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meitu

Meitu, Inc.

美图公司

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

(Stock Code: 1357)

VOLUNTARY ANNOUNCEMENT

BUSINESS UPDATE

Reference is made to the announcements of the Company dated March 7, 2021, March 17, 2021 and April 8, 2021, pursuant to which the Group acquired an aggregate of approximately 31,000 units of Ether and 940.89 units of Bitcoin at a total consideration of approximately US\$100 million.

Since the Cryptocurrencies Acquisitions, the Group has neither acquired nor sold any cryptocurrencies pursuant to the Cryptocurrency Investment Plan, and there are currently no plans to sell the same in the near future.

Based on prevailing market prices as at the date of this announcement, the fair values of the Acquired Ether and the Acquired Bitcoin are approximately US\$72.4 million and US\$32.8 million, respectively. Thus, the net increase in fair value of the Acquired Cryptocurrencies compared to their carrying values is approximately US\$5.2 million, assuming they were realised on the date of this announcement.

However, as at June 30, 2021, the fair values of the Acquired Ether and the Acquired Bitcoin determined based on the then prevailing market prices were approximately US\$65.2 million and US\$32.2 million, respectively. In accordance with the relevant accounting standards under IFRS, 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 at June 30, 2021 in the amount of approximately US\$17.3 million is expected to be recognised as impairment loss in the Interim Results, while the increase in fair value of the Acquired Ether as at June 30, 2021, in the amount of approximately US\$14.7 million will not be recognised as revaluation gain in the Interim Results.

Notwithstanding the foregoing, the Board is of the view that the impairment loss in relation to the Acquired Bitcoin (i) would not have any material impact on the Group's cash flow, operations and adjusted net loss/profits (which is considered by the Board to be the general metric used in the industry to measure the Group's operating performance) in the Interim Results and (ii) is reversible (whether in whole or in part) in the Group's upcoming annual results should there be a subsequent increase in the fair value of the Acquired Bitcoin as at the end date of the financial year.

This is a voluntary announcement made by Meitu, Inc. (the “**Company**”, together with its non-People’s Republic of China incorporated subsidiaries, collectively the “**Group**” for the purpose of this announcement).

Reference is made to the announcements of the Company dated March 7, 2021, March 17, 2021 and April 8, 2021 (collectively, the “**Announcements**”), pursuant to which the Group acquired an aggregate of approximately 31,000 units of Ether (the “**Acquired Ether**”) and 940.88522604 units of Bitcoin (“**Acquired Bitcoin**”, together with the Acquired Ether, collectively the “**Acquired Cryptocurrencies**”) at an aggregate consideration of approximately US\$50.5 million and US\$49.5 million, respectively (the “**Cryptocurrencies Acquisitions**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

Since the Cryptocurrencies Acquisitions, the Group has neither acquired nor sold any cryptocurrencies pursuant to the Cryptocurrency Investment Plan (including any Ether or Bitcoin). As disclosed in the Announcements, the Board believes that the blockchain industry is still in its early stage and that cryptocurrencies have ample room for appreciation in value over the long-term. As such, there are currently no plans to sell the same in the near future.

The Acquired Cryptocurrencies would be accounted as intangible assets under the cost model in the Group’s upcoming interim results for the 6 months ended June 30, 2021 (the “**Interim Results**”) in accordance with International Financial Reporting Standards (the “**IFRS**”). The Group performed an impairment assessment in accordance with IAS 36 Impairment of Asset. For any of the Acquired Cryptocurrencies which fair value less cost of disposal as at June 30, 2021 was below the carrying value, the Group would record an impairment loss equal to the difference between the fair value less cost of disposal and the carrying value of such Acquired Cryptocurrency in the Interim Results. However, for any of the Acquired Cryptocurrencies which fair value less cost of disposal as at June 30, 2021 was higher than the carrying value, according to the applicable IFRS, a revaluation gain will not be recorded in the Interim Results until the gain has actually been realised by the Group.

As at June 30, 2021, the fair values of the Acquired Ether and the Acquired Bitcoin determined based on the then prevailing market prices were approximately US\$65.2 million and US\$32.2 million, respectively. Based on the aforementioned IFRS, the Group expects to recognise in its Interim Results an impairment loss of approximately US\$17.3 million in relation to the Acquired Bitcoin, while no revaluation gain will be recognised in relation to the Acquired Ether.

Notwithstanding the foregoing, the Board is of the view that the impairment loss in relation to the Acquired Bitcoin (i) would not have any material impact on the Group’s cash flow, operations and adjusted net loss/profits (which is considered by the Board to be the general metric used in the industry to measure the Group’s operating performance) in the Interim Results and (ii) is reversible (whether in whole or in part) in the Group’s upcoming annual results should there be a subsequent increase in the fair value of the Acquired Bitcoin as at the end date of the financial year.

Furthermore, based on prevailing market prices as at the date of this announcement, the fair values of the Acquired Ether and the Acquired Bitcoin are approximately US\$72.4 million and US\$32.8 million, respectively. Thus, the net increase in fair value of the Acquired Cryptocurrencies compared to their carrying values is approximately US\$5.2 million, assuming they were realised on the date of this announcement.

Nonetheless, it should be noted that the cryptocurrency market is volatile in the near term and the prices of cryptocurrencies may be subject to fluctuations. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, July 6, 2021

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.