,413**	3,418
	Others	**104**	869
		2,517	4,287
(iii)	Repayments from investee companies:		
	Associates in form of preferred shares	**–**	35,650

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Period/Year end balances with related parties

	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
(i) Receivables from:		
Associates	276	8,328
An associate in form of preferred shares	1	–
	277	8,328
(ii) Payables to:		
Associates in form of preferred shares	26,115	26,130
Associates	845	1,136
Others	–	86
	26,960	27,352
(iii) Contract liabilities from:		
Associates in form of preferred shares	85	89

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

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(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, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Share-based compensation expenses	**9,969**	5,627
Wages, salaries and bonuses	**6,054**	4,846
Other social security costs, housing benefits and other employee benefits	**100**	91
Pension costs – defined contribution plan	**57**	50
	16,180	10,614

Definitions

"Acquisition Agreement"	the acquisition agreement dated December 25, 2020 originally entered into between Meitu Networks, the Remaining Minority Shareholders and Ms. Liu Renying, as amended and supplemented on April 30, 2021, details of which were announced in the announcements of the Company dated December 25, 2020, February 9, 2021, April 30, 2021, November 30, 2022 and January 1, 2023
"Adjusted Net Profit/(Loss)"	adjusted net profit/(loss) is calculated as the profit/(loss) for the period, 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; (iii) amortization of intangible assets and other expenses related to acquisition, net of tax; and (iv) impairment losses on cryptocurrencies
"AI"	artificial intelligence
"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 11.39% of the issued share capital of our Company as at the Latest Practicable Date
"Board of Directors" or "Board"	our Board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"China", "Mainland China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly
"Company", "our Company", "the Company", "Meitu", "we" or "us"	Meitu, Inc. 美图公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on July 25, 2013 and carries on business in Hong Kong as "美圖之家" (in Chinese) as approved and registered with the Registrar of Companies in Hong Kong on October 28 and November 7, 2016, respectively. "Meitu" may also refer to the Company's brand if the context so requires. "Meitu", when italicized, refers to the Company's first product, Meitu

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Contractual Arrangements"	the existing series of contractual arrangements entered into between Mr. Wu, Xiamen Hongtian (which replaced Ms. Cai as a 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 2022 annual report of the Company published on April 26, 2023
"Cryptocurrency Investment Plan"	the plan to make a net purchase of up to US$100,000,000 worth of cryptocurrencies, financed by the existing cash reserves other than any remaining proceeds from the Company's initial public offering, as more particularly set out in the announcement of the Company published on March 7, 2021
"Dajie Group"	Dajie Net, the Onshore Target Company, and their respective subsidiaries
"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 and that directly wholly owns the Dajie WFOE
"Dajie Net"	Dajie Net Investment Holdings Ltd., a limited liability company incorporated under the laws of the Cayman Islands and a holding company that directly wholly owns Dajie HK, which in turn wholly owns the Dajie WFOE
"Dajie Relevant Shareholders"	Meitu Networks holding approximately 85.52% equity interest in the Onshore Target Company and the other shareholders of the Onshore Target Company as follows: (a) Beijing Ronghui Enterprise Management Partnership (Limited Partnership) (北京融薈企業管理合夥企業(有限合夥)) as to approximately 10.28%; and (b) Ms. Wang Xiujuan (王秀娟) as to approximately 4.20%
"Dajie VIE Agreements"	the existing series of contractual arrangements entered into between the Dajie WFOE, the Onshore Target Company, and the Dajie Relevant Shareholders, details of which are set out in the announcements of the Company dated August 28, 2019 and March 17, 2021 and the 2022 annual report of the Company published on April 26, 2023
"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

"Disposal Agreement"	the disposal agreement dated December 25, 2020 originally entered into between Meitu Networks, the Remaining Minority Shareholders and Ms. Liu Renying, as amended and supplemented on April 30, 2021, details of which were announced in the announcements of the Company dated December 25, 2020, February 9, 2021, April 30, 2021, November 30, 2022 and January 1, 2023
"Director(s)"	the director(s) of our Company
"EveLab Insight"	EveLab Insight, Inc. (formerly known as MeituEve, Inc. and Meipai Ltd), a company incorporated in the Cayman Islands with limited liability on June 2, 2015, and a subsidiary of the Company
"EveLab Insight Share Award Scheme"	the share award scheme adopted by EveLab Insight (a subsidiary of the Company that is not a principal subsidiary of the Company pursuant to Chapter 17 of the Listing Rules) on June 2, 2021 and amended on September 30, 2021, which is not subject to the provisions of Chapter 17 of the Listing Rules
"Group", "our Group", or "the Group"	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements) from time to time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"ICP"	Internet content provider
"ICP License"	Value-added Telecommunications Service Operating Permit for Internet Information Service
"IFRSs"	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
"Latest Practicable Date"	September 20, 2023, 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 13.94% 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
"Meidd"	Meidd Technology (Shenzhen) Co., Ltd.*(美得得科技(深圳)有限公司), a non-wholly owned subsidiary of Meitu Networks as to approximately 63.35% as at the Latest Practicable Date
"Meitu HK"	Meitu (China) Limited(美圖(中國)有限公司), a limited liability company incorporated in Hong Kong on August 12, 2013, and a subsidiary of the Company
"Meitu Home"	Xiamen Home Meitu Technology Co., Ltd.(廈門美圖之家科技有限公司), a company established in the PRC on October 14, 2013, and a subsidiary of the Company
"Meitu Networks"	Xiamen Meitu Networks Technology Co., Ltd.*(廈門美圖網科技有限公司) (formerly known as Xiamen Shuzi Qingyuan Networks Technology Co. Ltd.(廈門數字情緣網科技有限公司) and Xiamen Networks Zhiyuan Xinxi Technology Co. Ltd(廈門網之源信息科技有限公司)), a company established in the PRC on June 18, 2003, owned by Mr. Wu and Xiamen Hongtian as to 51% and 49%, respectively, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
"MeituEve Contractual Arrangements"	a series of contractual arrangements entered into between MeituEve Technology, MeituEve Networks and Xiamen Hongtian, and the details of which are set out in the announcement of the Company dated July 30, 2021 and the 2022 annual report of the Company published on April 26, 2023

Definitions

“MeituEve Networks”	Xiamen MeituEve Networks Services Co., Ltd.*(廈門美圖宜膚網絡服務有限公司), a company established in the PRC on May 19, 2021, wholly-owned by Xiamen Hongtian, and by virtue of the MeituEve Contractual Arrangements, accounted for as our subsidiary
“MeituEve Technology”	Xiamen MeituEve Technology Co., Ltd.*(廈門美圖宜膚科技有限公司), a limited liability company incorporated under the laws of the PRC on February 4, 2021 and a subsidiary of the Company
“MIIT”	the Ministry of Industry and Information Technology of the PRC(中華人民共和國工業和信息化部)(formerly known as the Ministry of Information Industry)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. Cai”	Mr. Cai Wensheng(蔡文胜), our founder and a substantial shareholder of the Company
“Ms. Cai”	Ms. Cai Shuting, the daughter of Mr. Cai and Ms. Wang
“Mr. Chen”	Mr. CHEN Jiarong(陳家荣), our non-executive Director and a substantial shareholder of the Company
“Ms. Chen”	Ms. Chen Cuie(陳翠娥), the Group’s finance director, who has been employed by the Group for over 8 years and a director of a number of the Group’s subsidiaries
“Mr. Wu”	Mr. Wu Zeyuan(吳澤源), also known as Mr. Wu Xinhong(吳欣鴻), our founder, Chief Executive Officer and executive Director
“Ms. 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, owned by the Dajie Relevant Shareholders, and by virtue of the Dajie VIE Agreements, accounted for as our subsidiary
“Post-IPO Share Award Scheme”	the share award scheme adopted by the Company on November 25, 2016

"Post-IPO Share Option Scheme"	the share option scheme adopted by the Company on November 25, 2016
"PRC Operating Entities"	Meitu Networks and its subsidiaries and branches, the financial results of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the 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
"Remaining Minority Shareholders"	the minority shareholders of Ruisheng Tianhe holding approximately 33.92% equity interests in Ruisheng Tianhe before the Clawback Transaction and the Acquisition Transaction, namely Ms. Liu Na (holder of approximately 25.18% equity interest in Ruisheng Tianhe prior to the Clawback Transaction and the Acquisition Transaction), Ms. Chen Xi (holder of approximately 4.54% equity interest in Ruisheng Tianhe prior to the Clawback Transaction and the Acquisition Transaction), and Ms. Luo Huifang (holder of approximately 4.20% equity interest in Ruisheng Tianhe prior to the Clawback Transaction and the Acquisition Transaction)
"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 wholly owned subsidiary of Meitu Networks as at the Latest Practicable Date
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.00001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Smart Hardware Business"	the smart hardware business of the Group, involving the production of, among other things, MeituEve (a commercial AI skin analyser), MeituKey (a contact skin analyser), MeituSpa (an AI cleansing brush) and Meitu Genius (an AI smart mirror)

Definitions

"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 12.74% of the issued share capital of our Company as at the Latest Practicable Date
"%"	per cent

* *for identification purpose only*

Meitu, Inc.
美图公司