Meitu, Inc.
美图公司

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

(Stock Code: 1357)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors (the "**Board**") of Meitu, Inc. (the "**Company**") is pleased to announce the audited consolidated results of the Company, its subsidiaries, Xiamen Meitu Networks Technology Co., Ltd. and Xiamen MeituEve Networks Services Co., Ltd. and their respective subsidiaries (collectively the "**Group**") for the year ended December 31, 2021.

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

KEY HIGHLIGHTS

1. Revenue in 2021 was RMB1.666 billion, grew 39.5% year on year. This growth rate represents an acceleration from the 22.1% achieved in 2020. Such encouraging result was driven mainly by our VIP subscription and image SaaS businesses.

2. Revenue of our VIP subscription and image SaaS businesses grew 146.9% year-on-year, proving it as the "Second Curve" that drives Meitu's sustainable growth. We had around 4.0 million VIP customers globally at the end of 2021, which was more than double the level compared to the end of 2020.

3. While our VIP subscription business currently focuses on lifestyle-related user demands, we have recently launched our image SaaS solutions for design professionals and individuals to meet their work-related demands, leveraging the same know-how and computer vision technology that underpin our successful VIP subscription business. Our image SaaS solutions cover multiple platforms, including Windows, Mac, mobile and the web.

4. Adjusted Net Profit attributable to the Owners of the Company(2) was RMB85.1 million for the year ended December 31, 2021, grew 39.7% year-on-year. This marks the second consecutive full-year of profitability in terms of Adjusted Net Profit(2).

KEY FINANCIAL DATA

	Year ended December 31,		Year on year
	2021	2020	change
	RMB'000	*RMB'000*	*(%)*
Revenue	**1,666,029**	1,194,020	39.5%
– Online Advertising	**765,849**	680,709	12.5%
– VIP Subscription and Image SaaS	**519,492**	210,417	146.9%
– Internet Value-added Services[(1)]	**81,673**	53,764	51.9%
– IMS and Others	**299,015**	249,130	20.0%
Gross Profit	**1,125,087**	793,871	41.7%
Gross Margin	**67.5%**	66.5%	+1.0p.p.
Loss for the year	**(77,430)**	(60,132)	28.8%
Adjusted Net Profit attributable to Owners of the Company[(2)]	**85,073**	60,892	39.7%

Note:

(1) Certain revenue streams under IMS and Others had been redefined and reclassified to IVAS.

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

KEY OPERATIONAL DATA

	As of December 31,		Year on year
	2021	2020	change
	'000	*'000*	*(%)*
Total Monthly Active Users ("**MAU**")	**230,644**	261,048	-11.6%
MAU breakdown by product:			
– *Meitu*	**114,718**	114,718	0.0%
– *BeautyCam*	**56,870**	61,850	-8.1%
– *BeautyPlus*	**37,116**	55,141	-32.7%
– Others	**21,940**	29,339	-25.2%
MAU breakdown by geography:			
– Mainland China	**153,882**	163,098	-5.7%
– Overseas	**76,762**	97,950	-21.6%

CONTINUED GROWTH IN TOTAL REVENUE AND ADJUSTED NET PROFIT DRIVEN BY THE SAAS STRATEGY

In 2021, we continued to improve our business operations and made progress on total revenue and profitability in terms of Adjusted Net Profit. For the year ended December 31, 2021, we generated an Adjusted Net Profit attributable to Owners of the Company of RMB85.1 million.

The steady rise of total revenue and Adjusted Net Profit was largely attributable to the execution of a targeted strategy – we supplied SaaS (software-as-a-service) services in both the image and beauty industries, leveraging on our large user base.

We have decided to concentrate our efforts on offering SaaS services to the image and beauty industries. For the image industry, our SaaS product portfolio comprises: (1) VIP subscription features in lifestyle-related photo-editing applications; (2) work-related solutions for design professionals and individuals who need to design at work; and (3) artificial intelligence ("**AI**") based photo editing solutions for photo studios. For the beauty industry, we provide: (1) enterprise resource planning ("**ERP**") and supply chain management solutions to cosmetic sales networks via Meidd Technology (Shenzhen) Co., Ltd. ("**Meidd**"); and (2) an AI skin analysis-based consumer insight solution for beauty salons, skincare brands and medical aesthetic clinics via MeituEve.

SUCCESS IN BUILDING A MONETIZATION MODEL FOCUSED ON IMAGE INDUSTRY

The high development momentum of the VIP subscription business, a new monetization model under our image SaaS strategy, drove revenues to RMB1.666 billion in 2021, an increase of 39.5% year on year. Our VIP subscription and image SaaS businesses grew at a rapid pace in the first half of 2021, continuing the stable and steady growth pattern. When compared to 2020, revenue for this business category increased by roughly 146.9% in 2021. We are glad to note that consumer subscription intent has continued to rise. We had around 4.0 million VIP customers globally as at December 2021, which was more than double the level as at the end of 2020.

Since 2020, we have included VIP subscription services in all of our major applications. The VIP membership, which is powered by AI-based computer vision technology, gives VIPs access to paid-only features for a more superior photo-editing experience. For example, VIPs can expedite the photo-editing process and get better photo results. They also would not be able to get the same photo-editing effects if they did it manually by hand. Although the majority of the VIP features cater to lifestyle-related needs, we discovered that we could also leverage our image-editing technologies to create products to meet design needs at work. Given that we see an increasing need for design work, we released work-related design solutions for design professionals and individuals on numerous platforms, including desktop (both Windows and Mac), mobile app, and website versions, while continuing to allocate resources to iterate over our current subscription features. The new product series will be aimed at meeting users' design needs at work and will be created as a design collaboration tool with features such as remote collaboration, shared retouching, and so on.

In addition, we launched AI-based image SaaS services to serve professional photo shooting studios under the brand Meitu AI Photo Editing（美圖雲修）, which aims at improving their production quality and efficiency. In 2021, this AI-based new business, albeit small, has shown good progress, indicated by an increase in the number of clients and the amount of monthly processed images were millions per month. We are enthusiastic about the image SaaS business' future growth because of our comprehensive product offerings.

PROVIDING EFFICIENT SAAS TOOLS FOR THE BEAUTY INDUSTRY

Meidd, cosmetic stores ERP SaaS and supply chain management

In December 2021, based on a comprehensive consideration on the implementation of the SaaS strategy, we entered into a step-up acquisition agreement to further acquire Meidd's controlling stake as a subsidiary. After completion of the acquisition in January 2022, Meidd became a subsidiary of our Group. Meidd's financial results will be consolidated into our Group from January 2022 onwards.

Meidd primarily serves a large network of cosmetics retailers in the People's Republic of China (the "**PRC**") by offering merchant services and SaaS products. Meidd's ERP SaaS solutions give retailers powerful capabilities to manage their store data, such as marketing, inventory, and customer information. Meidd presently serves over 11,500 cosmetic businesses in more than 250 locations across the PRC.

Furthermore, Meidd obtains a complete grasp of the cosmetic market's supply and demand trend by evaluating data on its ERP system, such as transaction volume, trending products, pricing information, and so on. With these information, Meidd reduced information asymmetry between upstream supply and downstream sales network, improving its efficiency as a whole. As a result, it expanded its business offering to include centralised procurement services for its clients, allowing them to better manage their supply chains. The unaudited revenue of its supply chain business surged more than four times in 2021 compared to 2020, demonstrating a significant expansion trend.

MeituEve, an AI-skin analysis-based customer insight solution

MeituEve, provides AI skin analysis technology for skincare firms, medical aesthetic institutes, and beauty spas all over the world. It can effectively evaluate skin quality and recommend tailored skincare treatments thanks to its AI algorithms. With the skin analysis findings and CRM system, MeituEve can assist our clients to understand their customers better, and therefore enhance sales conversion and monitor post-sales customer feedback.

Also, MeituEve helps its clients to create a thorough profile of their customers' skin photos, provide skin analysis and management, and aid their clients with brand and marketing strategy. For example, companies may use MeituEve's CRM system to manage gathered skin data, check customer backlog, and remind consumers to return for regular appointments, and so on.

The Group has been able to continue to collaborate with well-known skincare products, beauty spas, and medical aesthetic institutes as MeituEve develops. For example, Shiseido has announced in January 2021 that its new anti-aging skincare brand, EFFECTIM, will provide personalized skincare solution for its customers based on the skin analysis results generated by MeituEve's panoramic skin analyzers. And the big brands' usage frequency on the analyzer is much higher than that of average customers. Also, we are planning to launch the second-generation skin analyzer with more targeted features such as high-precision full-face 3D detection. The new features can attain more dimensional skin data, which will benefit us in expanding our medical aesthetic customers base.

MeituEve has always valued science and precision as one of the most important factors for product innovation and has collaborated with authorities such as Dermatology Doctorates, top professional and research institutes to enhance testing results. For example, MeituEve and the Shanghai Institute of Nutrition and Health, Chinese Academy of Sciences（中國科學院上海營養與健康研究所）have begun working together to create a skin testing facility to perform skin analysis research. Furthermore, the China Anti-Aging Promoting Association（中國抗衰老促進會）has invited MeituEve to participate in the development of anti-aging standards with well-known brands, specialists, and other authoritative organizations.

BUSINESS REVIEW

With the robust growth of our VIP subscription and image SaaS businesses and enhanced operation level of our overall business, our revenue increased by 39.5% in 2021 compared to that of 2020.

Our online advertising business has reached a point of maturity and stability. The revenue from our online advertising business for 2021 increased by 12.5% year on year. Although online advertising was still ranked as our first revenue contributor in 2021, we have witnessed an interesting change in our VIP subscription and image SaaS business which developed so fast that its revenue had come close to our first revenue contributor in 2021. Our VIP subscription and image SaaS businesses are developing fast since their launch in 2019 and are still scaling up rapidly. Revenues for this business stream in 2021 increased by around 146.9% year-on-year. During 2021, we had an increased amount of operational expenses. On the daily operational level, we invested more resources in research and development to improve the performances of our full series of products. In the future, we will proactively optimize costs and expenses in order to maintain the Group's operations on a more prudent basis.

After years of experimenting with various regions and business models, we have chosen to concentrate our efforts on building our business in the image and beauty industries. We expect our revenues to continue to rise in the future, thanks to a defined plan for growing SaaS services in the image and beauty industries. We are currently witnessing some great results in our new businesses, and we will be able to quickly reproduce our former success with proper business tactics and monetization model, which are suitable for the Group's current development. For the past two years, we have achieved full-year profitability in terms of Adjusted Net Profit. Despite the fact that certain of our business areas may face industry rivalry, we will create long-term shareholder value via technological advancement and business innovation.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2021 compared to year ended December 31, 2020

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**1,666,029**	1,194,020
Cost of sales	**(540,942)**	(400,149)
Gross profit	**1,125,087**	793,871
Selling and marketing expenses	**(390,980)**	(287,517)
Administrative expenses	**(264,993)**	(205,902)
Research and development expenses	**(545,490)**	(404,213)
Net impairment losses on financial assets	**(21,132)**	(5,020)
Other income	**101,473**	38,521
Other gains, net	**211,960**	39
Finance income, net	**2,401**	29,556
Impairment loss on goodwill	**(162,039)**	–
Impairment losses on other intangible assets	**(65,584)**	–
Share of (losses)/profits of investments accounted for using the equity method	**(1,638)**	4,561
Loss before income tax	**(10,935)**	(36,104)
Income tax expense	**(66,495)**	(24,028)
Loss for the year	**(77,430)**	(60,132)
Loss attributable to:		
– Owners of the Company	**(44,514)**	(40,970)
– Non-controlling interests	**(32,916)**	(19,162)
Adjusted Net Profit/(Loss) attributable to:		
– Owners of the Company	**85,073**	60,892
– Non-controlling interests	**(20,856)**	(12,037)
	64,217	48,855

Revenue

Building on our massive users base, we are launching SaaS solutions for both image as well as beauty industries, allowing both the consumer users and enterprise users to obtain various beauty-related products and service on our multiple platforms. We derive our revenues from: (i) online advertising; (ii) VIP subscription and image SaaS; (iii) IVAS; and (iv) IMS and others.

The following table presents our revenue lines and as percentages of our total revenues for the periods presented. For the year ended December 31, 2021, total revenue had a significant increase of 39.5% to RMB1,666.0 million from RMB1,194.0 million for the year ended December 31, 2020. This increase was mainly driven by the continued strong growth in VIP subscription and image SaaS businesses as well as a steady and stable growth in our online advertising business.

	Year ended December 31,			
	2021		2020	
	Amount *RMB'000*	**% of total revenues**	Amount *RMB'000*	% of total revenues
Online Advertising	**765,849**	**46.0%**	680,709	57.0%
VIP Subscription and Image SaaS	**519,492**	**31.2%**	210,417	17.6%
IVAS[(1)]	**81,673**	**4.9%**	53,764	4.5%
IMS and Others	**299,015**	**17.9%**	249,130	20.9%
Total	**1,666,029**	**100%**	1,194,020	100%

(1) Certain revenue streams under IMS and Others had been redefined and reclassified to IVAS.

Online advertising

Our revenue from online advertising for the year ended December 31, 2021, increased by 12.5% year on year to RMB765.8 million. We achieved progress in both our brand and programmatic advertising businesses in 2021. The number of advertisers on our platform continued to grow compared to 2020, with a stable number of key customers as well as an increasing number in the small and medium customers, thanks to our effort in exploring customers in different categories, such as e-commerce, apparel, as well as food and beverage, etc.. We are confident that our online advertising business will develop at a stable and steady pace in the future through a series of innovative actions.

It is a trend that the Internet market is being gradually standardized by external regulations and competent authorities have focused on rectification of mobile apps in 2021. In such case, we improved our mainstream applications responsively and replaced part of the traditional displaying advertising with more innovative displaying models. For instance, we introduced specific photo-editing theme events in our photo-editing apps timely according to different holidays and celebrations to promote our customer brands.

As we see more brands are using live-streaming as a marketing tactic and sales channel, we have started a new marketing service to help brands promote their products on popular livestreaming platforms. Going forward, we will continue to reinforce our competitiveness in delivering more beauty-related products and service to our users and empower the participants in the beauty industry.

VIP subscription and image SaaS

Revenue from VIP subscription and image SaaS continued to have strong momentum with a significant year-on-year increase of 146.9% from RMB210.4 million for the year ended December 31, 2020 to RMB519.5 million for the year ended December 31, 2021. As we continued to optimize advanced functions and differentiate our product offerings, we are pleased to see that the subscribing intention in customer behavior continued to grow. We have around 4.0 million VIP members globally as at December 2021, which was more than double the level as at the end of 2020.

We have applied the VIP subscription services in both our overseas apps (namely *BeautyPlus* and *Airbrush*) and our domestic apps, including the *Meitu* app and *BeautyCam*. During this year, our VIP subscription services in overseas apps continued a healthy growth trajectory, with a high double-digit increase compared to that of year 2020. Although the domestic version of VIP subscription services was introduced later than the overseas version, it still achieved a great result in revenues with a significantly large growth in subscriptions in 2021. Most of the VIP functions are now focusing on life-style related photo-editing needs, and we also applied our image processing capabilities to launch the image SaaS services for design professionals and individuals by providing work-related design solutions. We delivered the solutions on multiple platforms including desktop, mobile app and website versions. For example, one of our image SaaS functions on mobile app called "Poster Template" became popular soon after it got upgraded. This feature provided users with a large number of graphic design templates to meet different needs, such as commercial marketing material production, personal resume presentation, social media photo creation, and so on. Leveraging on the larger user base of *Meitu*'s image product portfolio both in the PRC and overseas, as well as an increasing willingness to pay for these services by the younger generation of users, we will keep investing resources to improve the user experiences of our services, and we expect this business to grow continuously in the future.

Internet Value-added Services ("IVAS")

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

For the year ended December 31, 2021, revenue from our IVAS largely increased by 51.9% year on year to RMB81.7 million from RMB53.8 million for the year ended December 31, 2020, mainly driven by the growth in sharing revenue from third-party partners.

Influencer Marketing Solutions ("IMS") and Others

IMS and others include businesses that are currently in incubation as well as legacy businesses that do not fall directly under our strategic goals. For the year ended December 31, 2021, revenue from others increased by 20.0% year on year to RMB299.0 million from RMB249.1 million for the year ended December 31, 2020.

Our IMS business made up 86.3% of this revenue line during the year ended December 31, 2021, and thus it is the key contributor to this remarkable growth. Revenues generated from this business during the year ended December 31, 2021, were RMB258.1 million from RMB186.0 million for the year ended December 31, 2020. The IMS business provides advertising and marketing services to advertisers across multiple online and mobile social media platforms, through the online performance undertaken by third party influencers (including the KOL/KOC among Meitu users). Besides, this business also provides a one-stop KOL platform called *Mei Shi* for the influencers with related solutions associated with the talent management such as recruiting, training, content production support, quality control and service settlement solutions.

Our *MeituEve* business is another incubated business, which provides an AI skin analysis based consumer insight solution for beauty salons, skincare brands and medical aesthetic clinics. Our first-generation panoramic skin analyzer was well received among global skincare brands, medical aesthetic institutions and beauty salons and we are planning to launch the second-generation product in 2022. *MeituEve* continued customer expansion and deepened the cooperation with professional and research institutions. It was still the second largest revenue line of the 'IMS and Others' for the year ended December 31, 2021.

Cost of Sales

Our cost of sales increased by 35.2% to RMB540.9 million for the year ended December 31, 2021, compared to RMB400.1 million for the year ended December 31, 2020. IMS business contributed to the incremental cost of sales, with the VIP subscription service business being the second largest contributor.

Gross Profit and Margin

Our gross profit increased by 41.7% to RMB1,125.1 million for the year ended December 31, 2021, from RMB793.9 million for the year ended December 31, 2020. Our gross margin increased to 67.5% for the year ended December 31, 2021, from 66.5% for the year ended December 31, 2020, as an increase of revenue contribution from our main business sectors such as online advertising and VIP subscription business.

Research and Development Expenses

Research and development expenses increased by 35.0% to RMB545.5 million for the year ended December 31, 2021 from RMB404.2 million for the year ended December 31, 2020, primarily due to an increase in research and development employee expenses.

Selling and Marketing Expenses

Selling and marketing expenses increased by 36.0% to RMB391.0 million for the year ended December 31, 2021, from RMB287.5 million for the year ended December 31, 2020, primarily due to an increase in staff costs and promotional expenses.

Administrative Expenses

Administrative expenses increased by 28.7% to RMB265.0 million for the year ended December 31, 2021 from RMB205.9 million for the year ended December 31, 2020, primarily due to an increase in staff costs.

Impairment Loss on Goodwill/Impairment Losses on other Intangible Assets

Impairment losses on goodwill and other intangible assets arose from the Group's acquisition of subsidiaries and impairment losses for cryptocurrencies.

As of December 31, 2021, we fully impaired the goodwill and partially impaired the other intangible assets arising from the related acquirees' cash generating unit which engaged in IMS businesses and online recruitment services. As a result, the impairment losses on other intangible assets related to the acquisition was RMB37.1 million and the impairment loss on goodwill was RMB162.0 million.

As of December 31, 2021, the fair values of the units of Ether and the units of Bitcoin acquired by the Group determined based on the then prevailing market prices were approximately US$117.3 million and US$45.1 million, respectively. In accordance with the relevant accounting standards under IFRSs, the Group accounts for the acquired cryptocurrencies as intangible assets and adopts the cost model for the measurement. Consequently, the decrease in fair value of the acquired Bitcoin as of December 31, 2021 in the amount of approximately RMB28.5 million was recognized as impairment, while the increase in fair value of the acquired Ether as of December 31, 2021 in the amount of approximately RMB425.6 million was not recognized as revaluation gain.

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

Other Income

Other income for the year ended December 31, 2021 increased to RMB101.5 million from RMB38.5 million for the year ended December 31, 2020, primarily due to an increase in government grants.

Other Gains, Net

Other gains, net was RMB212.0 million for the year ended December 31, 2021, compared to a net gain of RMB0.04 million for the year ended December 31, 2020, primarily attributable to a increase in profit from fair value changes on financial assets at fair value through profit or loss as well as an increase in non-operating revenue, partly offset by a reduction in impact of net remeasurement gains on consideration to non-controlling shareholders of a subsidiary.

Finance Income, Net

Our finance income, net mainly comprised of bank interest income and foreign exchange losses. Our net finance income decreased by 91.9% to around RMB2.4 million for the year ended December 31, 2021, from RMB29.6 million for the year ended December 31, 2020, primarily due to a lower bank interest income.

Income Tax Expense

Income tax expenses for the year ended December 31, 2021 were RMB66.5 million, compared to RMB24.0 million for the year ended December 31, 2020. Although the Group was loss-making on a consolidated level for the year ended December 31, 2021, some of our entities generated positive net profits.

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

Our loss for the year ended December 31, 2021 increased to RMB77.4 million from RMB60.1 million for the year ended December 31, 2020, primarily due to the impairment losses on goodwill and intangible assets of an acquired subsidiary which offsetted the positive effect of the gross profit growth.

To supplement our consolidated financial statements which are presented in accordance with the IFRS, we also use a non-IFRS financial measure, "Adjusted Net Profit/(Loss)", as an additional financial measure, which is not required by, or presented in accordance with, IFRS. For the purpose of this announcement, "Adjusted Net Profit/(Loss)" will be used interchangeably with "Non-GAAP Net Profit/(Loss)". We believe that this additional financial measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the "Adjusted Net Profit/(Loss)" may not be comparable to a similarly titled measure presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Adjusted Net Profit attributable to the Owners of the Company was RMB85.1 million for the year ended December 31, 2021, compared to Adjusted Net Profit of RMB60.9 million for the year ended December 31, 2020, mainly due to the growth in gross profits from VIP subscription service. From the fourth quarter of 2019, we started to make a positive Adjusted Net Profit attributable to the Owners of the Company for the consecutive fiscal reporting periods. Aiming at providing a comprehensive SaaS services to both the image industry and the beauty industry, we are now incubating several new businesses that would further diversify our revenue streams, such as AI-based photo editing solutions catered for photo shooting studios, ERP and supply chain management solutions to cosmetic sales networks, cosmetic products distribution services, etc.. We have seen some progress achieved in these businesses and we will continue to focus on maximizing the monetization opportunities on our massive users, in order to maintain a healthy profitability trend.

As an outlook for 2022, as the VIP subscription and image SaaS businesses continue to ramp up, we expect our revenues will continue to grow. At the same time, given the exciting opportunities in various SaaS models for both the image industry and the beauty industry, we expect to continue investing in both technology and human resources, both of which will increase our expenses. With the COVID-19 pandemic still lingering in many countries globally, we will continue to remain vigilant and nimble, striving to realize our vision and generate long-term shareholder value.

The following table reconciles our Adjusted Net Profit/(Loss) for the years ended December 31, 2021 and 2020 to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(77,430)**	(60,132)
Excluding:		
Share-based compensation	**55,502**	46,730
Changes in fair value of long-term investments	**(183,641)**	53,152
Remeasurement gain on consideration to non-controlling shareholders of a subsidiary	**–**	(13,788)
Gains on disposal of long-term investments	**(3,268)**	–
Gains on disposal of a subsidiary	**–**	(8,373)
Amortization of intangible assets and other expenses related to acquisition	**24,256**	25,819
Impairment losses on other intangible assets	**65,584**	–
Impairment loss on goodwill	**162,039**	–
Other one-off gains	**(18,119)**	–
Tax effects	**39,294**	5,447
Adjusted Net Profit/(Loss) attributable to:	**64,217**	48,855
– Owners of the Company	**85,073**	60,892
– Non-controlling interests	**(20,856)**	(12,037)

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 December 31, 2021 and 2020 were as follows:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**738,732**	1,158,117
Short-term bank deposits and current portion of long-term bank deposit	**481,459**	853,450
Long-term bank deposits	**30,000**	150,000
Short-term investment placed with banks	**8,000**	20,449
Cash and other liquid financial resources	**1,258,191**	2,182,016

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

Most of our cash and cash equivalents, long-term bank deposits, short-term bank deposits and short-term investments placed with banks 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 year ended December 31, 2021. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital Expenditure

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Purchase of property and equipment	**34,657**	351,557
Purchase of intangible assets	**3,068**	946
Total	**37,725**	352,503

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

Long-term Investment Activities

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Investment in financial assets at fair value through profit or loss	**82,903**	115,160
Investment in financial assets at fair value through other comprehensive income	**15,571**	–
Investment in a joint venture	**60,000**	–
Total	**158,474**	115,160

We have made minority investments that we believe have technologies or businesses that complement and benefit our business. 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 in such early stage, and while successful investments could generate substantial returns, unsuccessful ones may need to be impaired or written-off.

Foreign Exchange Risk

Our Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners. We did not hedge against any fluctuation in foreign currency during the years ended December 31, 2021 and 2020.

Pledge of Assets

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

Contingent Liabilities

Saved as disclosed in this announcement, we did not have any material contingent liabilities as of December 31, 2021 (2020: nil).

Borrowings and Gearing Ratio

As of December 31, 2021, we pledged a bank borrowing of RMB10.0 million (as of December 31, 2020: RMB5.0 million). Therefore, the gearing ratio of the Group was 0.3% as of December 31, 2021 (as of December 31, 2020: 0.5%). The gearing ratio was calculated as the total borrowings divided by the total equity on the respective reporting date. For this purpose, total debt is defined as bank loan as shown in the consolidated balance sheet. The Group's gearing ratio remained at a relatively low level as the Group did not place material reliance on borrowings to finance the Group's operation.

Employee and Remuneration Policy

The Group had a total of 2,090 full-time employees as of December 31, 2021 (2020: 1,770), the 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, qualification and experience.

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

Significant Investments Held

As of December 31, 2021, we did not hold any significant investments in the equity interests of any other companies, including any investment in an investee company with a value of 5% or more of the Company's total assets as of December 31, 2021.

During the year ended December 31, 2021, the Group had, pursuant to the Cryptocurrency Investment Plan, purchased in open market transactions, 31,000 units of Ether and 940.88523 units of Bitcoin at an aggregate consideration of approximately US$100,000,000 (equivalent to approximately RMB649,969,000). Some of such purchases constituted a discloseable transaction for the Company under Chapter 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Further details of the acquired cryptocurrencies are set out in the announcements of the Company dated March 7, 2021, March 17, 2021, April 8, 2021 and July 6, 2021.

Save as disclosed above and in the paragraph headed "Material Acquisition and Disposal of Subsidiaries, Associates and/or Joint Ventures" below, during the year ended December 31, 2021, we did not conduct any acquisitions or disposals that constituted notifiable transactions for the Company.

Future Plans for Material Investments and Capital Assets

The Group will continue to explore potential strategic investment opportunities with 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. Corresponding disclosures will be made by the Company as required under the Listing Rules.

Save as disclosed in this announcement, the Group did not have any other plans for material investments and capital assets as of December 31, 2021.

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

On April 9, 2021, Xiamen Meitu Networks Technology Co., Ltd. ("**Meitu Networks**") (a member of the Group), Kingkey Capital Limited and Meidd entered into an acquisition agreement, pursuant to which Meitu Networks purchased, and Kingkey Capital Limited sold approximately 9.57% equity interest in Meidd at an aggregate cash consideration of RMB19,133,200 (the "**Meidd Acquisition**"). The Meidd Acquisition was completed in the same month, whereby the Group's equity interest in Meidd increased from approximately 33.11% to approximately 42.68%.

On December 17, 2021, Meitu Networks, Mr. Wen Min (the chief executive officer, a director and a founder of Meidd), Mr. Huang Zhifeng (a deputy general manager, a director and a founder of Meidd), Mr. Tan Jiaxian (a professional investor and holder of equity interest in Meidd) and Mr. Yang Xiangyang (a professional investor and holder of equity interest in Meidd) (collectively the "**Meidd Sellers**") and Meidd entered into a sale and purchase agreement, pursuant to which Meitu Networks purchased, and the Meidd Sellers sold, approximately 20.67% equity interest in Meidd at an aggregate consideration of approximately RMB79,741,920 (equivalent to approximately HK$97,782,857). The consideration was satisfied (i) as to HK$48,891,428 (equivalent to approximately RMB39,870,960) by the allotment and issue of 29,452,667 consideration shares at the issue price of HK$1.66 per share and (ii) as to RMB39,870,960 in cash. The sale and purchase was completed on January 7, 2022, whereby the Group became interested in approximately 63.35% equity interest in Meidd and Meidd became a subsidiary of the Group.

Further details of the Meidd Acquisition and the aforementioned sale and purchase can be found in the announcements of the Company dated April 9, 2021 and December 17, 2021 respectively.

Save as disclosed above, we did not conduct any material acquisition or disposal of subsidiaries, associates and/or joint ventures during the year ended December 31, 2021.

Important Events after the Reporting Date

Save as disclosed above, there were no important events affecting the Company which occurred after December 31, 2021 and up to the date of this announcement.

FINANCIAL INFORMATION
CONSOLIDATED INCOME STATEMENT

	Note	**Year ended December 31, 2021** *RMB'000*	2020 *RMB'000*
Revenue	*3*	**1,666,029**	1,194,020
Cost of sales	*6*	**(540,942)**	(400,149)
Gross profit		**1,125,087**	793,871
Selling and marketing expenses	*6*	**(390,980)**	(287,517)
Administrative expenses	*6*	**(264,993)**	(205,902)
Research and development expenses	*6*	**(545,490)**	(404,213)
Net impairment losses on financial assets		**(21,132)**	(5,020)
Other income	*4*	**101,473**	38,521
Other gains, net	*5*	**211,960**	39
Finance income, net	*7*	**2,401**	29,556
Impairment loss on goodwill		**(162,039)**	–
Impairment losses on other intangible assets		**(65,584)**	–
Share of (losses)/profits of investments accounted for using the equity method	*10(a)*	**(1,638)**	4,561
Loss before income tax		**(10,935)**	(36,104)
Income tax expense	*8*	**(66,495)**	(24,028)
Loss for the year		**(77,430)**	(60,132)
Loss attributable to:			
– Owners of the Company	*9(a)*	**(44,514)**	(40,970)
– Non-controlling interests		**(32,916)**	(19,162)
		(77,430)	(60,132)
Loss per share for loss attributable to owners of the Company for the year (expressed in RMB per share)	*9*		
– Basic		**(0.01)**	(0.01)
– Diluted		**(0.01)**	(0.01)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended December 31, 2021** *RMB'000*	2020 *RMB'000*
Loss for the year		**(77,430)**	(60,132)
Other comprehensive (loss)/income, net of tax			
Items that may be reclassified to profit or loss			
Currency translation differences		**(28,366)**	(115,241)
Items that will not be reclassified to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income		**13,031**	–
Other comprehensive loss for the year, net of tax		**(15,335)**	(115,241)
Total comprehensive loss for the year, net of tax		**(92,765)**	(175,373)
Total comprehensive loss attributable to:			
– Owners of the Company		**(59,865)**	(156,550)
– Non-controlling interests		**(32,900)**	(18,823)

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

CONSOLIDATED BALANCE SHEET

	Note	As of December 31, 2021 *RMB'000*	2020 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**383,183**	360,826
Right-of-use assets		**41,390**	29,844
Term deposits		**30,000**	150,000
Intangible assets		**777,402**	392,954
Long-term investments			
– Investments in associates and a joint venture	*10(a)*	**118,133**	83,737
– Financial assets at fair value through profit or loss	*10(b)*	**801,005**	559,494
– Financial assets at fair value through other comprehensive income	*10(c)*	**37,156**	9,050
Prepayments and other receivables		**19,504**	7,890
Deferred tax assets		**7,018**	3,779
		2,214,791	1,597,574
Current assets			
Inventories		**4,889**	1,476
Trade receivables	*11*	**356,783**	351,017
Prepayments and other receivables		**912,280**	506,240
Contract costs	*3*	**29,880**	18,337
Short-term investments placed with banks		**8,000**	20,449
Term deposits		**481,459**	853,450
Cash and cash equivalents	*12(a)*	**738,732**	1,158,117
Restricted cash	*12(b)*	**500**	500
		2,532,523	2,909,586
Total assets		**4,747,314**	4,507,160
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*13*	**281**	280
Share premium	*13*	**7,136,647**	7,135,115
Reserves		**(91,642)**	(107,910)
Accumulated losses		**(3,528,927)**	(3,473,555)
Non-controlling interests		**(557)**	13,905
Total equity		**3,515,802**	3,567,835

	Note	As of December 31, 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Trade and other payables	*14*	**84,432**	80,972
Lease liabilities		**17,911**	2,805
Deferred tax liabilities		**80,280**	41,953
		182,623	125,730
Current liabilities			
Borrowings		**10,000**	5,000
Trade and other payables	*14*	**803,915**	660,364
Lease liabilities		**20,631**	25,979
Income tax liabilities		**55,960**	50,663
Contract liabilities	*3*	**158,383**	71,589
		1,048,889	813,595
Total liabilities		**1,231,512**	939,325
Total equity and liabilities		**4,747,314**	4,507,160

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Net cash (used in)/generated from operating activities		**(26,318)**	89,207
Net cash (used in)/generated from investing activities		**(330,416)**	273,437
Net cash used in financing activities		**(51,239)**	(43,473)
Net (decrease)/increase in cash and cash equivalents		**(407,973)**	319,171
Cash and cash equivalents at the beginning of the year	*12*	**1,158,117**	864,611
Effects of exchange rate changes on cash and cash equivalents		**(11,412)**	(25,665)
Cash and cash equivalents at the end of the year	*12*	**738,732**	1,158,117
Analysis of balances of cash and cash equivalents:			
Cash at bank and in hand	*12*	**738,732**	1,128,117
Short-term bank deposits with initial terms within three months	*12*	**–**	30,000
		738,732	1,158,117

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 General information

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

The Company is an investment holding company. The Company and its subsidiaries (together with Xiamen Meitu Networks Technology Co., Ltd. ("**Meitu Networks**") and its subsidiaries, Xiamen MeituEve Networks Services Co., Ltd. ("**MeituEve Networks**") and Beijing Dajie Zhiyuan Information Technology Co., Ltd. ("**Dajie Zhiyuan**") and its subsidiaries, collectively, the "**Group**") are principally engaged in the provision of online advertising and other Internet value added services in the People's Republic of China (the "**PRC**") and other countries or regions.

Certain of the Group's business are subject to foreign investment restrictions. To comply with the relevant PRC laws, the wholly-owned subsidiary of the Company, Xiamen Home Meitu Technology Co., Ltd. ("**Meitu Home**"), has entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Meitu Networks and its equity holders, which enable Meitu Home and the Group to:

- govern the financial and operating policies of Meitu Networks;
- exercise equity holders' voting rights of Meitu Networks;
- receive substantially all of the economic interest returns generated by Meitu Networks in consideration for the business support, technical and consulting services provided by Meitu Home;
- obtain an irrevocable and exclusive right with an initial period of 10 years to purchase all or part of the equity interests in Meitu Networks from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Meitu Home may exercise such options at any time until it has acquired all equity interests of Meitu Networks. The right is automatically renewable upon expiry unless it is superseded by a new term confirmed by Meitu Home; and
- obtain a pledge over the entire equity interests of Meitu Networks from its respective equity holders as collateral security for all of Meitu Networks' payments due to Meitu Home and to secure performance of Meitu Networks' obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group is able to have effective control over Meitu Networks and its subsidiaries, receive variable returns from its involvement with Meitu Networks and its subsidiaries, have the ability to affect those returns through its power over Meitu Networks and its subsidiaries and it is considered to control Meitu Networks and its subsidiaries. Consequently, the Company regards Meitu Networks and its subsidiaries as the controlled entities and consolidates the financial position and results of operations of these entities in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Meitu Networks and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Meitu Networks and its subsidiaries. The directors of the Company ("**Directors**"), based on the advice of its PRC legal counsel, consider that the Contractual Arrangements among Meitu Home, Meitu Networks and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

Similar to Meitu Networks, a series of contractual arrangements were also executed for MeituEve Networks, Dajie Zhiyuan and its subsidiaries. All these PRC operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company.

In January 2021, contractual arrangements were rearranged for Meitu Networks due to the change of one of the nominee shareholders of Meitu Networks. As a result, Meitu Networks continues to be a controlled structured entity of the Company.

Similar to Meitu Networks, contractual arrangements were also rearranged for Dajie Zhiyuan in March, 2021, due to the change of the nominee shareholders of Dajie Zhiyuan, and Dajie Zhiyuan remains a controlled structured entity of the Company.

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

These financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing January 1, 2021:

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

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

As of December 31, 2021, the following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning January 1, 2021 and have not been early adopted:

New standards, amendments, improvement and interpretation		**Effective for accounting periods beginning on or after**
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting	January 1, 2022
Amendments to annual improvements project	Annual improvements 2018-2020 cycle	January 1, 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1 (Amendments) and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	January 1, 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a single Transaction	January 1, 2023
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

3 Revenue and segment information

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

The results of the revenue for the year ended December 31, 2021 and 2020 are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Online Advertising	**765,849**	680,709
VIP Subscription and Image SaaS	**519,492**	210,417
Internet Value-added Services	**81,673**	53,764
IMS and Others	**299,015**	249,130
Total revenue	**1,666,029**	1,194,020

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Timing of revenue recognition		
Over time	**1,277,927**	887,932
At a point in time	**388,102**	306,088
	1,666,029	1,194,020

No revenue from any customer exceeded 10% or more of the Group's revenue for the year ended December 31, 2021 and 2020.

(a) Contract costs and liabilities

(i) The Group has recognized the following assets and liabilities related to contracts with customers:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Contract costs:		
– VIP Subscription and Image SaaS	**29,815**	18,337
– Others	**65**	–
	29,880	18,337
Contract liabilities:		
– VIP Subscription and Image SaaS	**126,753**	58,388
– Others	**31,630**	13,201
	158,383	71,589

(ii) No impairment of contract costs was recognized by the Group as of December 31, 2021 (2020: nil).

(iii) During the year ended December 31, 2021, RMB18,337,000 of carried-forward contract costs were recognized as cost of sales in the statement of profit or loss.

(iv) The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
– VIP Subscription and Image SaaS	**58,388**	15,321
– Others	**13,201**	20,750
	71,589	36,071

All the revenue contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4 Other income

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Value-added tax refund	**68,980**	14,117
Government subsidies	**32,493**	18,728
Others	**–**	5,676
	101,473	38,521

5 Other gains, net

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Fair value changes of financial assets at fair value through profit or loss *(Note 10(b))*	**183,641**	(43,724)
Gains on short-term investments placed with banks	**10,927**	15,410
Remeasurement gains on consideration payable to non-controlling shareholders of a subsidiary, net	**–**	13,788
Others	**17,392**	14,565
	211,960	39

6 Expenses by nature

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Employee benefit expenses	**865,718**	635,136
Service fees sharing to influencers	**263,830**	186,424
Promotion and advertising expenses	**184,001**	127,829
Revenue sharing fee to payment channels	**128,616**	61,540
Bandwidth and storage related costs	**79,809**	64,847
Depreciation of right-of-use assets	**40,797**	39,211
Tax and levies	**23,896**	9,217
Amortization of intangible assets	**23,276**	25,581
Travelling and entertainment expenses	**16,874**	13,803
Depreciation of property and equipment	**11,866**	30,525
Auditor's remuneration	**5,660**	6,000
Others	**98,062**	97,668
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	**1,742,405**	1,297,781

7 Finance income, net

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Interest income	**14,224**	41,902
Interest expenses	**(664)**	(585)
Foreign exchange losses, net	**(3,164)**	(4,141)
Finance charges paid/payable for lease liabilities and others	**(7,995)**	(7,620)
	2,401	29,556

8 Income tax expense

The income tax expense of the Group for the year ended December 31, 2021 and 2020 are analyzed as follows:

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Current income tax:		
– PRC and overseas enterprise income tax	**31,407**	22,279
Deferred income tax	**35,088**	1,749
	66,495	24,028

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Loss before income tax:	**(10,935)**	(36,104)
Tax calculated at statutory income tax rates applicable to losses of the consolidated entities in their respective jurisdictions	**18,298**	1,936
Tax effects of:		
– Preferential income tax rates applicable to subsidiaries	**1,681**	1,755
– Tax losses and temporary differences for which no deferred tax asset was recognized	**9,944**	10,902
– Super Deduction for research and development expenses *(Note (d))*	**(1,647)**	(1,039)
– Income not subject to tax	**(18,493)**	(2,436)
– Expenses not deductible for income tax purposes:		
– Goodwill impairment	**40,510**	–
– Share-based compensation	**12,267**	11,658
– Others	**3,935**	1,252
Income tax expense	**66,495**	24,028

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As of December 31, 2021, certain PRC subsidiaries of the Group suffered operating losses for the year. Based on management's assessment, the Group did not recognize deferred income tax assets of RMB476,995,000 in respect of losses to RMB3,473,519,000 that can be carried forward against future taxable income.

(a) Cayman Islands and BVI Income Tax

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

(b) Hong Kong Income Tax

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

(c) Corporate income tax in other countries

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

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

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

Beijing Dajie Zhiyuan Information Technology Co., Ltd. ("**Zhiyuan**") has been qualified as a "High and New Technology Enterprise" ("**HNTE**") under the EIT Law and is entitled to a preferential income tax rate of 15% for three years till the end of the year of 2021. Management is in the process of applying for the renew of HNTE status and assess that it is very likely to continue to enjoy the preferential income tax rate as a HNTE.

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

9 Loss per share

(a) Basic

	Year ended December 31, **2021**	2020
Loss attributable to owners of the Company *(RMB'000)*	**(44,514)**	(40,970)
Weighted average number of ordinary shares in issue *(thousand)*	**4,318,536**	4,290,395
Basic and diluted loss per share *(in RMB/share)*	**(0.01)**	(0.01)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2021 and 2020, the Company had two categories of potential ordinary shares, the shares options awarded under Pre-IPO ESOP and restricted stock unit under the Post-IPO Share Award Scheme. As the Group incurred losses for the year ended December 31, 2021 and 2020, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the year ended December 31, 2021 and 2020 is the same as basic loss per share.

10(a) Investments in associates and a joint venture

	Year ended December 31, **2021** ***RMB'000***	2020 *RMB'000*
As of January 1	**83,737**	15,521
Additions	**60,000**	–
Conversion from a subsidiary to an associate due to loss of control *(Note (i))*	**–**	79,692
Share of (losses)/profits of the associates and the joint venture	**(1,638)**	4,561
Disposal	**(21,758)**	–
Impairment charge	**–**	(9,428)
Currency translation differences	**(2,208)**	(6,609)
As of December 31	**118,133**	83,737

(i) On April 24, 2020, the Group disposed 3.32% effective equity interests of a subsidiary, PressLogic Holdings Limited ("**PressLogic**"), to PressLogic and other third parties at a cash consideration of HK$12,000,000 (equivalent to approximately RMB10,964,000). After the completion of the disposal transaction, the Group's shareholding in PressLogic reduced from 51.04% to 47.72% and the Group lost the control over PressLogic and only maintains significant influence in Presslogic. Accordingly, PressLogic started to be accounted for as an investment in associate.

(ii) As of December 31, 2021, the Group's investment in a joint venture amounted to RMB59,439,000 (December 31, 2020: nil).

(iii) For the year ended December 31, 2021, none of the Group's investments in associates or the joint venture is individually material to the Group.

10(b) Financial assets at fair value through profit or loss

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
As of January 1	**559,494**	502,774
Additions	**82,903**	115,160
Disposal	**(22,707)**	–
Changes in fair value *(Note 5)*	**183,641**	(43,724)
Currency translation differences	**(2,326)**	(14,716)
As of December 31	**801,005**	559,494

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 solely payments of principal and interest, 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 year ended December 31, 2021, change in fair value amounting to RMB183,641,000 was recognized as other gains, net in the consolidated income statement (Note 5).

10(c) Financial assets at fair value through other comprehensive income

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
As of January 1	**9,050**	9,676
Additions	**15,571**	–
Changes in fair value	**13,031**	–
Currency translation differences	**(496)**	(626)
As of December 31	**37,156**	9,050

The Group made investments in some ordinary shares and of certain private companies 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 year ended December 31, 2021, change in fair value amounting to RMB13,031,000 was recognized as other comprehensive income in the consolidated balance sheet.

11 Trade receivables

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**362,862**	355,656
Less: loss allowance	**(6,079)**	(4,639)
	356,783	351,017

The Group grants credit periods of 30 to 120 days to its customers. As of December 31, 2021 and 2020, the aging analysis of trade receivables based on transaction dates was as follows:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Up to 6 months	**303,111**	308,312
6 months to 1 year	**55,307**	31,066
Over 1 year	**4,444**	16,278
	362,862	355,656

As of December 31, 2021 and 2020, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values.

12 Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash at bank and in hand	**738,732**	1,128,117
Short-term bank deposits with initial terms within three months	**–**	30,000
	738,732	1,158,117

(b) Restricted cash

As of December 31, 2021, RMB500,000 (2020: RMB500,000) of restricted deposits were held in a bank to guarantee payments of certain operating expenses.

13 Share capital and premium

On November 25, 2016, the Company's shareholders resolved, among other things that, subject to the completion of initial public offering and fulfilment of certain other conditions, all the issued and unissued preferred shares will be re-classified and re-designated as ordinary shares of US$0.0001 par value each, following which each issued and unissued ordinary share of US$0.0001 par value each of the Company will be subdivided into 10 Shares of US$0.00001 par value each such that the authorized share capital of the Company shall be US$60,000 divided into 6,000,000,000 shares of par value US$0.00001 each ("**Share Subdivision**"). The share information stated as follows is after sub-division.

As of December 31, 2021 and 2020, the authorized share capital of the Company comprised 6,000,000,000 ordinary shares with par value of US$0.00001 per share.

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium
		'000	*US$'000*	*RMB'000*	*RMB'000*
Issued:					
As of January 1, 2021		**4,314,493**	**43**	**280**	**7,135,115**
Employee share option scheme under Pre-IPO ESOP					
– Shares issued and proceeds received	*(a)*	**7,910**	**–**	**1**	**1,532**
Post-IPO Share Award Scheme:					
– Shares issued	*(b)*	**30,000**	**–**	**–**	**–**
As of December 31, 2021		**4,352,403**	**43**	**281**	**7,136,647**
As of January 1, 2020		4,289,003	43	280	7,133,987
Employee share option scheme under Pre-IPO ESOP					
– Shares issued and proceeds received	*(a)*	5,490	–	–	1,128
Post-IPO Share Award Scheme:					
– Shares issued	*(b)*	20,000	–	–	–
As of December 31, 2020		4,314,493	43	280	7,135,115

(a) During the year ended December 31, 2021, 7,910,000 pre-IPO share options with exercise price of US$0.03 were exercised (2020: 5,490,000 pre-IPO share options).

(b) During the year ended December 31, 2021, the Company issued 30,000,000 new shares under the Post-IPO Share Award Scheme (2020: 20,000,000 shares).

14 Trade and other payables

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

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Up to 1 year	**99,951**	84,498
1 to 2 years	**904**	7,693
Over 2 years	**3,302**	15,423
	104,157	107,614

15 Dividends

No dividends have been paid or declared by the Company during the year ended December 31, 2021 (2020: nil).

16 Subsequent Events

On December 17, 2021, the Group announced a step-up acquisition of approximately 20.67% equity interests in Meidd Technology (Shenzhen) Co., Ltd. ("**Meidd**"), a then investment in associate in the form of preferred shares of the Group. Meidd and its subsidiaries are principally engaged in providing retail merchant services and software-as-a-service products to retail stores selling personal care and beauty products. The acquisition was completed in January 2022. The fair value of the total consideration of approximately RMB77,172,000 was settled by cash amounting to RMB39,871,000 and the allotment and issue of 29,453,000 new shares ("**Consideration Shares**") amounting to RMB37,301,000, being the fair value calculated based on the closing market share price of the Company of HK$1.55 per share (equivalent to RMB1.27 per share) published as of January 7, 2022, the date of completion of the step-up acquisition.

After the completion of the step-up acquisition, the Group obtained control over Meidd and Meidd became a non-wholly owned subsidiary of the Group and its financial results were thereafter consolidated with the Group's financial statements.

OTHER INFORMATION

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

During the year ended December 31, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Corporate Governance Code

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

During the year ended December 31, 2021, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**") for the time being in force.

Since 1 January 2022, certain amendments to the CG Code has come into effect and the requirements under the revised CG Code will apply to all listed issuers for financial years commencing on or after January 1, 2022. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the revised CG Code and align itself with the latest developments.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the year ended December 31, 2021.

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 (old CG Code provision A.6.4) of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the year ended December 31, 2021 after making reasonable enquiry.

Audit Committee and Review of Financial Statements

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

The Audit Committee has reviewed the annual results announcement and the audited financial statements of the Group for the year ended December 31, 2021. 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 audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2021.

The consolidated financial statements of the Group have been audited by the Company's auditor, in accordance with International Standards on Auditing.

Scope of Work of the Company's Auditor

The figures contained in this announcement of our Group's consolidated results for the year ended December 31, 2021 have been agreed by the Company's auditor, to the figures set out in the audited consolidated financial statements of our Group for the year ended December 31, 2021. The Company's auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The work performed by the Company's auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on this announcement.

Final Dividend

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2021.

Use of Net Proceeds from Listing

The shares of the Company were listed on the Stock Exchange on December 15, 2016. The net proceeds from the listing of our shares on the Main Board of the Stock Exchange (the "**Listing**") amounted to approximately RMB4,135.9 million[(1)].

As at December 31, 2021, the Group had utilized the net proceeds as set out in the table below:

	Net proceeds from the Listing[(1)] *(RMB million)*	Unutilized amount as at December 31, 2020[(1)] *(RMB million)*	Utilization for the year ended December 31, 2021[(1)] *(RMB million)*	Unutilized amount as at December 31, 2021[(1)] *(RMB million)*
Component and raw material sourcing to produce smartphones	1,199.2	–	–	–
Investment in or acquisition of businesses that are complementary to our business	934.7	257.1	170.4	86.7
Implementation of sales and marketing initiatives in both China and overseas market	814.4	–	–	–
Expansion of Internet services business	542.4	114.9	91.0	23.9
Expansion of research and development capabilities	271.2	–	–	–
General working capital	374.0	–	–	–

Note:

(1) The figures were based on an average of the prevailing exchange rates of RMB against a foreign currency in 2021.

The remaining balance of the net proceeds was placed with banks. There is a delay to the timeline on the application of the net proceeds from the Listing as previously disclosed in the prospectus of the Company dated December 5, 2016. As the remaining unutilized net proceeds were earmarked for (i) investment in or acquisition of businesses that are complementary to the Group's business and (ii) expansion of the Internet services business, there is inherent uncertainty as to the timing of acquisitions exacerbated by the prolonged COVID-19 pandemic, as travelling restrictions and social distancing measures in different regions make identifying, conducting diligence on, and negotiating agreements to acquire, suitable targets especially difficult. Similarly, the Group's plan to expand its Internet services business is also adversely affected by the COVID-19 pandemic and the consequential travel restrictions and social distancing measures and how the global health situation in turn impacts the broader economy.

As it is impossible to accurately predict the development of the COVID-19 pandemic, the Company now expects to fully utilize the remaining net proceeds by the end of 2024.

Annual General Meeting

The annual general meeting is scheduled to be held on June 2, 2022 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed from May 27, 2022 to June 2, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM to be held on June 2, 2022. All transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 26, 2022.

Publication of Annual Results and Annual Report

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.meitu.com. The annual report of the Group for the year ended December 31, 2021 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

APPRECIATION

Finally, on behalf of everyone at Meitu, I would like to express our sincere gratitude to all of our users. I would also like to thank all our employees and management team for demonstrating Meitu's core values in every day's work, and executing the Group's strategy with professionalism, integrity and dedication. I am also thankful for the continued support and trust from our Shareholders and stakeholders. We will strive to "let everyone become beautiful easily" and to "empower the beauty industry and make beauty more accessible to our users".

By order of the Board
Meitu, Inc.
Cai Wensheng
Chairman

Hong Kong, March 30, 2022

As at the date of this announcement, the executive directors of the Company are Mr. Cai Wensheng and Mr. Wu Zeyuan (also known as Mr. Wu Xinhong); the non-executive directors of the Company are Dr. Guo Yihong, Dr. Lee Kai-fu and Mr. Chen Jiarong; the independent non-executive directors of the Company are Mr. Zhou Hao, Mr. Lai Xiaoling and Ms. Kui Yingchun.

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