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OVERVIEW

We have been transforming the way our users create and share beauty since the launch of our first product, *MeituPic,* in 2008. Centered around our core design philosophy of *"smart and simple"*, our portfolio of innovative photo and community apps had been activated on over 1.1 billion unique devices globally as of June 30, 2016 and precipitated the selfie phenomenon in China. Today, *"Meitu"* is not only used as a verb for *"enhancing images"*, but is also a brand that represents beauty, trendiness and youthfulness. To better meet our users' demands for higher quality selfies, we launched Meitu smartphones in 2013. Meitu smartphones integrate proprietary image processing algorithms and specialized image processors which generate high-quality selfies. The sale of these smartphones was our first major initiative to monetize our user base. Revenue from the sale of smart hardware, which currently primarily comprises smartphones, grew rapidly over the Track Record Period, and represented 59.7%, 87.8%, 89.9% and 95.1% of our total revenue for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

Fundamentally, we view ourselves as a mobile Internet company with our core asset being our massive, active and fast-growing user base. Across all of our apps, we engaged approximately 446 million total MAUs in June 2016, an increase of 81.0% year over year. We have been repeatedly ranked among the top eight iOS non-game app developers globally in terms of number of downloads from June 2014 through June 2016, together with global Internet giants Alibaba, Apple, Baidu, Facebook, Google, Microsoft and Tencent, according to App Annie.

We believe our photo apps have become an important part of our users' social lives online. Our users generated approximately 5.6 billion photos across our core photo apps in June 2016. In addition, in June 2016, approximately 53.5% of the photos posted on major social networks in China had been processed by our apps, according to the iResearch Report.

We also have succeeded in building a vibrant video and live streaming community on *Meipai*. In June 2016, *Meipai* attracted approximately 141 million MAUs. User engagement has been increasing, as evidenced by the increase in average daily time spent per *Meipai* in-app user from 12.9 minutes in May 2014, when *Meipai* was first launched, to 31.5 minutes in June 2016. Over 430 million user-generated videos with diverse subject matter have been uploaded to the *Meipai* platform as of June 30, 2016. We aim to leverage our achievement in *Meipai* to transform our core photo apps into social communities to further enhance user engagement and stickiness.

Furthermore, we have been successful in establishing our presence overseas. We had more than 370 million overseas users as of June 30, 2016, including at least one million total users in each of 25 overseas countries and regions and in particular, more than 10 million total users in each of India, Indonesia, Japan, Malaysia, South Korea, Taiwan, Thailand, the United States and Vietnam. To further expand our global presence, we have launched localized apps and established local operations in major cities located in countries and regions with substantial user growth potential or cultural influence, such as New Delhi, Sao Paulo, Palo Alto, Singapore and Tokyo.

We believe the provision of relevant products, content and services will help us monetize our user base and enable us to create value for our users at the same time. We intend to continue to drive our near-term revenue growth through smartphone sales, since China's large smartphone market continues to present significant opportunities. For the year ended December 31, 2015, approximately 457 million smartphone units were shipped in China, according to the Frost & Sullivan Report. Following our successful monetization through smartphones, we have also identified three other major opportunities for monetization:

- **Online Advertising.** Our portfolio of innovative apps provides a powerful medium through which advertisers can engage our massive user base. We view our value proposition as highly compelling, particularly to advertisers in female-related sectors, including but not limited to luxury goods, cosmetics and fast-moving consumer goods, as the majority of our users are females, whom we believe appreciate beauty. We are leveraging our proprietary technologies and big data analytical capabilities to upgrade our advertising infrastructure and offer more comprehensive and innovative advertising solutions to our business partners.

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According to the Frost & Sullivan Report, online advertising spending for the cosmetics, skin care and personal care sectors in China is expected to reach an estimated RMB125.1 billion in 2020, compared to RMB33.7 billion in 2015, representing a CAGR of 30.0%.

- **E-Commerce.** We believe our users' appreciation for beauty extends beyond their digital presence. In the first half of 2017, we plan to launch a social e-commerce platform that enables users to enjoy easy online shopping for authentic, branded, fashion-related merchandise. According to the iResearch Report, the GMV of China's online retail market is expected to increase from approximately RMB3.8 trillion in 2015 to RMB10.5 trillion in 2020, representing a CAGR of 22.5%. In particular, the GMV of China's online retail market for cosmetics and skin care products reached RMB182.3 billion in 2015, and is expected to reach RMB548.2 billion in 2020, representing a CAGR of 24.6%.

- **Internet Value-added Services.** While our users can access *Meipai*'s content and interact with other users and live streaming hosts for free, we also offer additional Internet value-added services to enrich user experience. For example, users can send paid virtual gifts, which can be in the form of flowers and emoji showing fan support, to live streaming hosts and short-form video creators, incentivizing such hosts and creators to add more content to the *Meipai* community and generate additional revenue. According to the iResearch Report, the live streaming market in China in terms of revenue is expected to increase from RMB9.8 billion in 2015 to RMB44.9 billion in 2020, representing a CAGR of 35.7%. Given our massive and highly active user base, we believe other IVAS, such as premium membership and mobile games, will also present significant monetization opportunities for us.

Our revenue increased from RMB85.9 million for the year ended December 31, 2013 to RMB488.0 million and RMB741.8 million for the years ended December 31, 2014 and 2015, respectively, representing a CAGR of 193.9%, and our revenue increased by 224.2% from RMB180.6 million for the six months ended June 30, 2015 to RMB585.5 million for the six months ended June 30, 2016. Our net loss was RMB25.8 million, RMB1.8 billion, RMB2.2 billion, RMB1.3 billion and RMB2.2 billion for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively. We had adjusted net loss of RMB2.3 million, RMB112.3 million and RMB710.5 million for the years ended December 31, 2013, 2014 and 2015, respectively, and RMB290.4 million and RMB257.6 million for the six months ended June 30, 2015 and 2016, respectively. See "Financial Information — Consolidated Income Statement" and "Financial Information — Non-IFRS Measure: Adjusted Net Profit/(Loss)".

OUR MISSION AND VISION

Our mission is to make the world a more beautiful place. Our vision is to build an ecosystem around beauty and make everyone a user of *Meitu* products.
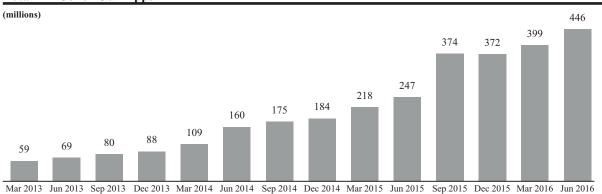
OUR COMPETITIVE ADVANTAGES

Our core asset is our massive user base, which we have successfully monetized while maintaining its growth. Our users also generate a wealth of data that we can analyze to gain proprietary insight into their behavior and improve our technological capabilities. Combined with our relentless focus on user experience, we have been able to repeatedly launch successful products. We believe we are well-positioned to further grow our user base in China and globally with our strong brand and platform synergies.

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Large and increasingly engaged user base

We have built a large and increasingly engaged user base, the majority of which has been built through organic growth in China. The following chart shows the total MAUs for our apps for each of the months indicated.

Total MAUs for Our Apps

(millions)

Mar 2013	Jun 2013	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016
59	69	80	88	109	160	175	184	218	247	374	372	399	446

Our user base is also becoming increasingly engaged as we continue to improve and upgrade our products and services. Our core photo apps generated approximately 5.6 billion photos in June 2016, compared to 3.6 billion in June 2015 and 1.9 billion in June 2014, representing a CAGR of 71.7%. The average number of photos generated by our core photo apps per MAU increased from 15.5 in June 2014 to 19.3 in June 2016, representing a CAGR of 11.5%. Similarly, our users have contributed a tremendous volume of content to the *Meipai* platform, having uploaded over 430 million videos onto *Meipai* as of June 30, 2016.

Proprietary data insights and leading technological capabilities

Our proprietary data insights are critical for us to develop and continually optimize our products. For example, by analyzing large quantities of data regarding users' choice of filters, color tones and other re-touching features when they edit photos in *MeituPic*, we have stayed at the forefront of user trends in photo-editing. Leveraging such insights, we have published over 130 versions of *MeituPic* since its launch in 2011, with each version catering to the users' latest aesthetic and editing preferences. We believe this data-driven optimization approach has been important for the success of *MeituPic* and subsequently, our other products.

The enormous amount of data generated from our user base also serves as a critical foundation for the research of our cutting-edge technology. For example, through calibrating millions of selfies, our facial recognition algorithm has become capable of identifying the positions and shapes of specific facial features swiftly and with precision.

We have also invested significantly in building our recommendation engine for *Meipai*. The engine makes personalized video recommendations based on each user's profile, which draws upon a variety of factors including demographics, interests and behavioral patterns. The recommendation engine not only increases *Meipai's* user engagement levels, but also serves as an integral component of the targeted advertising solutions that we plan to offer our advertising customers in the future.

We believe the user experience offered by both our apps and smart hardware products has been significantly enhanced through incorporation of these technologies. In 2010, we established a team to focus on researching new technologies relating to computer vision and image processing. We have developed a range of proprietary technologies, registered over one hundred patents and held the copyright to 94 software programs as of June 30, 2016. We intend to broaden our research scope to machine learning, virtual reality and augmented reality to improve the functionality of our products.

Strong brand recognition

Our apps rank among Chinese users' top choices for creating, editing and sharing photos and videos. According to the iResearch Report, in June 2016, approximately 95.3% of photo app users in China ranked at

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least one of our photo apps among their top three favorite photo apps, and approximately 62.4% of the short-form video platform users in China ranked *Meipai* among their top three favorite short-form video platforms. We have maintained our leading position among other popular competing apps such as Tencent's *Pitu (天天P圖)*, *Baidu Motu (百度魔圖)* and *Camera360 (相機360)*. We believe such leadership has led to strong brand recognition, which is evidenced by the popularization of the word "*Meitu*" as a verb to mean "*enhancing images*" in China. According to the iResearch Report, in June 2016, approximately 53.5% of the photos posted on major social networks in China were processed by our apps. The following table sets forth the rankings of certain of our apps (in color boxes) among the top 10 iOS free photo and video apps in China by downloads in the indicated months, according to App Annie.

iOS App Store Top Free Photo and Video Apps in China

Ranking	Jun 2013	Dec 2013	Jun 2014	Dec 2014	Jun 2015	Dec 2015	Jun 2016
1			Meipai		MeituPic		
2	MeituPic	BeautyCam	BeautyCam	MeituPic	BeautyCam	MeituPic	MeituPic
3		MeituPic	MeituPic	BeautyCam		SelfieCity	
4	BeautyCam			Meipai		BeautyCam	BeautyCam
5			POMELO		Meipai		
6		Expression Factory (表情工廠)				Meipai	
7							
8					MakeupPlus		SelfieCity
9				PosterLabs			Meipai
10							

_____
Source: App Annie

In addition, Meitu's association with beauty, trendiness and youthfulness in the view of our users has allowed us to build a powerful and positive brand image, which enables us to form business relationships with a broad range of partners, from leading consumer brands to globally influential organizations. For example, leading cosmetics and lifestyle brands have launched advertising campaigns within our apps, while the United Nations selected *Meipai* as the exclusive online broadcaster for live-streaming the informal dialogues of the UN Secretary-General election process in April 2016.

We believe the strength of our brand is a main driver for the organic growth of our large user base. We have successfully leveraged our brand to launch offline products such as Meitu smartphones. We believe the strength of our brand will continue to be our advantage as we launch new apps, services or smart hardware going forward.

Established track record of successful products

Our user-centric approach to product development has allowed us to launch popular apps repeatedly. Our team focuses on anticipating, meeting and exceeding our users' expectations. We launched the PC version of *MeituPic* in 2008 as a simple, user-friendly product enabling people to enhance photos with a single click. Building upon the success of *MeituPic*'s PC version, we subsequently launched the mobile version of *MeituPic* in 2011 as the smartphone penetration rate in China was increasing significantly. The mobile version of *MeituPic,* which is also our first app, achieved early popularity and remains one of the most popular photo apps in China, with approximately 103 million MAUs in June 2016.

MeituPic's massive user base generates billions of user actions, which we utilize to analyze and predict trends in user preferences. These insights are highly valuable when developing other apps, and the success of our

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apps were built in part upon the massive data generated from previous apps. For instance, *BeautyCam*, a selfie-focused camera app that automatically beautifies selfies instantaneously, was conceived after we observed how often users edited and enhanced selfies through *MeituPic*. *BeautyCam* had approximately 113 million MAUs in June 2016.

In addition, we have been able to replicate our success beyond photo apps. In May 2014, we launched *Meipai*, our video and live streaming community. *Meipai* had approximately 141 million MAUs in June 2016.

Strong platform synergies

Our portfolio of apps, with hundreds of millions of MAUs, forms a strong platform for cross-promotion. This synergistic effect is particularly apparent during the launch of a new app, when cross-promotion of the new app using the traffic of our portfolio of apps generally helps increase the new app's popularity, driving further exposure and organic growth in the number of downloads. For example, one of our core photo apps, *SelfieCity*, became the top app as measured by downloads in the China iOS Photo and Video category in 46 out of the 60 days immediately after its launch. We believe the cross-promotion effort within our portfolio of apps was the major contributor to such success, as we had incurred minimal marketing expenses for *SelfieCity* during that period.

Ability to attract overseas users

We believe that the desire for beauty crosses both cultural and geographic boundaries, creating opportunities for growing our user base globally. Our total number of overseas users reached over 370 million as of June 30, 2016, representing approximately 19.2% of our total users. As of June 30, 2016, we had more than one million total users from each of 25 overseas countries and regions. In particular, we had more than 10 million total users from each of India, Indonesia, Japan, Malaysia, South Korea, Taiwan, Thailand, the United States and Vietnam as of June 30, 2016.

We utilize our proprietary technology, data insights and operational expertise to improve our localization efforts. We assemble and maintain on-the-ground teams, research local aesthetic preferences and collaborate with strategic partners. These measures have helped us succeed in overseas markets.

Proven success in monetization

We believe monetization can improve user experience, as long as the products or services offered are relevant to user preferences. In 2013, through analysis of usage data of our photo apps and market research, we observed that certain of our users desired higher quality selfies that may not be met solely through apps. We therefore launched Meitu smartphones, which are specifically designed to take high-quality selfies, as our first major initiative in monetizing our user base. This effort has proven to be successful, as our smart hardware segment, which primarily comprises the sale of Meitu smartphones, generated RMB667.1 million and RMB556.8 million of revenue for the year ended December 31, 2015 and the six months ended June 30, 2016, respectively, just two years since we launched our first smartphone model in 2013. Our smart hardware segment had gross margins of 18.8% and 19.5% for the year ended December 31, 2015 and the six months ended June 30, 2016, respectively. Our total MAUs and user engagement level continued to rise during the same period.

Visionary and passionate management team with proven track record

Our visionary and passionate management team is instrumental to Meitu's success. Our management team members focus on identifying with and serving our users. They have created and maintained a strong, loyal corporate culture for Meitu that strives for innovation.

Our founder and Chairman, Mr. Cai, is a highly successful and renowned serial entrepreneur and angel investor. Mr. Cai's past investments include 58.com, Inc., a New York Stock Exchange-listed company, Baofeng Technology Co., Ltd., a Shenzhen Stock Exchange-listed company, and Feiyu Technology International

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Company Ltd., a Hong Kong Stock Exchange-listed company. Mr. Cai is also the founder and chairman of Longling Capital Co., Ltd. Our founder and Chief Executive Officer, Mr. Wu is a successful entrepreneur who has been developing popular Internet-related products since 2000. Mr. Wu has created and launched one popular product after another, from 520.com to *Martian Translator (火星文輸入法)*, a software program for converting ordinary language into netspeak consisting of unconventional Chinese characters, to Meitu apps and smartphones. Mr. Wu is the chief architect of our product design.

OUR STRATEGIES

We intend to expand our user base globally, increase the user engagement level and capitalize on potential monetization opportunities. We intend to further implement the following strategies to achieve these goals.

Expand our global user base

We plan to further increase the size of our user base both in China and overseas.

In China, we will continue to update our core apps with new features to further expand the apps' user base. We will also leverage our brand, proprietary technology and data insights to develop and launch new apps to attract new users.

For overseas markets, we will focus on launching either localized versions of existing apps or new apps tailored to serve local users' preferences, as appropriate. For example, *BeautyPlus,* the overseas version of *BeautyCam,* is equipped with an auto-beautification algorithm that produces varying effects based on different skin tones. Meanwhile, we will also continue to build our brand awareness in developed markets such as the U.S. and Europe through viral marketing on social networking platforms and strategic partnerships. We believe the influence of these developed markets extends beyond their respective regions and our increasing brand value in these markets would have a broader, positive impact on our global expansion initiative.

Connect our users

We believe that our products have become an important part of many users' social lives online, providing us with an opportunity to better connect our users with each other. We are in the process of integrating our registered user accounts across multiple apps into a unified account system, and intend to transform our core photo apps into user communities by incorporating more social and media features. We believe this will lead to a virtuous cycle: the resulting higher user engagement level would provide us with more opportunities to cross-promote our products and gather incremental user data for further product optimization and development. *Meipai*'s success as a vibrant video and live streaming community is a testament to our ability to build online user communities.

Facilitate content creation and sharing

We intend to continue to innovate and facilitate the creation and sharing of visual content. As part of this initiative, we aggregate and actively promote the sharing of visual content, including both professionally-produced and user-generated content. For example, *Meipai* recommends top videos as measured by the number of user upvotes in numerous content categories such as beauty, fashion and travel, and prominently promotes one-tap sharing of videos and following of host accounts. We intend to continually update our apps to allow for easier content creation and sharing by our users. We believe that the convenience offered will continue to improve user stickiness and provide us with opportunities to develop into a destination for creating and sharing visual content, including photos and videos.

Increase monetization while creating value for our users

We launched our smartphones in 2013 as our first major initiative to monetize our massive user base. Our average monthly revenue per MAU has increased to RMB0.22 during the six months ended June 30, 2016 from

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RMB0.08 during the year ended December 31, 2013. With our deep insight into the behavior and preferences of Meitu users, the majority of whom are female, we believe we are well-positioned to capitalize on the female economy, especially in China.

Continue to launch innovative smart hardware

We plan to continue to develop and launch stylish smartphones that are optimized for taking high-quality selfies. To this end, we plan to continue advancing both our software and hardware research and development capabilities, such as our facial recognition and beautification algorithms and our "3A" technologies (i.e. auto-exposure, auto-focus and auto-white-balance). In addition, we plan to increase the production volume of our smartphones and other smart hardware products. We may also enter into new smart hardware categories that aim to make our users more beautiful, both in the virtual world and potentially in real life.

Offer innovative advertising solutions

Our portfolio of apps provides a powerful medium through which advertisers can engage our massive user base. We believe our value proposition is highly compelling, particularly to advertisers in female-related sectors, including but not limited to luxury goods, cosmetics and fast-moving consumer goods, as the majority of our users are female whom we believe appreciate beauty. Leveraging our proprietary technologies and big data analytical capabilities, we are upgrading our advertising infrastructure to offer more comprehensive and innovative advertising solutions to our business partners. For example, we plan to increase our advertisement inventory as well as offer targeted advertising solutions based on users' behavior, demographics and interests.

Build a social e-commerce platform

We believe our users' appreciation for beauty extends beyond their digital presence. We plan to launch a social e-commerce platform in the first half of 2017 that makes shopping for authentic, brand-name fashion merchandise an easy and enjoyable experience. The core of this platform is expected to be a community that connects our users, fashion KOLs and a wide variety of fashion brands: KOLs will be incentivized to share their experience in mixing and matching items from different brands, while users can discover new styles from these KOLs and purchase the featured items directly from the brands. This platform will initially focus on categories such as fashionable apparel, cosmetics and skin care products, as females comprise the majority of our user base.

Broaden Internet value-added services offerings

Although our users can access *Meipai*'s content and interact with other users and live streaming hosts for free, we also offer additional Internet value-added services, or IVAS, to enrich user experience. For example, in June 2016, we started offering paid virtual gifts and emoji to *Meipai* users to promote better interaction with our live streaming hosts and short-form video creators. We enter into revenue-sharing arrangements with such hosts and creators regarding the revenue derived from the sale of virtual gifts. As a result of this arrangement, hosts and creators who receive virtual gifts from their audience will be incentivized to host more shows or upload more videos, thereby adding more content to the *Meipai* community. Given our massive and highly active user base, we believe other IVAS, such as premium membership, will also present significant monetization opportunities for us. For example, we launched our first mobile game, *Beauty Box*, in April 2016.

Further develop data insights and technology capabilities

Our proprietary data insights and leading technological capabilities enable us to innovate and optimize products on an ongoing basis. We intend to continue to invest in our powerful data analytics capabilities and cutting edge technologies. We also plan to further develop our technology stack, including but not limited to facial recognition, machine learning, computer vision and augmented reality technologies to better understand and anticipate user behavioral trends, which in turn can be applied to the development of our apps, advertising business, e-commerce initiatives and IVAS offerings.

Pursue strategic investments and acquisitions

We intend to continue to strategically invest in or acquire businesses that are complementary to our business. For example, we have made minority investments in a number of businesses specializing in different

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technologies and products that may be used to upgrade our products, including businesses focused on mobile 3D imaging and augmented reality glasses.

In the future, complementary businesses we plan to invest in or acquire include businesses that: (i) possess cutting-edge technologies such as machine learning, computer vision, augmented reality and other technologies related to our business; (ii) have proven monetization models in Internet services, including but not limited to advertising, e-commerce and IVAS, that synergize with our plans to continue monetizing our user base; (iii) operate apps or social communities with meaningful user bases; or (iv) own quality entertainment intellectual property or produce quality video content, such as production houses, which can enrich our content and entertainment offerings. As of the Latest Practicable Date, we have not identified any potential acquisition targets.

OUR BUSINESS

Our mission is to make the world a more beautiful place. To carry out this mission, in 2008, we launched *MeituPic (美圖秀秀)* as a smart and simple, user-friendly product that enables one-click photo enhancement. We currently offer a portfolio of photo and community apps. We also offer Meitu smartphones that enable users to quickly snap quality, ready-to-share photos and videos. Historically, we primarily generated revenue from the sale of Meitu smartphones and online advertising services. For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, our smart hardware segment, which primarily comprises the sale of Meitu smartphones, contributed 59.7%, 87.8%, 89.9% and 95.1% of our total revenue, respectively, and online advertising services contributed to 40.2%, 11.9%, 9.8% and 4.4% of our total revenue, respectively. The sale of smartphones was our first major initiative to monetize our user base. We intend to further create value for our users, our business partners and our Company through different monetization efforts. For further details on our future plans for monetization, see "—Overview — Our Strategies".

We currently operate two business segments, namely smart hardware and Internet services and others. Smart hardware currently comprises primarily the sale of Meitu smartphones, and Internet services and others comprises online advertising and the sale of virtual items on *Meipai* and in our mobile game. The following table sets forth a breakdown of revenue contributions from the two business segments for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2013		2014		2015		2015		2016	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Smart Hardware	51,305	59.7	428,360	87.8	667,122	89.9	138,780	76.8	556,847	95.1
Internet Services and Others	34,572	40.3	59,689	12.2	74,691	10.1	41,820	23.2	28,630	4.9
Total	85,877	100.0	488,049	100.0	741,813	100.0	180,600	100.0	585,477	100.0

As of June 30, 2016, we had six core apps, namely *MeituPic (美圖秀秀)*, *Meipai (美拍)*, *BeautyCam (美顏相機)*, *BeautyPlus*, *SelfieCity (潮自拍)* and *MakeupPlus (美妝相機)*. For June 2016, we had approximately 446 million total MAUs for our full suite of apps, including 103 million for *MeituPic*, 141 million for *Meipai*, 113 million for *BeautyCam*, 36 million for *BeautyPlus*, 24 million for *SelfieCity* and 17 million for *MakeupPlus*. These six core apps accounted for more than 97.1% of our total MAUs in June 2016. We have also launched various other popular innovative apps such as *Expression Factory (表情工廠)*, *POMELO (柚子相機)*, *Meitu Tietie (美圖貼貼)*, *Poster Labs (海報工廠)*, *Air Brush* and *Airvid (美拍大師)*. We have developed and launched 23 apps since 2011.

Since launching Meitu smartphones in 2013, we have successfully introduced two series of smartphones and five smartphone models. For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we sold a total of 27,917, 277,595, 387,775 and 289,079 Meitu smartphones, respectively, with average selling prices of approximately RMB1,834, RMB1,533, RMB1,699 and RMB1,903 per unit, respectively.

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We also sell advertising space in our apps, currently primarily in the form of icon ads and banner ads. During the Track Record Period, leading consumer and lifestyle brands have placed advertisements with us.

We began generating IVAS revenue on *Meipai* in June 2016, allowing users to purchase virtual gifts, such as flowers, to show support to live streaming hosts and short-form video content creators.

We also operate *Beauty Box* (*美美小店*), a casual mobile game targeting female users, in cooperation with Forgame. The game was jointly developed by Forgame and us, and the iOS and Android versions were launched in April 2016 and June 2016, respectively. We offer the basic features of *Beauty Box* for free, and generate IVAS revenue when players purchase virtual items.

OUR PLATFORM AND ECOSYSTEM

We are building an ecosystem with our users and business partners as participants, offering our platform of products to serve our users' wide range of beauty-related needs and interests. Our large and expanding user community is increasingly using our products and services to facilitate their social lives online and to help them explore and consume visual content. Our ecosystem also offers business partners unique opportunities to reach and engage our large user base. We believe that our ecosystem allows us to specifically target and address different user demands and effectively increase our mind share and time share among users as well as create value for every ecosystem participant. We expect that such an ecosystem would also provide us with more opportunities to cross-promote our products, gather incremental user data for further product optimization and development and monetize our businesses in multiple ways. As a first major initiative in monetizing our user base, we began selling Meitu smartphones in 2013. During the Track Record Period, we generated a significant majority of our revenue from the sale of Meitu smartphones. Going forward, we plan to explore different monetization efforts to better serve our users, our business partners and our Company.

Meitu Apps

Our portfolio of apps provides multiple entry points to, and forms the foundation of, our ecosystem. We developed our apps to enable users to conveniently edit and enhance their photos and videos, and all of our apps enable users to easily share their created content on major social networking platforms and social media, enriching their self-expression and interactions with others. Through our apps, we have built strong brand recognition and user loyalty, which we believe to be critical to the success of Meitu smartphones, sales of which in turn contributed a significant majority of our historical revenue during the Track Record Period.

The following table is a summary of the launch dates and features of each of our core apps.

App Name	Launch Date[1]	Features	MAUs[2]
MeituPic (*美圖秀秀*)	October 2008 (PC version) February 2011 (mobile version)	Photo editor well known for its auto-retouch function, especially for portraits. *MeituPic* also has a broad range of easy-to-use photo editing tools, such as "magic brush" to draw and "mosaic" to pixelate a picture for customized editing.	103 million
Meipai (*美拍*)	May 2014	Video and live streaming community that enables users to easily create, share and discover video content.	141 million
BeautyCam (*美顏相機*)	January 2013	Camera app that facilitates the creation of flattering selfie photos and videos. It automatically beautifies photos and videos as they are taken, e.g. enhancing eyes, whitening teeth, removing blemishes and adjusting lighting, among other effects.	113 million

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App Name		Launch Date[1]	Features	MAUs[2]
	BeautyPlus	May 2013	Overseas version of *BeautyCam* adapted to international markets.	36 million
	SelfieCity (潮自拍)	September 2015	Camera app primarily designed for users to enhance selfies with a wide range of artistic and trendy filters.	24 million
	MakeupPlus (美妝相機)	May 2015	Camera app that allows users to apply a wide variety of virtual makeup on portrait photos, either automatically or manually.	17 million

(1) The "launch date" means the date on which the app was uploaded to one or more app distribution channels for publicly available download.

(2) MAUs as of June 2016.

Photo Apps

MeituPic, our first product, popularized our brand and remains a user favorite to this day. It provides professional and smart photo editing functions. For example, the auto-retouch function for portraits slims faces, smooths fine lines, cleans up complexions and blurs backgrounds. The auto-retouch function for scenery adjusts general lighting, sharpening details and making colors pop for scenery. *MeituPic* also offers more customizable tools that provide users with additional control over their photo editing. *MeituPic* was first launched as a PC software in October 2008 and as an app in February 2011.

The large number of users that *MeituPic* has attracted generates significant proprietary user behavior data, based on which we have developed deeper understanding of users' specific preferences and needs, which extends beyond photo optimization. Through the large amount of proprietary user behavior data we collected on *MeituPic*, we also discovered our users' desire to take flattering, trendy and interesting selfies that would be ready-to-share soon after they are taken. Therefore, we subsequently launched a series of camera apps, including *BeautyCam*, *SelfieCity* and *MakeupPlus*, and equipped them with automatic beautification functions as well as a broad range of trendy filters and effects that we believe selfie lovers would appreciate. We have achieved significant success with each of our core photo apps, evidenced by the high MAUs of these apps.

Consistent with our strategy of expanding our global user base, we have also launched photo apps that are tailored to users in the targeted overseas markets. For example, *BeautyPlus*, an international version of *BeautyCam*, is currently available in eight languages including, among others, English, Japanese, Korean and Thai. Versions of *BeautyPlus* are designed in response to the predominant facial characteristics of local users, different cultures and makeup trends. Launched in May 2013, *BeautyPlus* has generated over 7.1 billion photos and has users from over 100 countries and regions. We have also launched *AirBrush*, an international version of *MeituPic*, which similarly focuses on beautification and is localized to better serve users across different regions. *AirBrush* was launched in October 2015 and is also available in seven languages.

With our relentless focus on improving user experience and driving user engagement, we continue to offer various innovative features and relevant content in both our existing and new apps, which we believe will drive our long-term monetization potential. For example, *MakeupPlus* features informative makeup video tutorials, with step-by-step guides on how to achieve certain popular makeup effects. We are also in the process of exploring opportunities to cooperate with and promote a number of cosmetics brands by enabling users to virtually test their products.

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The screenshots below illustrate the key features of select core photo apps.

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Video and Live Streaming Community

Meipai (美拍)

Meipai is our video and live streaming community, designed for users to easily create, share and discover a broad range of video content. Building upon our success with our innovative photo apps and leveraging the user insights and expertise that we have developed in visual content, we created *Meipai* to provide users with more engaging ways to express themselves and interact with others. Millions of users, including influential KOLs, celebrities and public organizations, create short-form and live streaming videos on *Meipai* to tell stories, share experiences, promote themselves and broadcast live events. Since *Meipai*'s launch in May 2014, it has become an important video destination in China, aggregating content covering a broad spectrum of topics, such as beauty, fashion, music and travel. The breadth of content available on *Meipai* allows our users to easily explore and discover the specific content that fit their interests. According to the iResearch Report, *Meipai* ranked second among China's short-form video platforms as measured by average monthly active devices that accessed the relevant short-form video platform's app during the first five months of 2016.

Meipai is our first community app that enables a wide range of social interactions. Social engagement on *Meipai* comes in many forms. For example, any user can choose to follow the feed of any other user, comment on a feed with text or emojis or repost and share what they find interesting with their friends and followers. In June 2016, 3.4 billion "likes" were posted and 210 million interactions (including comments, shares and reposts of videos and live streaming shows) occurred on *Meipai*. As users can be followed by other users without requiring a reciprocal relationship, users can easily distribute their content to a broad audience across *Meipai*. In addition, our users often share videos on *Meipai* via social networking platforms and media, such as Weixin/ WeChat and Weibo, extending the reach and influence of the content on our platform to an even broader audience. In June 2016, *Meipai* videos were viewed more than 460 million times by users outside of the *Meipai*

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app. We also launched live streaming services on *Meipai* in January 2016, enabling hosts of live streaming shows to engage with users in real-time and important events to be broadcasted live. Users can interact with live streaming hosts and short-form video content creators by commenting on the content or by sending virtual gifts, each of which generally ranges from RMB0.9 and RMB520.

Since *Meipai*'s launch, more than 10,000 KOLs, 750 celebrities and 1,000 public organizations have chosen to connect with their followers and the general public through *Meipai*. *Meipai* combines the following attributes at scale to create an engaging platform.

Real-time

Real-time content allows our users to follow live events and news from around the world and connects our users digitally to global conversations as events unfold. It enables our users to engage with each other directly and instantly in the moment and on-the-go.

EXAMPLE: The United Nations selected Meipai as the exclusive live streaming app to webcast the General Assembly's informal dialogues with nine candidates considered for the position of the next Secretary-General in April 2016. The informal dialogue setting was meant to give member states and the wider public a better grasp of some of the candidates' visions and plans.

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Social/Public

Each of our users can actively engage the *Meipai* community by hosting their own live streams and creating their own short-form videos, in addition to participating in discussions with others through chat or by posting comments. Moreover, the *Meipai* platform allows celebrities and KOLs to easily connect with their fans and drive further interactions and conversations.

EXAMPLE: TFBoys, one of the most popular teenage idol groups in China, broadcasted their first live stream on Meipai in June 2016. The stream attracted an audience of approximately 5.7 million and received more than 367 million "likes" and 5 million live chat messages.

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Public and Distributed

Content on *Meipai* extends its influence to include those who view *Meipai* videos through other social networking platforms and media and third-party apps. The public and distributed nature of *Meipai* makes it highly attractive to many brands and celebrities, who leverage the large user base and interactive features to effectively promote their products to a broad audience.

EXAMPLE: L'Oreal Paris, a global skin care and cosmetics brand, hosts a channel on Meipai which covers L'Oreal-related celebrity news such as red carpet coverage of L'Oreal brand ambassadors as well as brand-promotion events and product launches. In May 2016, L'Oreal Paris live streamed a behind-the-scenes documentary about a popular singer/actress in China and her travel to and preparation for the 2016 Cannes Film Festival. The documentary attracted over 31 million "likes" from over 230,000 viewers.

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EXAMPLE: PepsiCo China has extensively promoted their brand and products on their official Meipai channel through different in-channel promotional events and fun video clips from celebrities and the general public. In 2015, PepsiCo China organized a video competition surrounding the theme of "Bring Happiness Home", working with a famous Chinese director and soliciting original video submissions from users, receiving thousands of videos and compiling an innovative audience-created documentary out of the videos submitted.

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Fun

Meipai is a destination for our users to explore a broad range of interesting content. *Meipai* users can seek out specific types of content and share these and their own fun experiences with others.

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EXAMPLE: One of the most popular KOLs in China, Papi 醬, hosted a live show on Meipai on July 11, 2016, which received more than 126 million "likes", approximately 708,000 live chat messages and nearly 2 million views.

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KOLs on *Meipai* offer a variety of content catering to diversified interests. Some examples are set forth below:

Singers: SKMVoiceCrack (SKM 破音) is a rap artist/KOL on *Meipai* who regularly broadcasts live streams and posts short-form videos of himself singing and chatting and generally interacting with fans. He has attracted over 2.2 million fans and received over 16.2 million "likes" on *Meipai*.

Fashion: HoneyCC is a KOL who regularly broadcasts live streams and posts short-form videos of comedy sketches and fashion as well as beauty and personal care tips on *Meipai*. She also leverages the *Meipai* platform to promote her Taobao storefront by posting videos introducing the latest products. She has attracted over 1.7 million fans and received over 4.6 million "likes" on *Meipai*.

Culinary: Yummy Rotisserie Chicken (香噴噴的小烤雞) is a KOL that hosts a cooking channel on *Meipai*, broadcasting live streams and posting short-form videos of himself introducing different cuisines and dishes and teaching how to cook different popular foods. He has attracted over 1.8 million fans and received over 6.0 million "likes" on *Meipai*.

Kids: Little Bamboo (小山竹) is one of the youngest KOLs on *Meipai*. She became popular after her parents posted family videos of her being generally adorable and talking fluently in local Shandong dialect. Her channel has attracted over 1.3 million fans and received over 4.6 million "likes" on *Meipai*.
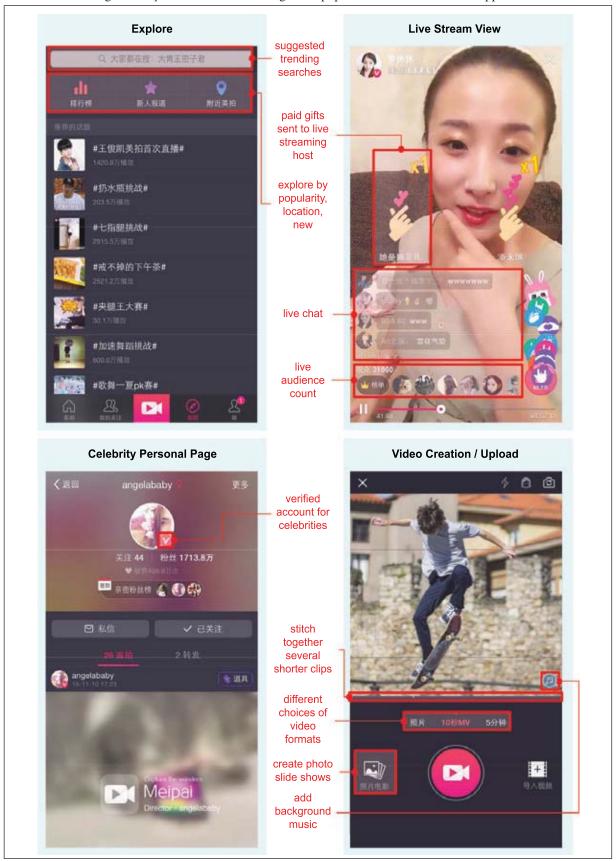
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The influence of *Meipai* and its increasingly active user base presents significant monetization opportunities. With leading consumer and lifestyle brands, such as L'Oreal and PepsiCo China, as well as KOLs already leveraging *Meipai* to promote their image and products, we plan to integrate targeted advertising solutions that are relevant to our users' interests, which we algorithmically identify according to their profile and behavior. We similarly intend to explore opportunities to offer beauty products, such as cosmetics and skin care products, to our *Meipai* users*,* by potentially working directly with brands and leading e-commerce platforms.

We typically enter into revenue-sharing arrangements with *Meipai* users and hosts regarding the revenue derived from the sale of virtual gifts. As a result of this arrangement, users and hosts who receive virtual gifts from their audience will be incentivized to host more shows or upload more videos, thereby adding more content to the *Meipai* community.

Our significant technological capabilities are critical to providing a differentiated user experience. We algorithmically recommend curated content on the home screen of *Meipai* based on each users' profile, preferences and location. We enable users, through our "Explore" function, to identify popular videos and content created by new, up-and-coming *Meipai* users. Meanwhile, consistent with our design philosophy — smart and simple — we equip our users with powerful video editing tools, enabling them to record and process video clips in-app. With a few taps on their smart phones, users can personalize their video with graphics, sound effects, filters and choose from a selection of background music. As of June 30, 2016, over 430 million user-generated videos with diverse subject matters have been uploaded to the *Meipai* platform.

Meipai users have become increasingly active since its launch in May 2014, with the average daily time spent per *Meipai* in-app user growing from 12.9 minutes in May 2014 to 31.5 minutes in June 2016. Since the launch of live streaming on *Meipai* in January 2016, 10.7 million live streaming shows have been hosted by our users and viewed 663 million times as of June 30, 2016.

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The following are *Meipai* screenshots showing some popular functionalities of the app.

Explore

suggested trending searches

paid gifts sent to live streaming host

explore by popularity, location, new

Live Stream View

live chat

live audience count

Celebrity Personal Page

verified account for celebrities

Video Creation / Upload

stitch together several shorter clips

different choices of video formats

create photo slide shows

add background music

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Meitu Smart Hardware

Based on both market intelligence and insights into user behavior developed through our apps, we identified a market need for smartphones specifically designed for high-quality selfies. In response, in 2013, we launched our Meitu smartphones, which integrate a proprietary image processing algorithm and specialized image processors to generate high-quality selfies. Meitu smartphones proved to be a success and contributed to a significant majority of our revenue during the Track Record Period. Going forward, we plan to leverage our success with smartphones to explore and implement different monetization strategies.

Meitu Smartphones

Smartphone Models

We currently offer two series of smartphones, the flagship M series and the premium V series. Both series have integrated software and hardware designed to enable users to easily take high-quality selfies. The premium V series generally has a larger screen size and relatively luxurious designs.

The table below sets forth the Meitu smartphone models we have introduced over the years and their respective time of launch, camera specifications and indicative retail price. Our product life cycle is such that we typically launch new smartphone models on an annual basis. We typically stop our production of an old model when we launch a new model of the same series. Meitu smartphones are currently available for sale in China, with a few selected models available in Hong Kong, Macau and Taiwan.

Meitu Smartphone Models	Camera Specification (megapixels)		Launch Time	Indicative Retail Price (RMB/unit)
	Front	Rear		
Meitu Kiss	8	8	June 2013	2,199
Meitu M2	13	13	April 2014	2,199 (16G)/2,399 (32G)
Meitu M4	13	13	April 2015	2,199
Meitu V4	21	21	November 2015	3,499
Meitu M4s	13	13	December 2015	2,399
Meitu V4s...	21	21	June 2016	3,499
Meitu M6	21	21	June 2016	2,399

Note: Excludes limited editions.

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Beautifying Features, Functionalities and Specifications

Both the hardware and software of Meitu smartphones are designed and integrated for optimizing the selfie-taking experience. The following are photos of our recently launched M6 model.

The distinctive selfie-related features of the latest V4 and M6 models include:

- *High-quality Cameras.* The V4 and M6 models are equipped with 21-megapixel front- and rear-facing cameras for high-resolution selfies.

- *Auto-beautification.* The default camera app can automatically beautify photos and videos as they are taken. In addition, our sophisticated facial detection technology can identify over 170 locations on each face for enhancement and editing.

- *High Image Quality in Low-light Conditions.* Both V4 and M6 models are integrated with multiple proprietary technologies that enable the taking of selfies in low-light conditions, including (i) an image processor that allows clear photos to be taken in low-light environments, (ii) a front-facing smart LED light that casts soft, flattering fill light, and (iii) an auto color-balance algorithm that reconstructs real skin color in low light conditions.

- *Ergonomic Design for Selfie-taking.* A photo-taking button is ergonomically located on the right-hand side of each Meitu smartphone for quick selfie-taking.

To appeal to our target female user base, our smartphones are designed with a sleek exterior and are available in multiple trendy colors. Both the Meitu M6 and V4 models are 4G-enabled and have our photo apps built in. We also sell smartphone accessories such as earphones, smartphone cases and batteries.

Smartphone Production, Logistics and Inventory Management

Smartphone Production

We subcontract the production of our smartphones to manufacturers that specialize in the manufacture of electronic devices and that we believe are experienced and well-positioned to meet our volume, cost and strict quality requirements. For smartphone models launched in 2013 and 2014, we engaged an ODM manufacturer to design, develop and manufacture our smartphones. In April 2015, as we built our own research and development

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team and became capable of designing and developing our own smartphones, we changed our smartphone production model from ODM to OEM, and started to engage Foxconn as our contract manufacturer. We believe that outsourcing manufacturing affords us greater scalability and flexibility than establishing and maintaining our own manufacturing facilities. We periodically evaluate the necessity and benefit of working with additional manufacturers to support our operations. In early 2016, in line with industry practice, we started to engage another contract manufacturer to produce our smartphones to reduce reliance on a single manufacturer. We believe that we are able to identify suitable alternative manufacturers within a short period of time, if necessary. In addition, we possess a number of patents and technologies in relation to our smartphone production, and do not rely on our manufacturers for extensive technical support. Further, we believe that our reliance on smartphone manufacturers will decline in the future, as we are also developing other smart devices and exploring other monetization opportunities, such as online advertising, e-commerce, live streaming and mobile games. We have not encountered any material delays in the production or delivery of smartphones from our contract manufacturers. As of the date of this **[REDACTED]**, Foxconn, through Bright Ease Holdings Limited and Colour Leap Limited, two of our **[REDACTED]** Investors which are investment holding companies and Foxconn's indirect wholly-owned subsidiaries, indirectly owns approximately 1.81% of our total issued and outstanding ordinary shares (assuming that each Preferred Share is converted into one ordinary share of US$0.0001 par value immediately prior to the **[REDACTED]** and assuming the options granted under the ESOP are not exercised).

Our OEM manufacturers produce smartphones using components and materials sourced and procured by us, except for the M4 and M4s models, for which the contract manufacturers also source and procure certain components and materials. We procure components and materials based upon a forecasted production plan, which is updated on an ongoing basis. The components and materials procured by us are delivered to our contract manufacturers, who inspect the quality of the goods delivered based upon our specifications and quality standards. The contract manufacturers are required to provide us with daily updates about the production progress.

Logistics and Warehouse

We have engaged third-party logistics service and warehouse providers for delivering and storing our finished smartphones and certain components and materials. The finished smartphones from our contract manufacturers are inspected by our quality control team and accepted by our third-party service providers at the manufacturers' production facilities. Finished smartphones that have passed quality inspections are then delivered by the service providers to their warehouses, packaged in accordance with our specifications and quality standards, and subsequently, upon our separate instructions, delivered to locations specified by our customers, including distributors, retailers and consumers. Our third-party logistics service and warehouse providers maintain insurance to insure our products stored at their warehouses.

Inventory and Fulfilment Management

Our inventory includes (i) components and materials for smartphones and (ii) finished smartphones. We have a stringent inventory control policy to monitor our inventory levels and minimize obsolete inventory. We generally keep sufficient component stocks for one to three months for our smartphones, which we consider to be appropriate for our business and industry. However, to avoid any shortage of supplies, we may strategically keep a higher level of stock for certain components, such as camera sensors, which were in temporary short supply in 2015 due to an industry-wide shortage in China.

Sales Channels for Meitu Smartphones

We sold our smartphones primarily through direct sales channels to consumers in 2013, and started to sell our smartphones primarily through distributors and retailers starting in 2014. We strategically sell most of our smartphones to distributors and retailers in order to expand the market and geographical coverage of our products. Our distributorship model is consistent with the market practice for China's smartphone industry.

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Distributors and Retailers. Our smartphones are primarily sold to distributors and retailers online and offline. Our distributors distribute our products to other sub-distributors and retailers in the regions where they operate, and our retailers, such as Suning Purchasing Center of Suning Commerce Group Co., Ltd. (蘇寧雲商集團股份有限公司蘇寧採購中心) and Vipshop Holdings Limited, onsell our smartphones to end consumers. Our sales models with our distributors and retailers are principally the same. Our distributors and retailers are our customers rather than agents, because once we have sold and delivered our smartphones to our distributors and retailers, they may not return the products except for certain specified defects. During the Track Record Period, our distributors and retailers returned less than 0.6% of the smartphones sold due to product defects, which is at a level similar to that for direct sales.

Distributors

We currently sell our smartphones to seven distributors in China, Hong Kong, Macau and Taiwan. In 2013, we did not have any distributors and sold our smartphones through direct sales channels and retailers. The number of our distributors increased from one as of December 31, 2014 to seven as of June 30, 2016, in line with the expansion of our smartphone business. Our distributors are typically specialized in the distribution of smartphones and operate well-established local distribution networks. For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, our distributors accounted for approximately nil, 6.7% and 80.1% and 66.8% of our smart hardware revenue, respectively. The following table sets forth the number of our distributors as of the dates indicated:

	As of December 31,			As of June 30, 2016
	2013	2014	2015	
Distributors at the beginning of the period	–	–	1	5
Addition of new distributors	–	5	4	2
Termination of existing distributors	–	4	–	–
Net increase (decrease) in distributors	–	1	4	2
Distributors at the end of the period	–	1	5	7

In 2014, we introduced five distributors as a strategy to broaden our marketing reach and increase the smartphone sales volume. During the same year, we terminated our cooperation with the distributors with inadequate sales performance. In 2015 and the first half of 2016, we increased our number of distributors to diversify our sales channels.

We typically enter into a non-exclusive framework agreement with each distributor. The framework agreements generally have non-binding minimum purchase requirements for our distributors. The framework agreements generally have terms of between six months and one year, and do not contain renewal or termination clauses. Pursuant to the agreements with our distributors, they have the sole discretion in deciding the distribution channels and, subject to a price floor, distribution pricing, but they are required to report to us their distribution and procurement plans. We typically require our distributors to pay us in advance of delivery of their purchase. We negotiate pricing terms with each of our distributors individually. After delivery and acceptance of the smartphones by the distributors, the distributors may not return the products except for certain specified defects. The price of which we sell to distributors is lower than that we sell to end consumers through our direct sales channel. We agree with our distributors to provide one-year after-sale warranty and customer service to end consumers. See "— Customer Service and Warranties — Returns and Warranties and After-sale Services for our Smartphones". See "Financial Information — Critical Accounting Policies — Revenue Recognition" for the revenue recognition policy for our sales of Meitu smartphones to distributors. We allow our distributors to use our brand name and logos only for the purposes of marketing our smartphones.

We rely on a limited number of distributors for the sale of our smartphones during the Track Record Period. Our largest customer for the year ended December 31, 2015 and the six months ended June 30, 2016 was

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a smartphone distributor, which accounted for approximately 45.1% and 50.5% of our total revenue, respectively. We do not currently plan to diversify our sales to distributors, because our sales volume is relatively small compared to the capacity of our distributors. We may diversify our sales to distributors if our sales volume increases significantly in the future.

Retailers

As of June 30, 2016, we sold our smartphones to seven retailers in China. For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, our retailers accounted for approximately 9.7%, 75.4%, 1.6% and 7.7% of our smart hardware revenue, respectively.

Similar to our distributors, we generally require our retailers to pay us in advance of delivery of their purchase. We agree with our retailers to provide a one-year after-sale warranty and customer service to end consumers. See "— Customer Service and Warranties — Returns and Warranties and After-sale Services for our Smartphones". See "Financial Information — Critical Accounting Policies — Revenue Recognition" for the revenue recognition policy for our sales of Meitu smartpones to distributors.

During the period from September 2013 to November 2014, we entered into a sales agreement with a retailer, who is an Independent Third Party, pursuant to which the retailer was allowed to return unsold products to us. The retailer did not return any products to us during the period.

Direct Sales

We sell our smartphones directly to consumers through our official online store at *www.meitu.com/phone*. We direct consumers to our website through online and offline advertising as well as promotions carried out at tradeshows. We also sell our smartphones to consumers through our storefront on third-party marketplaces such as Tmall. For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, our direct sales channel accounted for approximately 90.3%, 17.9%, 18.3% and 25.5% of our smart hardware revenue, respectively.

Pricing of Meitu Smartphones

We price our smartphones based on the cost of components and materials, anticipated demand for the new models, income levels of target users, mix of sales channels, the price of smartphones launched by our competitors, and historical sales volume of previous models of Meitu smartphones. Prices of the components and materials are generally based on prevailing market rates, which could differ based on order volume. The prices of our main components and materials, as measured by cost in terms of percentage of our total cost of sales, including displays, processors, memory chips, and front and rear cameras, were relatively stable during the Track Record Period. We do not have complete control over the pricing policies of our distributors and retailers, although we generally require the retail sale price to the consumers to be equal or higher than our indicative retail price for our smartphones. During the Track Record Period, there were no fluctuations in the average selling prices of our smartphones. Historically, there have not been any fluctuations in the prices of our main components and materials that materially affected the selling prices of our smartphones.

Cameras and Others

We expect to launch a digital single-lens reflex/mirrorless digital camera with built-in photo and video editing and sharing functions by the end of 2016.

E-commerce Marketplace

We are currently building an e-commerce business. We expect to launch a social e-commerce marketplace platform in the first half of 2017. As females constitute the majority of our user base, we plan to initially have the platform focus on categories such as apparel, cosmetics and skin care products before broadening our offerings. The core function of this platform is to provide a community that connects our users, fashion KOLs and a wide variety of fashion brands. We expect that KOLs will be incentivized to share with their followers on the platform how to mix and match clothing and accessories from different brands, while users can discover new styles from these KOLs and purchase the featured items directly from the brands. We may collaborate with leading e-commerce platforms to leverage their operational expertise, fulfilment services and supply chain.

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Advertising

Through advertising, we offer information to our users regarding products and services that may enhance to their lifestyle. We offer advertising space to brands that identify with or enhance our Meitu brand while appealing to our users, from luxury labels to popular apparel and food brands. We currently sell advertising space in our apps primarily in the form of icon ads and banner ads. Our apps may attract different kinds of advertisers depending on each app's distinctive functions. For example, cosmetics companies tend to target their advertisements at the users of *MakeupPlus*. We continually upgrade our advertising infrastructure to better serve our advertising customers.

During the Track Record Period, we generated almost all of our online advertising revenue by selling advertising space in our apps to advertisers through advertising agencies, with which we enter into contracts for our online advertising services. Our advertising customers pay for their advertisements primarily on a cost-per-time basis, and can purchase advertising inventory across multiple locations in our apps through a contract-based process from our advertising team.

Leveraging our proprietary technologies and big data analytical capabilities, we believe we have the opportunity to further innovate and update our advertising solutions. We plan to offer more advertisement inventory and improve our apps for advertisers whose offerings we believe would interest our users, making advertising part of a quality and rich user experience. For example, we are in the process of developing a recommendation algorithm to promote cosmetics products from various brands to our users, based on their choice of virtual effects in our apps. We also plan to work with KOLs in promoting products from advertisers, as KOLs are usually effective in spurring online entertainment spending and shopping demand among their followers.

Mobile Game

 Beauty Box *(美美小店)*

Leveraging our in-depth understanding of our female users' preferences about fashion, apparel and makeup, we publish and operate *Beauty Box,* a casual mobile game designed for female players. *Beauty Box* is available on iOS Apple Store and other Android app distribution channels in China. *Beauty Box* simulates the experience of dressing up and applying makeup on virtual characters. It is free to play, but players can purchase virtual items to enhance their in-game experience or accelerate their advancement in the game. We jointly developed the game with Forgame, a game developer in China, and Forgame and us operate the game as main operator and co-operator, respectively. For a description of the terms of our agreement with Forgame, see "— Product Development — Development of Mobile Games"

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Meitu Family

Meitu Family is a quirky family of cartoon characters designed to represent the innovative, fun spirit of our brand. We have created promotional videos and comics centered around *Meitu Family*. We intend to develop stickers and other products based on *Meitu Family*, using these cartoon characters as brand ambassadors. We view *Meitu Family* as important intellectual property as it helps us to establish our distinctive brand.

Our Users

We have successfully attracted a large, expanding and loyal user base. We have experienced significant organic growth in China, primarily attributable to word-of-mouth introduction of our products by satisfied users to their friends and others, without us incurring direct marketing expenses. We engaged approximately 446 million total MAUs in June 2016, compared to approximately 247 million, 160 million and 69 million in June 2015, 2014 and 2013, respectively. We believe that as our quality products and services continue to satisfy our users, our user base will continue to expand with higher user engagement.

In addition, our users are also becoming increasingly active as we optimize our products to address their needs discovered through our proprietary and robust data analytics. The number of photos generated by our core photo apps was 5.6 billion in June 2016, compared to 3.6 billion, 1.9 billion and 0.6 billion in June 2015, 2014 and 2013, respectively. *Meipai*, our video and live streaming community, shared a similar trend: average daily time spent per in-app *Meipai* user has increased to 31.5 minutes in June 2016 from 12.9 minutes in May 2014, when *Meipai* was first launched.

Increasingly Global User Base

A key part of our international expansion strategy is to focus on markets that share user or industry characteristics with China. These markets include countries and regions with similar growth potential in mobile

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Internet penetration rate (e.g. Brazil and India) or cultural background and standards of beauty (e.g. Thailand and Indonesia) as China. For certain markets with specific preferences, we focus on launching either localized versions of existing apps or new apps to serve local users' preferences, as appropriate. Since 2014, we have set up offices in seven countries and regions outside China, namely Brazil, Hong Kong, Singapore, India, Indonesia, Japan and the United States, and we have hired local teams to study the respective markets before designing or updating products to suit local users. In addition, for developed markets such as the U.S. and Europe, we continue to build our brand awareness through viral marketing on social networking platforms, as we believe the influence of these developed markets extends beyond their respective regions and our increasing brand value in these markets will have broader, positive impact on our global expansion initiative.

We have enjoyed significant success to date in our international expansion, with over 370 million overseas users, which represents approximately 19.2% of the total users of all our apps. We specifically designed *BeautyPlus* and *AirBrush* for overseas users, and the two apps had over 39 million MAUs combined in June 2016. As of June 30, 2016, we had more than one million total users from each of 25 overseas countries and regions, with more than 10 million total users from each of India, Indonesia, Japan, Malaysia, South Korea, Taiwan, Thailand, the United States and Vietnam.

User Profile

Our business has a significant focus on serving the beauty-related needs of our users, a majority of whom are female, and we believe we are well-positioned to capitalize on the global female consumption economy. We believe that most females are interested in being able to easily take and edit selfies or other photos and videos anytime and anywhere.

We also believe the youthfulness of our user base is key to their willingness to engage with us and provide us with product feedback, helping us identify and develop new product features and opportunities. In addition, we continually work to broaden our offerings to serve users in other age groups.

CUSTOMER SERVICE AND WARRANTIES

Customer Service for Apps

In our ongoing efforts to maintain user satisfaction and improve our products and services, we maintain a dedicated customer service team of five employees that is focused on efficient problem-solving with the ultimate goal of increasing user satisfaction and user stickiness. For example, we frequently contact highly active users of one or more of our apps and organize online discussion groups to obtain feedback from them on how we can improve our existing apps or launch new apps to improve user experience. Our users also often voluntarily provide feedback to our customer service team, which helps us further improve our products and services or develop and launch new ones.

Returns and Warranties and After-sale Services for Smartphones

We have engaged third-party service providers to provide after-sale services to the end consumers of our smartphones. Our end consumers can return new Meitu smartphones with or without cause within seven days of purchase. For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we received returns of approximately 0.36%, 0.02%, 0.04% and 0.41% of the smartphones from our end users. Between eight to 15 days of purchase, users may have their smartphones replaced or repaired for specific types of defects or quality issues as required under the relevant laws and regulations. After the 15th day and within one year of purchase, users may only have their smartphones repaired for defects or quality issues. We do not allow our distributors and retailers to return the smartphones purchased from us unless there are quality issues. For the years ended December 31, 2013, 2014 and 2015 and six months ended June 30, 2016, our warranty expenses amounted to RMB0.7 million, RMB5.2 million, RMB7.6 million and RMB4.5 million, respectively.

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We have not experienced any customer complaints, product returns or product liability claims that materially and adversely affected our business during the Track Record Period and as of the Latest Practicable Date.

SALES AND MARKETING

During the Track Record Period, we have, to a significant extent, relied on word-of-mouth among our satisfied loyal users to help us promote our products in China, including KOLs, celebrities, public organizations and ordinary users. Celebrities and KOLs are often held to a high standard of beauty and need to present attractive, beautiful photos on their social networking platforms to maintain connection with their followers, and we believe our easy-to-use products suit their purposes well. Celebrities and KOLs who experiment with Meitu products and find them convenient and effective sometimes spontaneously promote us on their social networking platforms or during public appearances. Certain public organizations also maintain accounts with *Meipai* for communicating with the public — the United Nations, for example, actively maintains a *Meipai* account and selected *Meipai* as the exclusive online broadcaster in China for live streaming an important part of the UN Secretary-General election process in April 2016.

Apps

While our apps have historically been popularized in China primarily through word-of-mouth, we have also marketed our apps in China and internationally through the following means:

- *Cross-Promotion*. We cross-promote our apps by reminding users of our other apps through strategically placed icons and in-app links.

- *Thematic Activities.* We organize a variety of activities centered around beauty and the latest trending topics to encourage users to upload and share their stories and photos on our platform. For example, we have organized a city-based photo event for air stewardesses to share their travel photos using *SelfieCity*, and we have held contests for the best makeup looks and costumes imitating characters of popular television shows.

- *Testimonials*. We actively invite KOLs to share their experience with our apps or post photos that have been retouched using our apps on social networking platforms. These testimonials reinforce the on-trend, youthful and vibrant image of our apps.

- *Distribution Channels*. We partner with app distribution channels and app recommendation websites, which would feature our apps on selected occasions and holidays. We also promote our apps using paid marketing services provided by app distribution channels, such as search engine marketing.

For each new international market that we enter, we first market our apps by employing both the promotional methods listed above and other methods that cater to local culture and user behavior, including purchasing performance-based advertising, encouraging user-generated content on social or other Internet media, cooperating with KOLs in promoting our apps on social networking platforms, and opening and maintaining official accounts with Facebook, Instagram and other local social platforms. After our apps gain traction locally, we can then rely on satisfied users to help spread the word about our products.

For the years ended December 31, 2013, 2014 and 2015 and for the six months ended June 30, 2016, our selling and marketing expenses amounted to RMB16.2 million, RMB121.0 million, RMB649.1 million and RMB196.8 million, respectively.

Smartphones

Sales of our smartphones, which are currently available in mainland China and, for selected models, in Hong Kong, Macau and Taiwan, are partly driven by existing users of our apps or video and live streaming community. According to a survey we conducted in August 2016 of a statistically significant random sample of Meitu smartphone users, approximately 75% of our smartphones were purchased by our existing app users, and

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approximately 87% of our current smartphone users indicated interest in buying our next smartphone model. In addition, we have engaged Angelababy (楊穎), a popular beauty icon and celebrity in China, as brand ambassador for our Meitu smartphones. We also promote our smartphones by delivering viral online media content on Chinese-speaking social media. For example, our creative marketing team has released interesting videos with stories and themes centered around Meitu smartphones and *Meitu Family* characters, which helped to increase market recognition of and drive demand for our smartphones.

Mobile Games

We market *Beauty Box* on a wide range of websites, search engines, mobile portals and apps in China to maximize our potential player base. We also cross-promote the game through our own apps and pay distribution channels to promote the game.

QUALITY CONTROL AND CONTENT MONITORING

We have programmers with extensive app testing experience who systematically test our apps to ensure that they conform to our high-quality standards. We are also required under PRC laws and regulations, such as the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), to monitor content on *Meipai*. For details of relevant requirements under PRC laws and regulations, see "Regulations — Regulations on mobile Internet applications information services". The review and monitoring of such content is conducted primarily by our internal team and two external vendors specialized in content monitoring, who screen content on *Meipai* against a filter list item by item. One of the vendors is an independent third party and the other is Xiamen Mei Xin Lian Network Technology Co., Ltd., our associate company in which we own 49% equity interest. The filter list is a compilation of content and behaviors that we have determined are likely to be indicative of inappropriate or illegal content or activities, having taken into account of relevant PRC laws and regulations. Our internal and third-party content management teams are aided by proprietary technologies designed to screen the content transmitted to *Meipai* around the clock on a real-time basis. Content identified as falling into the filter list would be immediately blocked or removed. In addition, we review any complaints alleging the inappropriate nature of content on *Meipai* and remove such content if appropriate. For risks relating to our quality control and content monitoring, see "Risk Factors — Risks Relating to Our Business and Industries — Our business significantly depends on the strength and market perception of our brand, and our brand image may be adversely impacted by any negative publicity or misuse of our products".

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We have a dedicated quality control team consisting of 13 engineers and technicians to carry out quality assurance procedures at various stages of the smartphone production process. We have on-demand access to each manufacturing facility, and our quality control team continually monitors the quality of incoming components and materials, as well as the production processes at our contract manufacturers' facilities, to ensure high-quality products. The finished smartphones manufactured by our contract manufacturers are inspected by our quality control team. We also require our contract manufacturers to maintain quality control over their logistics, warehousing, production and inspection procedures based on ISO9001 quality standards. We did not experience any material quality control issues for our smartphones during the Track Record Period and up to the Latest Practicable Date.
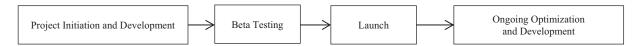
PRODUCT DEVELOPMENT

App Development and Ongoing Optimization

Our app development process is continually driven by user demands. We closely monitor user behavior and user preferences and respond to any changes or shifts by developing new apps or by adding new or optimized features in existing apps. To remain innovative, we encourage our employees to maintain close communications with our users to understand their needs, and provide our development teams with autonomy and freedom to explore new concepts in updating existing apps or creating new apps.

Research and Development Process

Our development process for a new app or a major new update for an existing app can be divided into the four general stages set forth in the chart below. The first three stages usually take three to six months, while the final stage for optimization and development remains ongoing to help retain the relevance and popularity of each app.

Project Initiation and Development	→	Beta Testing	→	Launch	→	Ongoing Optimization and Development

- Project Initiation and Development

    We initiate the development of a new app or update to an existing app in response to user demands. Among other initiatives to keep up with user demands, we leverage our big data analytics capabilities to closely monitor changes in user behavior and user preferences, including the usage of each app function, trends and changes in other operating metrics such as the number of new users, time spent in-app and number of photos generated. Once we discover unmet user needs gathered through various channels, we develop a prototype for several rounds of testing with small groups of our users. We then form a project team comprising personnel from our research and development, financial, legal and technology teams to conduct an in-depth feasibility study. If we find that a new app or new update is feasible in all respects, our research and development and technology teams will proceed to formulate steps in the development, internal tests and launch of the new app or new update.

    This stage usually takes several weeks for a new version of an existing product and several months for a brand new app or function. In the case of localization of an app to an overseas market, we allow additional time for our technology teams to work closely with local teams to understand user needs and translate such needs across language and cultural divides into an effective product.

- Beta Testing

    After completing the project initiation and development stage, we then conduct internal tests to resolve any major technological issues and software bugs that may exist in the test version. We

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subsequently make the new or updated app available to a limited number of randomly-selected users for trial, continually monitoring and analyzing user behavior through our proprietary data analytics engine and soliciting user feedback in order to optimize the app's performance. The resulting app is then beta tested among users who agree to take part in the testing. Such users can download the product under testing through a designated website or our apps.

- Launch

  We consider an app to be officially launched when we upload it on one or more app distribution channels and make it publicly available for download.

- Ongoing Optimization and Development

  We continually monitor and analyze user behavior in the app and continue to optimize the app's functions and performance based on user feedback. We periodically release new versions of our apps with improved features, and each new version usually takes anywhere from approximately two weeks to two months to develop and launch, depending on the complexity of the improved features.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had approximately 68, 139, 250 and 336 app development personnel, respectively. Most of our software programmers and testing engineers have bachelor's or graduate degrees. We plan to continue to expand our app development team by recruiting from leading universities and from competitors in the market.

Research and Development for Smartphones

We identify user needs for our smartphones by gaining understanding of our app users and their behavior, based on which we design smartphones focused on high-quality selfies. We also endeavor to improve various aspects of our smartphones, such as hardware specifications, operating system and battery performance, in order to further enhance user experience. We decide the launch schedule of new models based on product life cycle and market demand. Generally, for each series of Meitu smartphone, we launch a new model every year and an upgraded model (the "s" version) every six months.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had 37, 93, 131 and 148 smartphone research and development personnel, respectively, most of whom have bachelor's degrees or above.

Development of Mobile Games

Beauty Box, the mobile game that we currently operate, was developed by Forgame, a game developer in China. Pursuant to the five-year joint game operation agreement between us and Forgame dated August 12, 2015, Forgame will publish and mainly operate and provide continuing technological support and updates to *Beauty Box*, and we will mainly market the game. Revenue generated from the game is shared equally between Forgame and us, and the intellectual property relating to the game is jointly owned. Except for marketing through our own apps, the costs of which are borne by us, we and Forgame equally share the costs of marketing the game.

TECHNOLOGY

Facial Recognition Technology

At the core of our products is our facial recognition technology, which can precisely detect and recognize faces and facial features, and is built on deep learning, massive user data and abundant user feedback. Our facial recognition technology forms a positive feedback loop with our users' activities such that an increasing amount

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of users' data further improve the precision and efficiency of our technology. Our facial recognition technology encompasses the following functions:

- *Face detection*. Our face detection technology accurately and rapidly detects the location and the number of faces in photos and videos.

- *Facial point detection*. Our facial point detection technology can quickly and precisely locate key facial features and components, including eyebrows, eyes, nose and mouth by identifying over 170 locations on each face.

We believe that our technologies form the foundation of our leading position in photo and video editing. With our face detection and facial point detection technologies, we are able to continually improve the quality of our photo-editing technology. We will also be able to strengthen our capabilities in facial boundary detection, face color optimization, portrait segmentation and white-balance optimization. With the deep learning capabilities of our technologies, we are exploring areas such as image classification technology, which would enable us to automatically classify portrait, architecture, food, performances, technology, scenery, animals and art, among others. In April 2015, we acquired an approximately 33.3% equity interest in Bellus 3D, Inc., a company specialized in the development of 3D photo and video technology, with a view to integrating 3D facial recognition technologies to allow for sophisticated editing of moving images in videos through 3D mapping.

Big Data Analytics Capabilities

We have built a comprehensive system for data collection, including client-end (iOS and Android) data collection software development kits, server-end agents for the collection of user behavior and server-end data collectors dedicated to receiving user data. Data collected on the Internet are encrypted multiple times for maximum security while transmitting. Currently, the vast majority of data we collect pass through our real-time data collection channels, which efficiently distribute data for permanent storage and, at the same time, send data to different operational departments so that each part of our business can receive the necessary user data they require in real time. The operational departments that require real-time user data transmittal include real-time statistical analysis, real-time recommendations and others.

We have built a distributed system based on distributed storage, processing and dispatcher programs. All important user behavior data are stored within this distributed system, and data collection, research, analysis and statistical calculations are all built on this basis. At the same time, the distributed system contains useful scalability and usability, being able to expand quickly and efficiently in terms of processing power through server acquisition and at the same time, can continue to operate normally even with partial malfunctioning servers.

Using the system described above, our data analysis technicians are able to work closely with our engineers to analyze different types of data efficiently. For example, they can efficiently employ the system for (i) the development of data reports, (ii) centralized processing of different data from different apps, (iii) the tracing and analysis of user behavior in order to provide effective product strategies, (iv) the understanding of user response to new products and updates and (v) the analysis of different user groups' preferences and demands. Based on these analyses, we have also built a series of apps and functionalities, including the highly individualized personal recommendations system on *Meipai*, the auto-categorization function for videos on *Meipai*, channel distribution and data analysis functions on different apps and anti-fraud and anti-spam functions.

Our data analytics platform is operated by a team of software engineers and data scientists. The engineers maintain and monitor the day-to-day operations of the platform to satisfy the requirements of data scientists and other teams across our business units. Our data scientists specialize in the design of data collection plans, data pre-processing, data modeling and data mining, as well as the creation of customized data analysis reports and dashboards. They, as a team, support many of the data aspects of Meitu software and hardware products.

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"3A" Technologies

Our "3A" technologies, namely auto-exposure, auto-focus and auto-white-balance, are important for generating quality images in a variety of lighting conditions.

- *Auto-Exposure.* Our auto-exposure technology ensures that the diaphragm aperture size, gain level and shutter speed are controlled to keep image brightness constant under detected luminance conditions.

- *Auto-Focus.* Our auto-focus technology can detect and define focus position for the maximum contrast as the full focus. By eliminating signal noises as much as possible, our auto-focus technology is effective even for difficult environments and conditions, such as those under low lighting, telescopic zooming, and others.

- *Auto-White-Balance.* In order to create natural images, our auto-white-balance technology can correct the color and control balance more precisely for different lighting conditions by estimating the color of the lighting source.

TOP CUSTOMERS

Our revenue-generating customers primarily include smartphone distributors and retailers and advertising customers, whom we view as our business partners in our ecosystem. We regard our business relationships with our top five customers as stable, having maintained our business relationships with our top smartphone distributors and retailers for two to three years on average, and with our top advertising customers for two to four years on average as of June 30, 2016. Our largest customer accounted for approximately 11.5%, 65.3%, 45.1% and 50.5% of our revenue for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. Our largest customer for the year ended December 31, 2013 was an advertising customer, while our largest customer for each of the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016 was a smartphone distributor or retailer. Our top five customers accounted for approximately 26.8%, 74.2%, 82.2% and 68.8% of our revenue for each of the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

Mr. Cai, our founder and the Chairman of our board of directors, indirectly owns approximately 4.4% of the total equity of Jiangsu Liangjin E-commerce Co., Ltd. (江蘇良晉電子商務股份有限公司), which was one of our top five customers and a Meitu smartphone distributor for the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016. Other than the foregoing, during the Track Record Period, none of our Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our top five customers. For the related risks, see "Risk Factors — Risks Relating to Our Business and Industries — We derive a significant portion of our revenue from a limited number of customers".

SUPPLIERS AND PROCUREMENT

Our suppliers primarily consist of (i) our contract manufacturers and suppliers for our smartphone components, (ii) data storage and bandwidth providers, (iii) app distribution and user acquisition channels, and (iv) payment channels.

Contract Manufacturers

We have entered into a framework agreement with each of our contract manufacturers. Each framework agreement sets forth the general terms and conditions of cooperation, pursuant to which we separately negotiate prices and volume for each model and series of our smartphones. Pursuant to the framework agreement, the OEM prices are quoted by the contract manufacturers and confirmed in writing by both parties in separate purchase orders. Part of the purchase price is prepaid at the time of making the purchase orders, and the remaining price is payable on a monthly basis after both parties have confirmed shipment of smartphone products. Our contract manufacturers are required to maintain quality control over their logistics, warehousing, production and inspection procedures

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based on ISO9001 quality standards. In addition, each party is required to keep the framework agreement and the information exchanged thereunder confidential. Each framework agreement has an initial term of one year.

We select our contract manufacturers based on their industry experience and reputation in smartphone manufacturing. Consistent with market practice in China's smartphone industry, we directly or indirectly source the majority of components and materials used in manufacturing our smartphones from third-party suppliers and their authorized distributors. See "— Meitu Smartphones — Smartphone Production, Logistics and Inventory Management — Smartphone Production". Pursuant to the framework agreements, in general our contract manufacturers shall repair any Meitu smartphones with material quality issues and compensate us for any actual losses if the material quality issues are attributable to the manufacturing process. Our contract manufacturers are not responsible for material quality issues attributable to our product design or the components and materials procured by us. We have a procurement team that focuses on acquiring the components at competitive prices. Our contract manufacturers also provide some of the less key components and materials used in our smartphones.

Suppliers of Smartphone Components and Materials

The main components and materials used in the manufacture of our smartphones, as measured by cost as a percentage of our total cost of sales, include displays, processors, memory chips, and front and rear cameras. We use quality components from leading suppliers in the market, including camera sensors from Sony and displays from Samsung. Substantially all of the main components for our smartphones are procured from authorized distributors in Hong Kong. We strategically aim to source each smartphone component from at least two suppliers, but certain components, including camera sensors and processors, are provided by a single supplier and may pose a business risk in terms of supply disruption. See "Risk Factors — Risks Relating to Our Business and Industries — We rely on a limited number of third-party suppliers and their authorized distributors for smartphone components and materials, contract manufacturers for the manufacture of our smartphones, and logistics and warehouse providers for the transportation and storage of finished smartphone products". We typically enter into one-year supply agreements with suppliers for our key components, pursuant to which we make separate purchase orders and negotiate the prices and volume under individual orders. We require our suppliers to maintain quality control over the smartphone components and materials that we purchase in accordance with ISO9001 quality standards. Our suppliers are required to compensate us for any direct economic losses resulting from quality issues of the components and materials that we purchase from our suppliers. We believe that our relationships with our suppliers are good. We seek to avoid shortages of components and materials by actively balancing our rolling smartphone demand forecast with our component stock levels.

Data Storage and Bandwidth

We store our users' data on our own servers and lease bandwidth from third parties for our video and live streaming community, *Meipai*.

Server Vendors

We choose our server vendors based on a variety of factors, including research and development capabilities, service system and quality, history of cooperation, brand name comparison and price. We purchase our servers from two sources: original server manufacturers that produce trusted international brand names such as Dell, H3C and Huawei, with whom we have strong long-term relationships, and designated agents of server manufacturers. The servers we choose to use are selected by our highly-trained professional engineers after rigorous testing to guarantee capacity and quality.

Bandwidth Providers

Our bandwidth providers primarily supply us with content delivery network services, which accelerate the loading of photos, videos and live streaming on our apps delivered to users and offer them a fast and smooth experience. To ensure the quality of bandwidth serves we receive, we use two types of bandwidth providers: (i) BGP (border gateway protocol) suppliers with multiple lines, which optimizes conditions for mainland China

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users with different connection speeds and on mobile service providers; and (ii) global content delivery network accelerators, so that users from any country or region can enjoy our services under optimal conditions.

App Distribution and User Acquisition Channels

While we grew the majority of our user base in China organically, we also seek to expand our user base through third-party marketing channels. In terms of marketing channels, we usually directly work with app stores in promoting our apps or work with advertising agencies if the agencies can obtain better terms for us. We typically enter into one-year framework agreements with such advertising agencies. A majority of the framework agreements with the advertising agencies require us to purchase a minimum aggregate amount of advertising services during the terms of the agreements. The advertisements are either display-based or performance-based, and are priced primarily based on cost-per-download, cost-per-time, cost-per-activation or cost-per-click. We are generally able to continually monitor the performance and effectiveness of the advertisements directly or through the advertising agencies.

Payment Channels

We engage major third-party payment channels in China for smartphones sold on our online store as well as virtual items sold in our mobile game and on *Meipai*. We entered into payment service agreements with payment channels for initial terms ranging from one to two years, which are typically automatically renewable upon expiry unless one party notifies the other party otherwise in writing prior to expiration.

TOP SUPPLIERS

Purchases from our five largest suppliers for each of 2013, 2014 and 2015 and the six months ended June 30, 2016 accounted for approximately 89.6%, 69.4%, 36.1% and 51.8% of our total purchase amount during those periods, respectively. Our largest supplier for each of 2013, 2014 and 2015 and the six months ended June 30, 2016 accounted for approximately 73.5%, 62.8%, 14.1% and 20.6% of our total purchase amount during those periods, respectively. As of June 30, 2016, we had maintained business relationships with our five largest suppliers for one to three years on average. For the related risks, see "Risk Factors — Risks Relating to Our Business and Industries — We rely on a limited number of third-party suppliers and their authorized distributors for smartphone components and materials, contract manufacturers for the manufacture of our smartphones, and logistics and warehouse providers for the transportation and storage of smartphone components and products".

Foxconn owns approximately 1.81% of our total issued and outstanding ordinary shares (assuming each Preferred Share is converted into one ordinary share of US$0.0001 par value immediately prior to the **[REDACTED]** and assuming the options granted under the ESOP are not exercised) as of the date of this **[REDACTED]**. During the Track Record Period, none of our Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

COMPETITION

We believe that we do not have companies that compete directly with us as the builder of a beauty-related ecosystem. However, we face significant competition in each of our business segments, as described below. For additional details regarding competitive landscape of the industries in which we operate, see the section headed "Industry Overview".

Photo and Video Apps

Our photo and video apps compete primarily with apps from other major developers in China, including Tencent, Baidu, Chengdu Pinguo Technology Co., Ltd. (成都品果科技有限公司), Fenxiang Yixia (Beijing) Technology Co., Ltd. (分享一下（北京）科技有限公司) and Beijing Milaiwu Network Technology Co., Ltd.

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(北京蜜萊塢網絡科技有限公司), all of which have developed and launched photo and video apps. Certain of these companies may have substantial market presence, diversified product lines, well-established supply and distribution systems, strong worldwide brand recognition and significant financial, marketing, research and development and other resources. However, we believe our user-centric products and our strong facial recognition analytical capabilities set us apart from our competitors.

We believe that domestic photo and video app developers like us are likely to have a competitive advantage over international competitors entering the China market, as those companies are likely to lack operational infrastructures in China and experience in serving the China market.

Since we have launched *BeautyPlus* and *AirBrush* and expect to launch other apps internationally, we also compete with photo and video app developers such as LINE Corporation, CampMobile Inc. and Lightricks Ltd. in overseas markets. The competition in overseas markets is intense, as we compete with app developers all over the world. In particular, we may face significant challenges in localizing our photo and video apps to address the different facial features and aesthetic tastes of users in different countries and regions.

Smartphones

As Meitu smartphones are designed for high-quality selfies, we believe that we compete primarily with other developers of smartphones designed for specialized uses, such as smartphones with particularly high megapixel cameras, integrated with sophisticated image processing capabilities or designed for outdoor activities including selected models offered by mid-ranged priced smartphone with advanced cameras. Principal competitive factors important to our smartphones include price, product features including security features, performance, product quality and reliability, design innovation, strong third-party software and accessories, marketing and distribution, service and support and corporate reputation.

OUR FUTURE PLANS

We plan to continue to develop and launch apps and invest in sales and marketing activities to engage a broader user base, which we believe in turn presents significant monetization opportunities. In addition, with approximately 75% of our smartphone users being Meitu app users prior to their purchases of Meitu smartphones, according to a survey that we conducted in August 2016, we believe a large user base could drive additional Meitu smartphone sales. For our Internet services, our expanding user base enables: (i) our advertising customers to reach a broader audience; (ii) our future e-commerce platform and potential e-commerce partners, brands and retailer partners opportunities to promote and sell products to a larger number of potential online shoppers; (iii) our mobile game business and mobile game partners to attract a larger number of potential mobile game players; and (iv) KOLs on our platform to engage with more users, which could drive additional revenue from live streaming services, advertising and e-commerce, among others. Our initiatives in driving monetization with Internet services are particularly important for our business and long-term profitability, as these businesses typically do not require significant variable costs after reaching significant scale to experience revenue growth. In order to achieve the aforementioned initiatives and offer the relevant services, we plan to continue to invest in infrastructure and capacity to expand our Internet services business as necessary. In addition, while we are in the process of expanding our global user base, we intend to primarily focus on monetizing our users in China in the near future.

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. We protect our intellectual property rights through a combination of copyright, trademark and other intellectual property laws, as well as confidentiality and license agreements with our employees, suppliers, partners and others. In general, our employees must enter into a standard employment contract which includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. Despite our precautions, however, third parties may obtain and use intellectual property that we own or license without our consent. During the Track Record Period, we did not find any of

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such breaches of our intellectual property rights. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See "Risk Factors — Risks Relating to Our Business and Industries — We may not be able to adequately protect our intellectual property, which could cause us to be less competitive and third-party infringements of our intellectual property rights may adversely affect our business".

As of June 30, 2016, we owned 138 registered domain names. We generally renew our domain name registrations once every year and applications for their renewal are usually approximately made one to three months prior to their expiration. Under normal circumstances, the domain name registrations take effect immediately after the payment of renewal fees. As of June 30, 2016, all of our registered domain names are in effect. If any of our domain name registrations cannot be renewed for any reason, the domain name registrar may deregister the relevant domain name.

As of June 30, 2016, we held 94 software copyrights and 69 other copyrights registered with the State Copyright Bureau of China. As of June 30, 2016, we owned 686 trademarks in various categories and registered with the China Trademark Office. In addition, we had 748 trademark applications, each in various categories, pending with China Trademark Office as of June 30, 2016.

As of June 30, 2016, we had 117 patents registered with the State Intellectual Property Office of China and 288 pending patent applications.

Forgame, which developed and mainly operates our mobile game *Beauty Box*, has obtained approvals of the game with the SARFT as the game's main operator. Forgame and we, as main operator and co-operator of the game, respectively, have completed registration of *Beauty Box* with the MOC.

We did not have any material disputes or any other pending legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

Please see "Appendix IV — Statutory and General Information — Intellectual Property Rights of our Group" for details of our material intellectual property rights.

EMPLOYEES

As of June 30, 2016, we had 1,001 full-time employees, 974 of whom were based in China, primarily at our headquarters in Xiamen, with the rest based in Brazil, Hong Kong, India, Indonesia, Japan, Singapore and the United States. We expect to continue to increase our headcount in many of our key target markets as well as in China. The following table sets forth the number of our employees by function as of June 30, 2016:

Function	Number of Employees	% of Total
General administration	90	9.0%
Research and development	649	64.8%
Operations — smart hardware	55	5.5%
Operations — Internet services	89	8.9%
Sales and marketing	118	11.8%
Total	1,001	100.0%

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives.

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We primarily recruit our employees in China, in particular engineers and technicians, through recruitment agencies, on-campus job fairs and online channels including our corporate website and social networking platforms. We recruit our overseas employees primarily through recruitment agencies or industry referrals. We have adopted a training policy, pursuant to which management, technology and other training are regularly provided to our employees by internally sourced speakers or externally hired consultants. Our employees may also attend external trainings upon their supervisors' approvals.

As required under PRC regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted and plan to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

Each of Meitu Mobile, Meitu Networks and Meitu Home has a labor union. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws or relevant foreign laws. We do not maintain key-man life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We also do not maintain insurance policies against risks relating to the Contractual Arrangements.

During the Track Record Period, we did not make any material insurance claims in relation to our business. See "Risk Factors — Risks Relating to Our Business — We have not purchased any insurance to cover our main assets, properties and business and our limited insurance coverage could expose us to significant costs and business disruption" for details.

PROPERTIES

As of the Latest Practicable Date, we operated our businesses through 30 leased properties in China, Brazil, Hong Kong, India, Indonesia, Japan, Singapore and the United States. Our leased properties in China serve as our offices, research and development centers, and customer service centres, while those in overseas countries serve as our offices. These properties are used for non-property activities as defined under Rule 5.01(2) of the **[REDACTED]** and are principally used as office premises for our business operations. We believe that, given that we have outsourced the manufacturing of our smartphones, and there is sufficient supply of properties in China and the countries and regions in which we have offices, we do not rely on the existing leases for our business operations.

Our leased properties have a total gross floor area of approximately 24,877 square meters, and range from a gross floor area of approximately 13 square meters to 6,454 square meters. The relevant lease agreements have lease expiration dates ranging from July 31, 2016 to June 30, 2021, with renewal options.

As of the Latest Practicable Date, lessors of six of our leased properties in China have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the Latest Practicable Date, out of the 22 properties we leased in China, we had completed one lease registration. We were in the process of obtaining lease registration for another property, and we had not obtained lease registration for the remaining properties, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable

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steps to ensure that such leases are registered. Our PRC Legal Advisor has advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. The estimated total maximum penalty is RMB200,000.

According to Section 6(2) of the Companies Ordinance (Exemption of Companies and **[REDACTED]** from Compliance with Provisions) Notice, this **[REDACTED]** is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that as of June 30, 2016, each of our property interests had a carrying amount below 15% of our consolidated total assets.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We engage contract manufacturers to produce our smartphones and we do not operate any production facilities. In addition, we engage third parties to transport and store our finished products. Therefore, we are not subject to significant health, safety or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

Non-Compliance with Requisite License

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation. There are no legal, arbitral or administrative proceedings before any court current or pending against, or involving the properties, or the businesses of our Company or to which any of the properties or members of our Company is subject. However, we may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business.

During the Track Record Period and up to the Latest Practicable Date, we have had incidents of non-compliance relating to the operation of *Meipai*. As required by the applicable PRC laws and regulations, any entity that conducts the business of providing Internet audio-visual program services shall hold a License for Transmission of Audio-Visual Programs through Information Network (信息網絡傳播視聽節目許可證) (the "**Audio-Visual License**"). Meipai Technology, a subsidiary of our consolidated affiliated entity, Meitu Networks, operates our *Meipai* business and is required to hold an Audio-Visual License.

Beijing Rongxin Tiancheng Technology Ltd. ("**Rongxin Tiancheng**"), later renamed as Meipai Technology, held an Audio-Visual License. In October 2014, we, through Meitu Networks, our consolidated affiliated entity, acquired Rongxin Tiancheng and changed its name to Beijing Meitu Networks Technology Company ("**Beijing Meitu Networks**"). In February 2016, we changed the name of Beijing Meitu Networks to Meipai Technology, and changed its registered legal address from Beijing to Xiamen. However, under the applicable PRC laws and regulations, we are required to update the Audio-Visual License to reflect any changes in the name and address of its holder and other registration information. As of the Latest Practicable Date, we have made all the requisite regulatory filings for updating the Audio-Visual License to reflect Meipai Technology's information, and are waiting for the relevant government approvals to complete the update. The maximum penalties for continuing Meipai operations through Meipai Technology prior to the completion of the update of the Audio-Visual License include revocation of the Audio-Visual License and cessation of any related operations.

We, assisted by our PRC Legal Advisors, Jingtian & Gongcheng, conducted an interview with the relevant government authority, the Fujian Provincial Administration of Press, Publication, Radio, Film and Television, in

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August 2016, who provided confirmation that they had not found any situation where Meipai Technology would be fined or received any regulatory actions due to any violation of the laws and regulations up to the time of the interview. Our PRC Legal Advisors, Jingtian & Gongcheng, have advised us that, based on these communications with relevant government authorities, the chance of us receiving fines, regulatory actions or penalties because of the above incident is remote. Our Directors are of the view that the above non-compliance incident did not and will not have a material adverse effect on our business, financial condition or results of operations.

We have engaged an independent internal control consultant to review our internal control measures and make recommendations. Among other things, our internal control consultant reviewed our license update and renewal procedures. Based on the recommendations of our internal control consultant, we have implemented enhanced procedures, including proper documentation and more efficient internal approval process for license updates and renewals. In addition, our Directors believe that we have established adequate internal control measures to ensure that we will be able to obtain and maintain all the material government filings, approval and permits required for our business operation. Such measures include:

- establishing an audit committee comprising independent non-executive Directors to supervise our internal control systems;

- our legal department will continue to oversee our legal and regulatory compliance related matters, including closely monitoring any updates to applicable laws and regulations;

- we will retain external legal advisor(s) to advise on compliance matters when necessary; and

- developing additional measures, including implementation of internal policies and provision of training programs to the relevant personnel.

Views of Our Directors and Joint Sponsors on Non-Compliance

Our Directors take the view that no non-compliance incidents had a material adverse effect on our business, financial condition or results of operations during the Track Record Period. We have adopted internal control measures to prevent future non-compliance. The Joint Sponsors concur with the Directors' view that no non-compliance incidents had a material adverse effect on our business, financial condition or results of operations during the Track Record Period, having considered the implementation of the enhanced internal policies and measures by us.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information system, internal control and human resources management.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our financial department staff to ensure that they understand our accounting policies.

As of June 30, 2016 our finance department consisted of 22 employees. It is headed by our vice president of finance, who has more than 15 years of experience in financial reporting.

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Information System Risk Management

Sufficient maintenance, storage and protection of user data and other related information is critical to our success as an app developer and game publisher. We have implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

Our IT operation and maintenance department, currently consisting of 26 employees, is responsible for ensuring that the usage, maintenance and protection of user data are in compliance with our internal rules and the applicable laws and regulations. The head of our information technology department has over 10 years of experience in the area, and each of our information technology managers has more than five years of relevant experience. We provide regular trainings to our information technology team and hold weekly meetings to review our information technology operations and discuss any issues or necessary updates.

Our user data protection procedure is set forth in our *Data Back-up Management Manual and Information Security Management Policy*. We collect, use and store our user data in a centralized data centre, and back-up such data on a daily basis in separate and various secured data back-up systems to minimise the risk of user data loss or leakage. We also conduct frequent reviews of our data centre and back-up systems to ensure that they function properly and are well maintained.

In addition, we implemented a set of *Information System Internal Control Management Procedures* to mitigate the risks involved in the management of our day-to-day operation data and information. Procedures such as regular system check, password policy, user authorization review and approval and data back-up, as well as data recovery test, are adopted to safeguard our information assets and ensure the proper management of our operational data.

We also implemented a set of system development and change management policy to mitigate the risks of improper system changes. We have established control measurements during the system development life cycle and used the version control policy to ensure that all the changes to the system are tested and only the latest approved system version will be implemented in our IT system's production environment.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations.

In accordance with these procedures, our in-house legal department, which consists of eight employees with an average of five years of experience in internal control, performs the basic function of reviewing and updating the form of contracts we enter into with our users, distribution channels and suppliers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have in place detailed internal procedures to ensure that our in-house legal department reviews our products and services, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

For IP related issues, we have devoted and specialized outside IP legal advisors, in addition to our in-house legal department, to assist us in registering, and applying and reviewing the relevant patent and trademark rights of our IPs.

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We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. We have a training center which regularly organizes internal training sessions conducted by senior employees or outside consultants on topics of interest that employees can vote on. The training center, run by senior management members, schedules regular trainings, reviews the content of the trainings, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these trainings, we ensure that our staff's skill sets remain up-to-date and enable them to discover and meet our customers' needs.

We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud-prevention mechanism, negligence and corruption. We provide employees with regular trainings and resources to explain the guidelines contained in the employee handbook.

We also have in place an Anti-Corruption Policy to safeguard against any corruption within our Company. The policy explains potential corruption conducts and our anti-corruption measures. We make our internal reporting channel open and available for our staff to report any corruption acts, and our staff can also make anonymous reports to our internal audit department. Our internal audit department is responsible for investigating the reported incidents and taking appropriate measures.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, namely Mr. Zhou Hao, Mr. Ko Chun Shun Johnson and Dr. Guo Yihong. Mr. Zhou and Mr. Ko are independent non-executive Directors and Dr. Guo is a non-executive Director. Mr. Zhou Hao is the chairman of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see "Directors and Senior Management — Directors".

We also maintain an internal audit department which is responsible for preparing and implementing risk management policies, reviewing the effectiveness of such polices and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the Board if necessary.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

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LICENSES AND PERMITS

Our Directors, as advised by our PRC Legal Advisor, confirm that as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in China, except as disclosed in this **[REDACTED]**. The following table sets forth details of our material licenses and permits:

License/Permit	Holder	Grant Dates	Expiration Dates	Description of the License/Permit
Registration Certificate of Customs Declaration Entities (海關報關單位註冊登記證書)	Meitu Mobile	September 9, 2014	Not applicable	Registration certificate for customs declaration
China Compulsory Certifications (中國國家強制性產品認證證書)	Meitu Mobile	Ranging from May 20, 2015 to May 29, 2016	Ranging from May 13, 2020 to May 20, 2020	Certificate for the manufacture, sales and export of smartphones
Radio Transmission Equipment Type Approval Certifications (無線電發射設備型號核准證)	Meitu Mobile	Ranging from September 10, 2013 to July 13, 2016	Ranging from September 9, 2018 to May 17, 2021	Certificate for the sale of radio transmission equipment such as smartphones
Network Access License for Telecommunications Equipments (電信設備進網許可證)	Meitu Mobile	Ranging from September 29, 2013 to May 30, 2016	Ranging from September 29, 2016 to May 30, 2019	License for the access and use of public telecommunications networks using smartphones
Value-added Telecommunication Business License (增值電信業務經營許可證) .	Meitu Networks	March 14, 2016	June 6, 2019	License for providing information services via the Internet and mobile networks
Online Culture Operating License (網絡文化經營許可證)	Meitu Networks	June 28, 2016	August 19, 2018	License for operation of online games
Value-added Telecommunication Business License (增值電信業務經營許可證)	Meipai Technology	August 8, 2016	August 8, 2021	License for providing information services via the Internet and mobile networks
Online Culture Operating License (網絡文化經營許可證)	Meipai Technology	August 16, 2016	August 9, 2019	License for operating Internet cultural business
License for Transmission of Audio-Visual Programs through Information Network (信息網絡傳播視聽節目許可證)[1]	Meipai Technology	October 21, 2014	October 21, 2017	License for online audio-visual program service

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[1] Meipai Technology is in the process of updating the License for Transmission of Audio-Visual Programs through Information Network. For details, see "— Legal Proceedings and Compliance — Non-Compliance with Requisite License".

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AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our products. Some of the significant awards and recognition we have received are set forth below.

Award/Recognition	Award Year	Awarding Institution/Authority	Entity/Product
2012 Top 10 China Internet Technnology Innovation Award	2013	Internet Society of China	*MeituPic*
2012 Photography App of the Year Award	2013	PConline.com	*MeituPic*
Company of the Year 2014	2014	Golden Eagle Internet Festival	Meitu Networks
Best Innovation Companies Top 50 of 2014	2014	FastCompany	Meitu
Excellent Photo Apps of China of the Year	2015	Baidu Mobile	*MeituPic* and *Meipai*
Internet Service with the Highest Market Penetration of 2014	2015	Global Times	*Meipai*
Top 10 China Copyright Owner	2015	Copyright Protection Center of China	Meitu Home
Tencent Top 10 Popular Apps	2015	Tencent	*Meipai*
Xiamen Siming District Science and Technology Innovation Award — First Prize	2015	Government of Xiamen Siming District	*BeautyCam*
Best Business Partner Award — Social Media Platform	2015	Semk Products	Meitu Home
"Beauty" Award of Global Tech Appraisal 2015	2016	Huanqiu.com	Meitu Smartphones V4 Model
Tencent Most Popular App Award 2015	2016	Tencent	*BeautyCam*