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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 "美圖之家")*

**(Stock Code: 1357)**

## **TERMINATION OF CONCERT PARTY AGREEMENT AND UNDERTAKING DUE TO PRC REGULATORY CHANGES**

On January 19, 2015, the PRC Ministry of Commerce published "The People's Republic of China Foreign Investment Law (Draft for Consultation Purposes) 《中華人民共和國外國投資法(草案徵求意見稿)》" (the "**2015 Consultation Draft**") which provided that, inter alia, an entity organized in a foreign jurisdiction shall ultimately be "controlled" by PRC citizen(s) in order to be treated as a PRC domestic entity for investment in the "restricted category" on the "negative list" to be issued.

With the purpose of ensuring that Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司) could be recognized as a domestic entity (such that it could continue to hold the ICP License to carry out its Internet-related businesses) if the 2015 Consultation Draft was to be promulgated in the then draft form, Mr. Wu, Mr. Cai and Ms. Wang entered into the Concert Party Agreement on August 17, 2016.

In addition, prior to the Company's listing on the Stock Exchange and to ensure that the Contractual Arrangements would likely continue to be in compliance with applicable PRC laws in light of the 2015 Consultation Draft, Mr. Wu and Mr. Cai had given the Undertaking to the Company on November 25, 2016. The Undertaking provided that it will be terminated if (among various termination grounds) compliance with the relevant requirements governing the Contractual Arrangements under the new Foreign Investment Law or applicable foreign investment laws as finally enacted is not required and the Stock Exchange has consented to this.

Given that (i) under the Foreign Investment Law which was adopted by the NPC on March 15, 2019, the Company is no longer required to comply with the relevant PRC laws and regulations governing the Contractual Arrangements under the 2015 Consultation Draft; and (ii) the Stock Exchange has given its consent to the termination of the Undertaking, the Undertaking was terminated in accordance with the terms thereof on November 29, 2019. In addition, the Concert Party Agreement was also terminated with the consent of the Company on the same day as a result of the termination of the Undertaking.

The Board confirms that there is no disagreement between Mr. Wu and Mr. Cai, and it does not foresee any material adverse impact on the Company's businesses and operations arising from the termination of the Concert Party Agreement and the Undertaking.

## **BACKGROUND OF ENTERING INTO THE CONCERT PARTY AGREEMENT AND THE UNDERTAKING**

The Concert Party Agreement and the Undertaking were originally entered into in anticipation of the potential nationality-related restrictions on ownership under the 2015 Consultation Draft.

On January 19, 2015, the PRC Ministry of Commerce published the 2015 Consultation Draft aiming to, upon its enactment, replace the major then existing laws and regulations governing foreign investment in the PRC. The 2015 Consultation Draft defined "actual control" as the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. The 2015 Consultation Draft also provided that if an entity is organized in a foreign jurisdiction but cleared by the relevant PRC government authority in charge of foreign investment in the PRC as "controlled" by PRC citizens, it will nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the "negative list" to be issued (subject to the examination of the relevant authority in charge of foreign investment).

In addition, according to the 2015 Consultation Draft, the term "foreign investments" explicitly includes investments made directly or indirectly by foreign investors in domestic enterprises via contractual arrangements or trust. The term "foreign investors" includes entities controlled by non-PRC nationals and hence domestic enterprises controlled by foreign investors will also be treated as "foreign investors".

With the purpose of ensuring that Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司) could be recognized as a domestic entity (such that it could continue to hold the ICP License to carry out its Internet-related businesses) if the 2015 Consultation Draft was to be promulgated in the then draft form, the Concert Group entered into the Concert Party Agreement on August 17, 2016 pursuant to which, among others:

- a) it was confirmed that since the inception of the Company at any prior period of time where any member of the Concert Group held interests in any companies or entities that comprise the Group, Mr. Wu as a founder, executive Director and the Chief Executive Officer of the Company, Mr. Cai as a founder, executive Director and the Chairman of the Company and Ms. Wang had always jointly effected their management and control of the Company as a unit and they had made decisions jointly and consistently and had always voted unanimously at all Board meetings and Shareholder meetings (as applicable), with Mr. Wu exhibiting the greatest degree of control over the discretion of their votes given his more active role in the day-to-day management of the Company as the Chief Executive Officer; and
- b) it was agreed that, consistent with the practice since the Company's inception, if Mr. Wu and Mr. Cai are unable to reach unanimous consensus at Board meetings and

Shareholder meetings (as applicable), Mr. Wu (a PRC national) will determine how Mr. Wu and Mr. Cai will vote.

In addition, as disclosed on pages 181 and 182 of the Prospectus, prior to the listing of the Company on the Stock Exchange and to ensure that the Contractual Arrangements would likely continue to be in compliance with applicable PRC laws in light of the 2015 Consultation Draft, Mr. Wu and Mr. Cai had given, jointly and severally, the Undertaking to the Company that during the subsistence of the Contractual Arrangements, they would use their best efforts to do and procure the Company and Mr. Wu to do all possible acts as are necessary to give effect to the Contractual Arrangements and/or to enable the continuation of business operations of the Group's PRC Operating Entities as a result of any impact due to the promulgation and implementation of any new foreign investment law in the PRC and other future laws and regulations relating to foreign investments in the PRC. Pursuant to the Undertaking:

- a) Mr. Wu and Mr. Cai undertook not to terminate the Concert Party Agreement without the prior written consent of the Company;
- b) Mr. Wu undertook to continue to maintain his Chinese nationality; and
- c) in the event of any transfer or disposal by any of Mr. Wu and Mr. Cai of a shareholding that may result in the transferee(s) acquiring "control" (as defined in the 2015 Consultation Draft or the new foreign investment law (as enacted), as the case may be) over the Company, they would (i) procure that the transferee(s) provide an undertaking on substantially the same terms and conditions as the one provided by them to the Company; and (ii) demonstrate to the reasonable satisfaction of the Company and the Stock Exchange that the Contractual Arrangements will continue to be viewed as a domestic investment under the 2015 Consultation Draft or the new foreign investment law (as enacted), as the case may be.

According to the terms thereof, the Undertaking would become effective from the date of the listing of the Shares on the Stock Exchange and will remain effective until the earlier of the occurrence of the following events: (i) Mr. Wu, being the person exhibiting the greatest degree of control over the direction of the votes of the Concert Group as confirmed by the Concert Party Agreement, ceasing to be a controlling shareholder and actual controller of Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司) or the Company; (ii) compliance with the relevant PRC laws and regulations governing the Contractual Arrangements under the applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted not being required and the Stock Exchange having consented to this; (iii) compliance with the Undertaking no longer being required, as advised by the Stock Exchange; or (iv) the Stock Exchange and any applicable Chinese regulatory departments having consented to such termination.

## **TERMINATION OF THE CONCERT PARTY AGREEMENT AND THE UNDERTAKING**

On March 15, 2019, the NPC adopted the Foreign Investment Law which will take effect on January 1, 2020. In this regard, the Company has received advice from its PRC legal advisors that: (i) the Foreign Investment Law does not contain any notion or provision regulating contractual arrangements as previously proposed under the 2015 Consultation Draft; (ii) the Foreign Investment Law does not envision any requirement that companies controlled pursuant

to contractual arrangements be controlled by PRC nationals; and (iii) the proposed termination of the Concert Party Agreement and the Undertaking would not affect the validity of the Contractual Arrangements.

The Undertaking provided that it will cease to have effect if effectively the Company is no longer required to comply with the relevant PRC laws and regulations governing the Contractual Arrangements under the applicable foreign investment laws as finally enacted, and the Stock Exchange has given its consent to the termination of the Undertaking. The Company's PRC legal advisors have advised the Company that based on the terms of the Undertaking, subject to the Stock Exchange granting its written consent, and given the PRC legal advisors' advice that the relevant PRC laws which would have underpinned the need of the Undertaking are no longer applicable to the Company in light of the Foreign Investment Law, the Undertaking has ceased to be in effect.

In view of the above, the Company has sought consent from the Stock Exchange that the Undertaking is to be terminated on the basis of the advice received from the Company's PRC legal advisors. The Company is pleased to confirm that the Stock Exchange gave such written consent on November 29, 2019.

Since the Concert Party Agreement and the Undertaking no longer serve their original purpose in light of the adoption of the Foreign Investment Law which will take effect on January 1, 2020, the Directors hereby inform the Shareholders that both the Concert Party Agreement and the Undertaking were terminated on November 29, 2019 as both documents were entered into in anticipation of the potential nationality-related restrictions on ownership under the 2015 Consultation Draft, none of which exists in the Foreign Investment Law as finally enacted.

The Board confirms that there is no disagreement between Mr. Wu and Mr. Cai, and it does not foresee any material adverse impact on the Company's businesses and operations arising from the termination of the Concert Party Agreement and the Undertaking.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings ascribed to them below, unless the context requires otherwise:

“2015 Consultation Draft”	“The People’s Republic of China Foreign Investment Law (Draft for Consultation Purposes) 《中華人民共和國外國投資法(草案徵求意見稿)》 ” published by the PRC Ministry of Commerce on January 19, 2015
“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

“Concert Group”	Mr. Wu, Mr. Cai and Ms. Wang (including, where applicable, any entities directly or indirectly controlled by them that directly holds the Shares)
“Concert Party Agreement”	the agreement entered into among the Concert Group on August 17, 2016, pursuant to which they have undertaken to, among other things, vote unanimously for any resolutions proposed at Board meetings and Shareholder meetings (as applicable) of the Company and have confirmed that they have acted in concert since the incorporation of the Company and at any prior period of time where any of them held interests in any companies or entities that now comprise the Group
“Contractual Arrangements”	the series of contractual arrangements entered into by the Group, details of which are described in the section headed “Contractual Arrangements” in the Prospectus
“Director(s)”	the director(s) of the Company
“Foreign Investment Law”	“The People’s Republic of China Foreign Investors Investment Law 《中華人民共和國外商投資法》” adopted by the NPC on March 15, 2019
“Group”	the Company, its subsidiaries and the PRC Operating Entities
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICP License”	Value-added Telecommunications Service Operating Permit for Internet information service
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cai”	Mr. Cai Wensheng (蔡文胜), our founder, Chairman, executive Director, one of our controlling shareholders and an authorized representative

“Mr. Wu”	Mr. Wu Zeyuan (吳澤源), also known as Mr. Wu Xinhong (吳欣鴻), our founder, Chief Executive Officer, executive Director and one of our controlling shareholders
“Ms. Wang”	Ms. Wang Baoshan, the spouse of Mr. Cai
“NPC”	the National People's Congress of the PRC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region, and Taiwan
“PRC Operating Entities”	Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司) and its subsidiaries and branches, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of the Company by virtue of the Contractual Arrangements
“Prospectus”	the Company's prospectus dated December 5, 2016
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Undertaking”	the undertaking given by Mr. Wu and Mr. Cai, jointly and severally, on November 25, 2016 to the Company pursuant to which, inter alias, during the subsistence of the Contractual Arrangements, Mr. Wu and Mr. Cai would use their best efforts to do and procure the Company and Mr. Wu to do all such acts as are necessary to give effect to the Contractual Arrangements and/or to enable the continuation of business operations of the Group's PRC Operating Entities as a result of any impact due to the promulgation and implementation of any new foreign investment law in the PRC and other future laws and

regulations relating to foreign investments in the PRC (the content of which is more particularly set out in the section headed "Contractual Arrangements" of the Prospectus)

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

Hong Kong, November 29, 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 (also known as Mr. Wen Chu).*