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meitu

Meitu, Inc.
美图公司

(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as “美图之家”)
(Stock Code: 1357)



LE YOU

LEYOU TECHNOLOGIES HOLDINGS LIMITED

樂遊科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1089)

JOINT VOLUNTARY ANNOUNCEMENT

MEMORANDUM OF UNDERSTANDING IN RELATION TO POSSIBLE ACQUISITION AND DISPOSAL

This is a joint announcement made by Meitu, Inc. (“**Meitu**”) and Leyou Technologies Holdings Limited (“**Leyou**”) on a voluntary basis.

INTRODUCTION

Meitu and its subsidiaries together with Xiamen Meitu Networks Technology Co., Ltd. and its subsidiaries (collectively, “**Meitu Group**”), are mobile Internet companies that offer a portfolio of innovative photo and community apps that enjoys popularity in the People’s Republic of China and overseas, and are principally engaged in the provision of online advertising and other internet value added services.

Leyou and its subsidiaries (collectively, “**Leyou Group**”) are principally engaged in the development and publishing of online multiplayer PC/console video games and is a leading player in the niche market of high quality PC/console free-to-play games.

Meitu and Leyou (each a “**Party**”, and collectively the “**Parties**”) have been exploring potential areas of strategic cooperation between them. One of the opportunities that the Parties have presently identified is the development by Leyou Group of various large-scale online games and casual games to target Meitu Group’s large base of loyal users, with such games designed by reference to the users’ age, gender and world view.

To facilitate their strategic cooperation described above, the Parties intend to become strategic investors of each other's group.

The respective boards of directors of Meitu and Leyou are pleased to announce that on 28 January 2019, Meitu and Leyou entered into a non-legally binding memorandum of understanding (the "**Memorandum**") which shall serve as a platform for further negotiation between the Parties in relation to the acquisition by Meitu (either itself or through a subsidiary) of shares in Dreamscape Horizon Limited, in consideration of new shares to be allotted and issued by Meitu to Leyou (or its designated nominee).

Dreamscape Horizon Limited (the "**Target**") 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 97% owned by the Target. 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.

THE MEMORANDUM

The principal terms of the Memorandum are as follows:

Date

28 January 2019

Parties

1. Meitu, as the purchaser; and
2. Leyou, as the vendor.

To the best of the knowledge, information and belief of the directors of Meitu having made all reasonable enquiry, Leyou and its ultimate beneficial owners are third parties independent of Meitu and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")).

To the best of the knowledge, information and belief of the directors of Leyou having made all reasonable enquiry, Meitu and its ultimate beneficial owners are third parties independent of Leyou and its connected persons (as defined in the Listing Rules).

Assets to be acquired and disposed

Pursuant to the Memorandum, Meitu (either itself or through a subsidiary) intends to acquire, and Leyou intends to sell (the “**Transaction**”), approximately 30% of the issued share capital of the Target (the “**Target Shares**”).

Consideration

The consideration payable by Meitu for the Target Shares shall be satisfied by the allotment and issue to Leyou (or its designated nominee) of new ordinary shares of Meitu representing up to approximately 20% of the issued share capital of Meitu on a fully diluted basis.

Due diligence

After the signing of the Memorandum, and up to and including 28 February 2019, or to such later date as the Parties may agree in writing (the “**Exclusivity Period**”), the Parties and their respective advisers and agents shall be entitled to conduct appropriate due diligence for the purposes of the consummation of the Transaction. The scope and timing of the due diligence shall be further agreed between the Parties.

Definitive agreement(s)

The Parties shall use reasonable endeavours to enter into the definitive agreement(s) in respect of the Transaction (the “**Definitive Agreement(s)**”), which shall contain such terms and conditions as are customary and appropriate for a transaction of this nature, on or before 28 February 2019, or such later date as the Parties may agree.

Exclusivity

The Transaction contemplated by the Memorandum shall be exclusive to the Parties for the duration of the Exclusivity Period.

During the Exclusivity Period, neither Party shall, without the prior written consent of the other Party, procure, negotiate and/or enter into discussions with any third party/parties, whether as principal or agent, for the purposes of entering into arrangements or transactions similar to those contemplated by the Memorandum and/or the Definitive Agreement(s).

Legal effect

The Memorandum is intended to be a summary evidencing the current intentions of the Parties with respect to the proposed Transaction as reflected in discussions to date. Except for general provisions such as exclusivity, confidentiality, costs, counterparts, governing law and jurisdiction, the Memorandum is not legally binding.

GENERAL

The transactions contemplated under the Memorandum, including without limitation the Transaction, are subject to further negotiation and the entering into of Definitive Agreement(s) between the Parties and may or may not proceed. The Transaction, should it materialize, may constitute a discloseable transaction for Meitu and a major transaction for Lyou. Further announcement(s) shall be made as and when appropriate in compliance with the Listing Rules.

Shareholders and potential investors of each of Meitu and Lyou are advised to exercise caution when dealing in the shares of Meitu and Lyou respectively.

By order of the board of directors of
MEITU, INC.

Cai Wensheng
Chairman

By order of the board of directors of
**LEYOU TECHNOLOGIES HOLDINGS
LIMITED**

Xu Yiran
Chairman and Chief Executive Officer

Hong Kong, 28 January 2019

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

As at the date of this joint announcement, the board of directors of Leyou comprises Mr. Xu Yiran (Chairman and Chief Executive Officer), Mr. Li Yang (Deputy Chairman), Mr. Gu Zhenghao and Mr. Cao Bo as executive directors, Mr. Eric Todd and Mr. Cheng Chi Ming Brian as non-executive directors, and Mr. Hu Chung Ming, Mr. Chan Chi Yuen and Mr. Kwan Ngai Kit as independent non-executive directors.