meitu

Meitu, Inc.

美图公司

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

(Stock code: 1357)

DISCLOSEABLE TRANSACTION ACQUISITION OF 31% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

THE ACQUISITION

On 19 February 2019, the Company, Leyou, the Purchaser (a direct wholly-owned subsidiary of the Company) and the Vendor (a direct wholly-owned subsidiary of Leyou) entered into the Share Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, which represent 31% of the issued share capital of the Target Company, for a total consideration of HK$2,686,577,470. Pursuant to the Share Purchase Agreement, the Consideration will be satisfied by the allotment and issue of the Consideration Shares by the Company to Leyou under a specific mandate at the issue price of HK$2.71 per Consideration Share. The Consideration Shares will, upon issue, represent (i) approximately 23.58% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 19.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, subject to Completion and assuming that there will be no change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

The Consideration Shares will be allotted and issued pursuant to a specific mandate. The EGM will be convened for the Shareholders to consider and, if thought fit, approve the grant of the specific mandate for the allotment and issue of the Consideration Shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Share Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of Consideration Shares under the specific mandate). As such, no Shareholder will be required to abstain from voting on the resolution(s) to approve the grant of the specific mandate at the EGM.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares in due course.

A circular containing, among other things, details of (i) the Share Purchase Agreement and the transactions contemplated thereunder; (ii) the specific mandate for the allotment and issue of the Consideration Shares; and (iii) a notice convening the EGM, will be despatched to the Shareholders in due course in accordance with the Listing Rules and the constitutional documents of the Company.

Completion is subject to the satisfaction of the conditions precedent to the Share Purchase Agreement and there is no assurance that such conditions precedent will be fulfilled. Therefore, the transactions contemplated under the Share Purchase Agreement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any securities of the Company.

INTRODUCTION

Reference is made to the joint announcement of Leyou and the Company dated 28 January 2019 in relation to, among other things, the memorandum of understanding dated 28 January 2019 and entered into between Leyou and the Company in relation to the possible acquisition by the Company (either itself or through a subsidiary) of shares in the Target Company from Leyou.

On 19 February 2019, the Purchaser, the Vendor, the Company and Leyou entered into the Share Purchase Agreement, the principal terms of which are as follows:

THE ACQUISITION

Date

19 February 2019

Parties

Purchaser:	Meitu Investment Ltd, a direct wholly-owned subsidiary of the Company
Vendor:	Dream Beyond Holdings Limited, a direct wholly-owned subsidiary of Leyou
Purchaser's guarantor:	the Company
Vendor's guarantor:	Leyou

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be acquired

Pursuant to the Share Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, which represent 31% of the issued share capital of the Target Company.

As at the date of this announcement, the Target Company is wholly-owned by the Vendor. Upon Completion, the Target Company will be owned as to 69% by the Vendor and 31% by the Purchaser.

Consideration

The Consideration for the Sale Shares is HK$2,686,577,470, which shall be satisfied by the allotment and issue of 991,357,000 Consideration Shares, credited as fully paid, to Leyou at the issue price of HK$2.71 per Consideration Share.

The Consideration was determined based on arm's length negotiations between the Company and the Vendor, taking into account (i) the consolidated net profit after tax of US$32,419,000 and US$40,609,000 of the Target Company for the two years ending 31 December 2016 and 2017, respectively; (ii) the historical financial performance of the Target Group; (iii) an assessment on the prospects of the international video game industry by the Company's management; (iv) the future development of the Target Group, in particular the reputation and development capability as an "AAA studio" and the prospects of its existing self-developed title that employs a cross-platform strategy; and (v) the benefits to be derived by the Group from the Acquisition as described under the paragraph headed "Reasons for and benefits of the Acquisition" in this announcement.

Consideration Shares

The issue price of HK$2.71 per Consideration Share represents:

a) a discount of approximately 12.30% to the closing price of HK$3.09 per Share as quoted on the Stock Exchange on 19 February 2019, being the date of the Share Purchase Agreement; and

b) a discount of approximately 13.42% to the average closing price of HK$3.13 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Purchase Agreement.

The issue price per Consideration Share was arrived at upon arm's length negotiation between the Purchaser and the Vendor with reference to the average closing price of HK$2.71 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to the date of the Share Purchase Agreement.

The Consideration Shares will, upon issue, represent (i) approximately 23.58% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 19.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, subject to Completion and assuming that there will be no change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought from the Shareholders at the EGM and shall, on the date of allotment and issue, rank *pari passu* in all respects with the Shares in issue.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares in due course.

Lock-up of the Consideration Shares

Pursuant to the Share Purchase Agreement, Leyou shall not dispose of or otherwise create any encumbrance over the Consideration Shares in whole or in part during the period commencing from the date of Completion and ending on the date falling 180 days immediately after the date of Completion (both days inclusive) (the "**Lock-up Period**"). If Leyou disposes of any of the Consideration Shares after the Lock-up Period but on or before the first anniversary of the last day of the Lock-up Period (the "**Trigger Event Date**"), the Vendor shall, within three business days of the Trigger Event Date, notify the Purchaser by serving a written notice (the "**Notice**"), and the Purchaser may, within 20 business days of the Trigger Event Date, exercise the option (the "**Put Option**") on only one occasion to request the Vendor to redeem all or any part of the Sale Shares from the Purchaser at a redemption price comprising (i) the Consideration with respect to such Sale Shares to be redeemed; (ii) 10% interest per annum (calculated from the date of Completion) on the Consideration with respect to such Sale Shares to be redeemed; plus (iii) all declared but unpaid dividends in respect of the Sale Shares up to the date of the redemption, proportionally adjusted for share subdivisions, share dividends, reorganisations, reclassifications, consolidations or mergers. If the Vendor fails to deliver the Notice to the Purchaser in a timely manner pursuant to the Share Purchase Agreement, the Put Option may be exercised by the Purchaser over one or multiple occasions at any time by serving a notice on the Vendor.

Dividend rights

Pursuant to the Shareholders Agreement expected to be signed by the Vendor, the Purchaser and the Target Company prior to Completion, no dividends shall be declared by any member of the Target Group in respect of its consolidated net profits for the 12 months ended 31 December 2018. If the consolidated net profits of DE Canada (as defined below) and its subsidiaries (the "**DE Group**") for the 12 months ending 31 December 2019 exceed US$40 million (before taking into account any employee bonus other than payment under the existing bonus scheme of DE Canada (as defined below), if any), the Target Company and each member of the Target Group shall declare and pay a dividend in the amount of all such net profits of the DE Group in excess of US$40 million (before taking into account any employee bonus other than payment under the existing bonus scheme of DE Canada (as defined below), if any) to its respective shareholders such that the Purchaser shall receive its pro rata share of all such net profits of the DE Group in the form of dividend payout from the Target Company. If the annual net profits of the DE Group are US$40 million or less (before taking into account any employee bonus other than payment under the existing bonus scheme of DE Canada (as defined below), if any), the Vendor and the Purchaser shall discuss in good faith to determine the amount of dividend to be declared with reference of the business situation of the DE Group. For any financial year subsequent to the 12 months ending 31 December 2019, the Target Company and each member of the Target Group shall declare and pay a dividend of no less than 50% of the consolidated annual net profits of the DE Group (before taking into account any employee bonus other than payment under the existing bonus scheme of DE Canada (as defined below), if any) for such financial year to its respective shareholders such that the Purchaser shall receive its pro rata share of all such net profits of the DE Group in the form of dividend payout from the Target Company; provided that if the consolidated net profits of the DE Group for any financial year are less than US$20 million (before taking into account any employee bonus other than payment under the existing bonus scheme of DE Canada (as defined below), if any), none of the Target Company or members of the Target Group shall declare or pay any dividend for that financial year (unless otherwise agreed between the Vendor and the Purchaser in writing).

Guarantee

The Vendor's guarantor, Leyou, has undertaken to irrevocably and unconditionally: (a) guarantees to the Purchaser as primary obligor the due and punctual performance and observance by the Vendor of all the agreements, obligations, commitments and undertakings contained in or implied under the Share Purchase Agreement and each of the Transaction Documents that shall be performed and observed by the Vendor (the "**Vendor's Guaranteed Obligations**"); and (b) indemnifies the Purchaser against all liabilities, losses, damages, costs and expenses which the Purchaser may now or in the future suffer or incur consequent on or arising directly or indirectly out of any breach or non-observance by the Vendor of any of the Vendor's Guaranteed Obligations.

The Purchaser's guarantor, the Company, has undertaken to irrevocably and unconditionally: (a) guarantees to the Vendor as primary obligor the due and punctual performance and observance by the Purchaser of all the agreements, obligations, commitments and undertakings contained in or implied under the Share Purchase Agreement and each of the Transaction Documents that shall be performed and observed by the Purchaser (the "**Purchaser's Guaranteed Obligations**"); and (b) indemnifies the Vendor against all liabilities, losses, damages, costs and expenses which the Vendor may now or in the future suffer or incur consequent on or arising directly or indirectly out of any breach or non-observance by the Purchaser of any of the Purchaser's Guaranteed Obligations.

Conditions precedent

Completion shall be conditional upon fulfillment of the certain conditions precedent including:

a) trading in the Shares on the Stock Exchange not having been withdrawn from the Stock Exchange or being suspended for any period of more than fourteen (14) consecutive trading days (other than in relation to the Acquisition or circumstances under which the Company is required to make an announcement pursuant to Chapters 13, 14 or 14A of the Listing Rules) on or before Completion and no indication being received in writing on or before Completion from the Securities and Futures Commission or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to as a result of the Completion or in connection with the terms of any Transaction Document;

b) all necessary approvals, consents and authorisations from the shareholders of the Company and Leyou, as the case may be, for the Transaction Documents and transactions contemplated thereunder, including the transfer of the Sale Shares and the issue and allotment of the Consideration Shares, having been obtained and remaining in full force and effect;

c) the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Consideration Shares (the "**Listing Approval**") and such Listing Approval not being revoked prior to Completion;

d) all necessary approvals, consents, waivers and/or authorisations required under all applicable laws and regulations and relevant authorities (including without limitation, all applicable laws, regulations and authorities of Hong Kong and Canada), the Stock Exchange and the Listing Rules in connection with the Acquisition and/or implementation thereof and all other matters incidental thereto having been obtained and remaining in full force and effect;

e) no governmental authority of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law (whether temporary, preliminary or permanent) that has the effect of making the Acquisition illegal or other prohibiting consummation of the Acquisition;

f) the Vendor, Leyou and the Target Group having obtained all consents from the relevant third parties that are necessary for the execution and performance of the Transaction Documents;

g) all representations and warranties made by the Vendor and the Purchaser remaining true and accurate in all material respects and not misleading, in each case as at Completion by referring to the facts and circumstances subsisting;

h) there not having occurred any material adverse change in respect of the Target Group after signing of the Share Purchase Agreement or at any time up to and including the date of Completion (for the avoidance of doubt, material adverse change in respect of the Target Group includes but is not limited to certain key employees leaving employment with the Target Group);

i) there not having occurred any material adverse change in respect of the Company after signing of the Share Purchase Agreement or at any time up to and including the date of Completion (for the avoidance of doubt, material adverse change in respect of the Company includes but is not limited to certain key employees leaving employment with the Company, and does not include (i) any fluctuation of the price of the Shares traded on the Stock Exchange and (ii) the occurrence of any facts or circumstances fairly and accurately disclosed by the Company on the website of the Stock Exchange prior to the execution of the Share Purchase Agreement);

j) the Purchaser, the Vendor, the Company and Leyou having performed and complied with all agreements, obligations and conditions contained in the Share Purchase Agreement and any of the Transaction Documents that are required to be performed or complied with by them on or before Completion;

k) the execution and delivery of the Shareholders Agreement by the Vendor and the Target Company; and

l) the execution and delivery of the employment, non-competition and confidentiality agreements of certain key employees of the Target Group to be dated and effective commencing from the date of Completion in such form satisfactory to the Purchaser.

In the event that any of the above conditions precedent (except for those being waived in accordance with the Share Purchase Agreement, if any) is not fulfilled on or before 30 June 2019 (or such other date as agreed between the parties), the Share Purchase Agreement shall lapse and be of no further effect.

Nomination of director

Pursuant to the Share Purchase Agreement, if so required by the Vendor, the Company agrees to, by procuring the necessary board resolutions, cause one person as the Vendor may nominate to be validly appointed as a non-executive director of the Company, with effect from the fifth business day falling immediately after the date of Completion, subject to the requirements of the Listing Rules, the articles of association of the Company and the terms of reference of the nomination committee of the Company.

Completion

Completion of the Acquisition shall take place on the fifth (5th) business day after the date on which all the conditions precedent have been fulfilled (or waived, as the case may be), or such other date as agreed between the Vendor and the Purchaser in writing.

THE SHAREHOLDERS AGREEMENT

Pursuant to the Share Purchase Agreement, the execution and delivery of the Shareholders Agreement is a condition precedent to Completion. In addition to the dividend rights stated above, the Shareholders Agreement will contain various customary rights for protection of the Company's minority interest in the Target Company.

Board of directors

The Shareholders Agreement will stipulate that the Target Company shall have a board of directors consisting of three directors. The Purchaser shall be entitled to appoint one director of the total number of directors to the board of the Target Company and each of its subsidiaries.

Pre-emptive rights and anti-dilution

Unless otherwise prohibited by any laws, rules or regulations (including the Listing Rules and any guidance issued thereunder), if the Target Company proposes to obtain any new investment in the capital of the Target Company (except for (i) securities issued in connection with a bona fide acquisition of another business; (ii) securities issued in connection with any share split, share dividend, combination, recapitalisation or similar transaction of the Target Company; or (iii) stock or share options granted to or to be granted to employees of any member of the Target Group) (the "**New Investment**"), the Target Company shall first offer each of the Purchaser, the Vendor and any shareholder of the Target Company who becomes a party to the Shareholders Agreement on a pro-rata basis a right to invest up to its pro-rata shareholding of such New Investment in accordance with the Shareholders Agreement.

Right of first refusal

The Shareholders Agreement will provide that if any shareholder of the Target Company (the "**Selling Target Shareholder**") proposes to sell or otherwise deal with or dispose of any shares or other equity interest of any member of the Target Group (the "**Offered Shares**") to any third party (other than a competitor) (the "**Transferee**"), then all other shareholders of the Target Company shall have a right of first refusal to purchase such Offered Shares in accordance with the Shareholders Agreement.

Co-sale right

The Shareholders Agreement will provide that, subject to the drag-along right as described below, if the Purchaser does not exercise its right of first refusal to acquire any of the Offered Shares, the Purchaser shall have the right, but not the obligation, to participate in the sale of such Offered Shares to the Transferee for the same price and on the same terms as the Selling Target Shareholder in accordance with the Shareholders Agreement.

Drag-along right

The Shareholders Agreement will also contain a drag-along right whereby if the Vendor proposes to sell to a third party 50% or more of the shares of the Target Company, the Vendor shall have the right but not the obligation to require the Purchaser (by way of a drag along notice to the Purchaser) to sell the same proportion of its shareholding in the Target Company as the Vendor proposes to sell on the same terms and conditions, provided that the Target Company is valued at US$1,366,020,500 (being 130% of the valuation of the Target Company at the time of the entering into of the Share Purchase Agreement) or 10 times the EBITDA of the Target Company on a trailing 12 months basis before the date of the drag-along notice, whose calculation shall be based on the consolidated audited financial figures for such period (whichever is higher); provided, however, in the event that the exercise of any drag-along right by the Vendor would constitute a major transaction or a very substantial disposal or any other similar transaction of the Company, which would require approval by the Shareholders pursuant to the Listing Rules or any other securities laws or rules applicable to it (collectively, the "**Applicable Securities Laws**"), no drag-along right shall be exercisable by the Vendor unless the Company has obtained all applicable Shareholders and/or regulatory approval as may be required under the Applicable Securities Laws.

INFORMATION ABOUT THE VENDOR

The Vendor is a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Leyou. Leyou is a company incorporated under the laws of the Cayman Islands with limited liability whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 1089). Leyou and its subsidiaries are principally engaged in the development and publishing of online multiplayer video games for both PC and console platforms.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

INFORMATION ABOUT THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company. The Group comprises mobile Internet companies that offer a portfolio of innovative photo and community apps that enjoys popularity in the PRC and overseas, and are principally engaged in the provision of online advertising and other Internet value-added services.

INFORMATION ABOUT THE TARGET GROUP

The Target Company is a company incorporated under the laws of the British Virgin Islands, and is an indirect wholly-owned subsidiary of Leyou. Digital Extremes Ltd. ("**DE Canada**") is a company incorporated under the laws of the Province of Ontario, Canada, and is indirectly owned as to 97% by the Target Company. DE Canada and its direct wholly-owned subsidiary, Digital Extremes US, Inc., are principally engaged in the development of video games for both PC and console platforms such as PS4, Xbox One and Nintendo Switch. Warframe, a game developed and published by DE Canada, is one of the 100 top-selling games of 2018 on Steam, the largest digital marketplace for PC games.

Set out below is a summary of the audited consolidated financial information of the Target Company for the two years ending 31 December 2016 and 2017:

	For the year ending 31 December 2016 *(US$'000)*	**For the year ending 31 December 2017** *(US$'000)*
Net profit (loss) before tax	41,968	55,793
Net profit (loss) after tax	32,419	40,609

As at 31 December 2017, the Target Company had audited consolidated net assets of approximately US$38,089,000. As at 30 June 2018, the Target Company had unaudited consolidated net assets of approximately US$64,359,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of online advertising and other Internet value-added services by offering a portfolio of innovative photo and community apps that enjoys popularity in the PRC and overseas. The Leyou Group is principally engaged in the development and publishing of online multiplayer video games for PC and console platforms.

Through this Acquisition, the Group aims to expand its business lines and diversify its income streams geographically in order to maximise the interests of the Group and the Shareholders as a whole. The Group is also leveraging its large user base both in the PRC and overseas to explore potential areas of strategic cooperation with the Leyou Group, which has extensive experience in gaming, to strategically design, market and distribute games by reference to the age, gender and preference of the Group's large base of loyal users. As such, the Directors consider that the Acquisition is on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CHANGE OF SHAREHOLDING STRUCTURE OF THE COMPANY UPON COMPLETION

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the date of the Completion and the allotment and issue of the Consideration Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO), are as follows:

	As at the date of this announcement		**Immediately upon Completion and the allotment and issue of the Consideration Shares**	
	No. of Shares	**Approximate % of issued Shares**	**No. of Shares**	**Approximate % of issued Shares**
Longlink Capital Ltd[(1)]	620,000,000	14.7463%	620,000,000	11.9327%
Baolink Capital Ltd[(1)]	506,600,000	12.0492%	506,600,000	9.7502%
Xinhong Capital Limited[(1)]	566,666,670	13.4778%	566,666,670	10.9063%
Mr. Wu Zeyuan	1,280,000	0.0304%	1,280,000	0.0246%
Dr. Lee Kai-Fu	32,994,151	0.7847%	32,994,151	0.6350%
Kingkey Enterprise Holdings Limited[(2)]	417,120,680	9.9210%	417,120,680	8.0280%
Eastern Sun Enterprise Limited[(3)]	79,731,500	1.8964%	79,731,500	1.5345%
Mr. Chen Jiarong[(4)]	4,818,000	0.1146%	4,818,000	0.0927%
Ms. Liu Chenchen[(4)]	130,000	0.0031%	130,000	0.0025%
Vendor	—		991,357,000	19.0800%
Other public shareholders	1,975,097,943	46.9765%	1,975,097,943	38.0134%
Total	**4,204,438,944**	**100%**	**5,195,795,944**	**100%**

Notes:

(1) Pursuant to the concert party agreement entered into by, among others, Mr. Cai Wensheng and Mr. Wu Zeyuan (including, where applicable any entities directly or indirectly controlled by them that directly holds the Shares) on 17 August 2016, the entire interest of Xinhong Capital Limited is held by Easy Prestige Limited, which is in turn held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Wu Zeyuan. The entire interest of Baolink Capital Limited is held by Mr. Cai Wensheng and the entire interest of Longlink Capital Limited is held by Longlink Limited, which is in turn held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Cai Wensheng.

(2) Kingkey Enterprise Holdings Limited is owned as to 50% by Mr. Chen Jiarong.

(3) Eastern Sun Enterprise Limited is wholly-owned by Jubilee Prestige Investments Limited, which is in turn wholly-owned by Mr. Chen Jiarong.

(4) Ms. Liu Chenchen is the spouse of Mr. Chen Jiarong.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

The Consideration Shares will be allotted and issued pursuant to a specific mandate. The EGM will be convened for the Shareholders to consider and, if thought fit, approve the grant of the specific mandate for the allotment and issue of the Consideration Shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Share Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of Consideration Shares under the specific mandate). As such, no Shareholder will be required to abstain from voting on the resolution(s) to approve the grant of the specific mandate at the EGM.

GENERAL

A circular containing, among other things, details of (i) the Share Purchase Agreement and the transactions contemplated thereunder; (ii) the specific mandate for the allotment and issue of the Consideration Shares; and (iii) a notice convening the EGM, will be despatched to the Shareholders in due course in accordance with the Listing Rules and the constitutional documents of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of 31% equity interest in the Target Company by the Purchaser pursuant to the terms of the Share Purchase Agreement
"Board"	the board of Directors
"Company"	Meitu, Inc. (Stock Code: 1357), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the Share Purchase Agreement

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the total consideration for the Sale Shares in the amount of HK$2,686,577,470 pursuant to the Share Purchase Agreement
"Consideration Shares"	the new Shares which shall be allotted and issued by the Company to satisfy the Consideration in accordance with the Share Purchase Agreement
"Director(s)"	the director(s) of the Company
"EBITDA"	in respect of any financial year, the consolidated profit of a company as recorded in the audited consolidated financial statements of the company before taxation (excluding the results from discontinued operations) and: (a) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable, or capitalised by the company in respect of that relevant financial year; (b) not including any accrued interest owing to the company; (c) after adding back any amount attributable to the amortisation, depreciation or impairment of assets of the company (and taking no account of the reversal of any previous impairment charge made in that relevant financial year); and (d) before taking into account any extraordinary or exceptional items
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the grant of the specific mandate for the allotment and issue of the Consideration Shares
"Group"	the Company and its subsidiaries, together with Xiamen Meitu Networks Technology Co., Ltd. and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Leyou"	Leyou Technologies Holdings Limited (Stock Code: 1089), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Leyou Group"	Leyou and its subsidiaries

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China excluding Hong Kong, Macau and Taiwan
"Purchaser"	Meitu Investment Ltd, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Share Purchase Agreement"	The share purchase agreement dated 19 February 2019 entered into among the Vendor, the Purchaser, the Company and Leyou in respect of the Acquisition
"Sale Shares"	31 issued ordinary shares of the Target Company representing 31% of the total issued share capital of the Target Company as at the date of this announcement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Shares"	ordinary share(s) in the share capital of the Company with a par value of US$0.00001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders Agreement"	the shareholders agreement relating to the Target Group expected to be entered into by the Purchaser, the Vendor and the Target Company on a prior to Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Dreamscape Horizon Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Vendor as at the date of this announcement
"Target Group"	the Target Company and its subsidiaries
"Transaction Documents"	the Share Purchase Agreement, the Shareholders Agreement and any other documents contemplated in them

"Vendor"	Dream Beyond Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, being the vendor to the Share Purchase Agreement which wholly owns the Target Company as at the date of this announcement
"%"	Percent

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

Hong Kong, 19 February 2019

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