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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)

CONNECTED TRANSACTION ACQUISITION OF APPROXIMATELY 9.57% EQUITY INTEREST IN MEIDD TECHNOLOGY

THE ACQUISITION

On April 9, 2021, Meitu Networks, Kingkey Capital and Meidd Technology entered into the Acquisition Agreement, pursuant to which Meitu Networks has agreed to purchase, and Kingkey Capital has agreed to sell, an approximately 9.57% equity interest in Meidd Technology at an aggregate cash consideration of RMB19,133,200.

As at the date of this announcement, Meitu Networks is interested in approximately 33.11% of the equity interest in Meidd Technology.

Details of the Acquisition Agreement are set out below:

Date:

April 9, 2021

Parties:

- (1) Meitu Networks, as purchaser;
- (2) Kingkey Capital, as vendor;
- (3) Meidd Technology, as subject company.

Subject Matter of the Acquisition:

Approximately 9.57% equity interest in Meidd Technology.

Consideration and Payment:

The Consideration was determined based on arm's length negotiations between Meitu Networks and Kingkey Capital, taking into account, inter alia, (a) the valuation of Meidd Technology in its recent private financing round for existing shares as described below, (b) the Company's assessment on the prospects of software-as-a-service (“SaaS”) for the beauty industry in the PRC and (c) the benefits as described under the paragraph headed “Reasons for and benefits of the Acquisition” in this announcement.

In its previous round of financing in September 2020, Meidd Technology's existing shares were valued at RMB150 million. Since the Acquisition involves Meitu Networks acquiring approximately 9.57% equity interest in Meidd Technology from Kingkey Capital at a Consideration of RMB19,133,200, the effective valuation of Meidd Technology is approximately RMB200 million (the “**Valuation**”).

As Meidd Technology is not currently profitable, after arm's length negotiations between Meitu Networks and Kingkey Capital, the following were taken into account when determining the Valuation:

- Meidd Technology is an integrated mobile platform that provides merchant service and SaaS products to retail stores selling personal care and beauty products primarily located in lower-tier cities in the PRC. It started to expand into the beauty product supply chain business in early 2020 by leveraging its massive store network and big data consumer insights to distribute beauty-related products to retailers across its network. Since then, Meidd Technology has accelerated its growth as evidenced by its revenue increasing by approximately 216% in the second half of 2020 compared to the first half of 2020, due to effective strategic transformation and significant business development. This has, in turn, resulted in a modest increase in the valuation of Meidd Technology since its previous financing round in September 2020.
- The Company also identified several software companies that focus on retail or supply chain management such as SPS Commerce, Inc. (NASDAQ: SPSC), Upland Software, Inc. (NASDAQ: UPLD), China Youzan Limited (HKEX: 8083) and Weimob Inc. (HKEX: 2013) as comparable companies (the “**Comparable Companies**”) on a non-exhaustive basis, because they are all listed companies with publicly available financial information and primarily engage in a business model that is similar to that of the Meidd Technology, namely, the business of providing cloud-based software product and commercial services. As the number of public companies that provide similar services with the same regional coverage are limited, the Company selected the Comparable Companies that have operations globally.
- As Meidd Technology is not currently making a profit, a price-to-sales ratio was also taken into account when determining the Valuation. Based on Meidd Technology's financial results for year 2020, the implied price-to-sales ratios for the Acquisition was approximately 3.7 times, compared to the Comparable Companies' range of between approximately 4.8 times and 17.4 times calculated with reference to the market prices of the Comparable Companies as at December 31, 2020. The Directors believe that the discount in the Valuation relative to the Comparable Companies is justified as Meidd Technology is unlisted and its scale is significantly smaller than the Comparable Companies. Also, the Acquisition involves acquiring existing shares from Kingkey Capital and thus a liquidity discount has also been taken into account.

Having considered the above, the Directors believe that the Consideration is fair and reasonable. The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

The Consideration shall be settled by Meitu Networks in cash in the following manner:

- (A) 50% of the Consideration shall be payable by Meitu Networks to Kingkey Capital within 5 business days after Completion; and
- (B) the remaining 50% of the Consideration shall be payable by Meitu Networks to Kingkey Capital within 5 business days after completion of the registration of the relevant share transfer with the relevant PRC authority.

The original cost paid by Kingkey Group for the Acquisition Shares was approximately RMB20 million.

Conditions Precedent

The obligations of Meitu Networks to consummate the Acquisition shall be conditional upon the fulfillment (or waiver by Meitu Networks) of each of the following conditions precedent:

- (a) the representations and warranties made by Kingkey Capital in the Acquisition Agreement shall have been true and accurate;
- (b) Meidd Technology and Kingkey Capital shall have performed and complied with all the agreements, obligations and conditions applicable to them as set out in the Acquisition Agreement on or before the date of Completion;
- (c) the execution, delivery and performance by Meidd Technology and Kingkey Capital of the Acquisition Agreement and the transactions contemplated thereunder have been duly authorized by all necessary actions on their part as required by the governing laws of their jurisdiction of incorporation/establishment;
- (d) all necessary approvals, consents, notifications, filings or registrations required (i) by all applicable laws or governmental departments or regulatory authorities (including without limitation, the Stock Exchange or the SFC), or (ii) in accordance with the provisions of any binding contracts of Meidd Technology or Kingkey Capital, or (iii) in accordance with the provisions of any contracts that applies or has any restrictions on the assets of Meidd Technology or Kingkey Capital, or (iv) for the execution, delivery and performance by Meidd Technology and Kingkey Capital of the Acquisition Agreement and the transactions contemplated thereunder or any other agreements entered into between any of them with Meitu Networks, or (v) for Completion, having been made or obtained from the relevant governmental departments or regulatory authorities or other relevant parties;

- (e) from the date of signing of the Acquisition Agreement, in the opinion of Meitu Networks, (i) there having been no material adverse change in the business of Meidd Technology, no change in any circumstances that may have a material adverse effect on the business, operations, assets, financial position, revenue or conditions of Meidd Technology, and (ii) there having been no material adverse change in the relevant laws, regulations or policies of Meidd Technology's place of business that would have or may have a material adverse effect on the proposed business scopes of Meidd Technology;
- (f) the transaction documents for the Acquisition having been executed and delivered by authorized representatives of the parties thereto and remain in full force and effect; and
- (g) all corporate approvals of Meitu Networks in connection with the transactions contemplated by the Acquisition Agreement having been obtained.

Completion:

Completion shall take place on the 10th business day on which each of the above conditions precedent has been fulfilled (or waived by Meitu Networks), or on such other date as may be mutually agreed between Meitu Networks and Kingkey Capital. If Completion does not occur within 60 days from the date of the Acquisition Agreement, Meitu Networks may terminate the Acquisition Agreement.

Upon Completion, Kingkey Capital will cease to be a shareholder of Meidd Technology, and Meitu Networks will be interested in approximately 42.68% of the equity interest in Meidd Technology.

THE SHAREHOLDERS' AGREEMENT

On April 9, 2021, Meitu Networks, Meidd Technology and the other remaining shareholders of Meidd Technology entered into the Shareholders' Agreement. The Shareholders' Agreement contains various customary rights for protection of Meitu Networks' minority interest in Meidd Technology. The principal rights of Meitu Networks under the Shareholders' Agreement are set out below:

Anti-dilution

If Meidd Technology receives any new investment in its capital or if certain existing shareholders of Meidd Technology transfer their equity interests in Meidd Technology and the subscription price for the new investment or transfer price of the share transfer (as the case may be) is lower than the price at which Meitu Networks subscribed for its equity interests in Meidd Technology (the "**Meitu Subscription Price**"), Meitu Networks shall be compensated for the difference between the Meitu Subscription Price and the subscription price of the new investment or transfer price of the share transfer (as the case may be) in accordance with the Shareholders' Agreement. The compensation shall be in the form of new shares issued by Meidd Technology for nil consideration or cash, in each case equivalent to the difference in value.

Board of Directors

Meidd Technology shall have a board of directors consisting of five directors, one of whom shall be appointed by Meitu Networks.

Rights of First Refusal

If any shareholder of Meidd Technology (the “**Meidd Shareholders**”) proposes to sell or dispose of any equity interest in Meidd Technology to any third party (the “**Offered Equity**”), then all other Meidd Shareholders (other than the founding shareholders) shall have a right of first refusal to purchase the Offered Equity in accordance with the Shareholders’ Agreement. If Meidd Technology proposes to issue equity interests to any third party, the Meidd Shareholders (other than the founding shareholders) shall have a right of first refusal to subscribe for their pro rata share of such equity interests.

Co-sale Right

A Meidd Shareholder (other than the founding shareholders) shall have the right, but not the obligation, to participate in the sale of the any equity interest in Meidd Technology to a third party by another Meidd Shareholder (the “**Selling Shareholder**”) for the same price and on the same terms as those offered by the Selling Shareholder.

Right of Redemption

Meitu Networks shall have the right to require Meidd Technology to repurchase Meitu Network’s equity interest in Meidd Technology in certain specified circumstances, including, but not limited to, (a) unremedied serious breaches by the Meidd Group or its existing shareholders (other than Meitu Networks) of (i) the Shareholders’ Agreement and/or (ii) Acquisition Agreement and/or (iii) previous investment/acquisition agreements entered into by Meitu Networks in relation to Meidd Technology, (b) the imposition of significant penalties on the Meidd Group or (c) breaches of any laws by the Meidd Group causing a material adverse effect on the Meidd Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION AGREEMENT

Meidd Technology is principally engaged in the provision of merchant service and SaaS products to a large network of skincare and cosmetics stores in the PRC. Meidd Technology was founded in 2014 and has been focused on providing enterprise software and payment services to beauty stores in lower-tier cities in the PRC. By the end of 2020, Meidd Technology connected over 10,000 beauty stores through cloud-based enterprise management system. Meidd Technology also started to provide supply chain services in 2020, a business model where Meidd Technology identifies the market trends from store consumption analysis, then distributes skincare products from both mainstream brands and private labels by consolidating all the order flows of its store network. Meidd Technology not only benefits from bulk purchases, but will also grow its precision distribution ability to sell high-margin niche products through its channels. The Group currently owns approximately 33.11% equity interest in Meidd Technology, is optimistic on Meidd Technology’s future growth prospects and believes that its business aligns well with the Group’s vision to “empower the beauty industry

and make beauty more accessible to our users”. Meidd Technology’s user analytics and connection with offline stores will also provide helpful consumer insights into the Group’s cosmetic-related businesses.

As Mr. Chen is a non-executive Director and substantial shareholder of the Company, he is a connected person of the Company. Kingkey Capital is a member of the Kingkey Group, with the father (Mr. Chen Hua) and uncle (Mr. Chen Hui) of Mr. Chen being the ultimate beneficial owners as to 90% and 10% respectively. Therefore, Mr. Chen is considered to have a material interest in the Acquisition and the transactions contemplated thereunder. As such, Mr. Chen was required to abstain from voting on the Board resolution in approving the transactions contemplated under the Acquisition Agreement.

LISTING RULES IMPLICATIONS

As Mr. Chen is a non-executive Director and substantial shareholder of the Company, he is a connected person of the Company. Kingkey Capital is a member of the Kingkey Group, with the father (Mr. Chen Hua) and uncle (Mr. Chen Hui) of Mr. Chen being the ultimate beneficial owners as to 90% and 10% respectively. The Acquisition and the transactions contemplated thereunder therefore constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are all less than 5%, the Acquisition is subject to the reporting and announcement requirements, but are exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE PARTIES

The Group (including Meitu Networks) 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.

Kingkey Group is a large-scale, diversified, and group-oriented comprehensive enterprise integrating six core business sectors comprising real estate development, commercial operation, financial investment, technological intelligence, cultural education, and modern agriculture.

Kingkey Capital is a member of the Kingkey Group and its principal business is investment holding.

Meidd Technology is an integrated mobile platform that provides merchant service and SaaS products to retail stores selling personal care and beauty products primarily located in lower-tier cities in the PRC. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, save for (a) the Group’s existing approximately 33.11% equity interest in Meidd Technology and (b) Mr. Chen’s interest in Meidd Technology through his relationship with Kingkey Capital as outlined above, Meidd Technology is a third party independent of the Company and its connected persons.

The unaudited consolidated net profit of Meidd Technology for the years ended December 31, 2019 and 2020, and the unaudited consolidated net asset value of Meidd Technology as at December 31, 2020, were approximately:

	For the year ended December 31, 2019	For the year ended December 31, 2020
Net profit (loss) before taxation	(RMB14,452,000) (equivalent to approximately (HK\$17,412,000))	(RMB1,227,000) (equivalent to approximately (HK\$1,478,000))
Net profit (loss) after taxation	(RMB14,452,000) (equivalent to approximately (HK\$17,412,000))	(RMB1,227,000) (equivalent to approximately (HK\$1,478,000))
		As at December 31, 2020
Net assets		RMB2,812,000 (equivalent to approximately HK\$3,388,000)

For the year ended December 31, 2020, Meidd Technology was treated as an ‘investment in associate in the form of preferred shares’, which was accounted for by the Company as ‘financial assets measured at fair value through profit or loss’.

DEFINITIONS

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

“Acquisition”	the acquisition of an approximately 9.57% equity interest in Meidd Technology by Meitu Networks from Kingkey Capital pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the share purchase agreement dated April 9, 2021, entered into between Meitu Networks, Kingkey Capital and Meidd Technology in relation to the Acquisition
“Acquisition Shares”	shares representing an approximately 9.57% equity interest in Meidd Technology

“Board”	the board of Directors
“Company”	Meitu, Inc. (Stock Code: 1357), a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition Agreement and the transactions contemplated thereunder
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition payable by Meitu Networks to Kingkey Capital pursuant to the terms and conditions of the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries, together with Meitu Networks and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Meitu Networks”	Xiamen Meitu Networks Technology Co., Ltd.(廈門美圖網絡科技有限公司)(formerly known as Xiamen Shuzi Qingyuan Networks Technology Co. Ltd.(廈門數字情緣網絡科技有限公司)and Xiamen Networks Zhiyuan Xinxi Technology Co. Ltd (廈門網之源信息科技有限公司)), a company established in the PRC on June 18, 2003, and by virtue of a series of contractual arrangements, accounted for as a subsidiary of the Company
“Meidd Group”	Meidd Technology and its subsidiaries
“Meidd Technology”	Meidd Technology (Shenzhen) Co., Ltd.*(美得得科技(深圳)有限公司), a company established in the PRC and owned by Meitu Networks as to approximately 33.11% immediately before Completion
“Mr. Chen”	Mr. Chen Jiarong, a non-executive Director and substantial shareholder of the Company

“PRC”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	The amended and restated shareholders’ agreement dated April 9, 2021 and entered into between Meitu Networks, Meidd Technology and other remaining shareholders of Meidd Technology
“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
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“%”	Percent

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.83. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

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

Hong Kong, April 9, 2021

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