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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ZCOOL NETWORK TECHNOLOGY LIMITED

THE ACQUISITION

On February 2, 2024, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors, the Founders, the Former Founders and the Zcool Network Group entered into the Sale and Purchase Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of Zcool Network, at an aggregate Consideration of US\$39,640,495 (equivalent to approximately HK\$309,905,426), out of which US\$17,784,171 (equivalent to approximately HK\$139,034,870) will be satisfied by allotment and issue of 52,992,166 Consideration Shares and the remaining balance of approximately US\$21,856,324 (equivalent to approximately HK\$170,870,555) will be paid in cash.

Furthermore, pursuant to the ESOP Consideration Arrangements, all the Zcool Network Options granted to the ESOP Holders pursuant to the ESOP Plans will be cancelled at Completion. In consideration of the cancellation of such Zcool Network Options, the ESOP Consideration in an aggregate amount of US\$2,142,518 (equivalent to approximately HK\$16,749,991) will be payable to the ESOP Holders, out of which US\$803,394 (equivalent to approximately HK\$6,280,854) will be settled by payment in cash to the ESOP Holders, and the remaining balance of approximately US\$1,339,124 (equivalent to approximately HK\$10,469,138) will be satisfied by allotment and issuance of 3,990,232 ESOP Consideration Shares to Meitu Trust (for the benefits of the ESOP Holders).

Subject to Completion taking place, the Consideration Shares will be allotted and issued to the relevant Consideration Share Holders; and the ESOP Consideration Shares will be allotted and issued to Meitu Trust (for the benefits of the ESOP Holders) under the General Mandate at the issue price of US\$0.3356 (equivalent to approximately HK\$2.6237) per Share within one (1) Business Day after the Completion Date. The Consideration Shares and the ESOP Consideration Shares will, upon issue, in aggregate represent (i) approximately 1.27% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the ESOP Consideration Shares, assuming that there will be no other change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares and the ESOP Consideration Shares.

After joining the Group, Zcool Network Group will bring great synergies to the development of Meitu's imaging and design product business, especially the construction of MiracleVision's visual model ecosystem and moat:

- a) To increase the exposure and use of MiracleVision in the domestic design and creative community. With the increase in the designers' usage of MiracleVision, we believe that more designers will share their experiences and discussions on the use of MiracleVision in the designer community and other social media of Zcool Network Group, with contents such as effect generation displays, visual models evaluations, tutorial sharing, etc. These high-quality contents generated by professional design and creative communities will serve as a benchmark for MiracleVision to reach our core target audience of "communicators" and lower the barrier for using MiracleVision.
- b) To improve the quality and iteration rate of MiracleVision. As more designers use MiracleVision as their creative tool, we will get more professional feedback data. On the one hand, we will carefully receive their requests and iterate on MiracleVision's products, and on the other hand, we will also add these feedback data to our training to improve the iteration rate and quality of MiracleVision.
- c) To expand high-quality training materials and resources. After the Acquisition, Meitu will fully support the development of Zcool Hellorf, a platform under Zcool Network Group, through its huge number of users and brand advantages in imaging and design products, and help Zcool Hellorf to further increase the scale of its copyright image library and video library. This is a win-win partnership: in addition to the development of Zcool Hellorf itself, users of our image products will be able to upload high-quality images and videos created by them to Zcool Hellorf for monetization, and our MiracleVision will also have more high-quality and creative materials for training.
- d) To accelerate the development of MiracleVision model stores and create a moat. As more designers will train their past creative styles into their own exclusive style models at MiracleVision, users can further assist in generating creative ideas by paying for access to models of different style. This will not only provide users with more diverse choices, but also further expand the differentiation from other visual models.

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 all are less than 25%, the Acquisition and the transactions contemplated thereunder constitute a discloseable transaction for the Company and are subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

Completion is subject to the satisfaction (or waiver by the Purchaser) of the conditions precedent under the Sale and Purchase Agreement.

THE ACQUISITION

On February 2, 2024, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors, the Founders, the Former Founders and the Zcool Network Group entered into the Sale and Purchase Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of Zcool Network. The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date:

February 2, 2024

Parties:

- (1) The Purchaser;
- (2) The Vendors (i.e. the Founder Holdcos, the Former Founder Holdcos and the Investor Vendors);
- (3) Founders;
- (4) Former Founders; and
- (5) The Zcool Network Group

(each a “**Party**” and collectively, the “**Parties**”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Parties (other than the Purchaser) and their ultimate beneficial owners (if applicable) and the ESOP Holders are third parties independent of the Company and its connected persons.

Subject matter of the sale and purchase:

The Sale Shares, representing the entire issued share capital of Zcool Network.

The Consideration, the ESOP Consideration and the basis of determination:

The aggregate Consideration for the Sale Shares is US\$39,640,495 (equivalent to approximately HK\$309,905,426), out of which US\$17,784,171 (equivalent to approximately HK\$139,034,870) will be satisfied by allotment and issue of 52,992,166 Consideration Shares, and the remaining balance of approximately US\$21,856,324 (equivalent to approximately HK\$170,870,555) will be paid in cash to the Vendors in accordance with the allocation as set forth in the table below:

Vendor	Number of shares in Zcool Network	Percentage of shareholding in Zcool Network ⁽¹⁾ (%)	Total Consideration payable to the Vendors (US\$)	Total Cash Consideration payable to the Vendors (US\$)	Total value of Consideration Shares to be allotted and issued to the Vendors ⁽²⁾ (US\$)	Number of Consideration Shares to be allotted and issued to the Vendors
<i>(A) Founder Holdcos⁽³⁾</i>						
Ming and Lily Design Limited	51,915,984 ordinary shares	19.68%	4,043,429	2,830,401	1,213,028	3,614,505
Lily Advertising Limited	26,250,000 ordinary shares	9.95%	2,044,457	1,431,120	613,337	1,827,583
JXL Advertising Co., Ltd.	13,125,000 ordinary shares	4.98%	1,022,229	715,561	306,668	913,790
<i>(B) Former Founder Holdcos</i>						
Yixuan Club Limited	25,703,888 ordinary shares	9.74%	2,001,924	1,401,347	600,577	1,789,562
TianFamilyTree Limited	2,163,934 ordinary shares	0.82%	168,536	117,975	50,561	150,659
<i>(C) Investor Vendors</i>						
IDG China Media Fund II L.P.	24,590,164 series A preferred shares	9.32%	3,370,921	3,370,921	0	0
HES Ventures II, LLC	9,836,066 series B preferred shares	3.73%	3,765,581	3,765,581	0	0
Shutterstock (UK)	61,475,410 series B+ preferred shares	23.30%	15,000,000	0	15,000,000	44,696,067
VNTR V Holdings Limited	18,442,623 series C preferred shares	6.99%	8,223,418	8,223,418	0	0
TOTAL	233,503,069	88.52%	39,640,495	21,856,324	17,784,171	52,992,166

Notes:

- (1) For the purpose of illustration only, the percentage of shareholding in Zcool Network as shown in the above table is calculated based on the total number of shares in Zcool Network of 263,798,151 on the assumption that all Zcool Network Options granted to the ESOP Holders were vested and exercised in full and that a total of 30,295,082 ordinary shares (representing approximately 11.48% of the total shares of Zcool Network on a fully diluted and as-converted basis) in Zcool Network were issued in satisfaction of such exercise.
- (2) The value of the Consideration Shares to be allotted and issued to the Vendors is calculated based on the issue price of US\$0.3356 (equivalent to approximately HK\$2.6237) per Share.
- (3) In respect of each Founder Holdco, the amount of “Total Cash Consideration payable to the Vendors” as stated in the above table is the maximum amount of the Cash Consideration payable to it, and therefore, the amount of “Total Consideration payable to the Vendors” as stated in the above table is the maximum amount of the Consideration payable to it. The actual amount of the Cash Consideration, and therefore, the actual amount of the Consideration, payable to each Founder Holdco will be determined with reference to the Total Completion Ratio (for details, please refer to the paragraph headed “The Acquisition – Payment terms for the Consideration and the ESOP Consideration – Founder Second Tranche Cash Consideration” below).

Furthermore, pursuant to the ESOP Consideration Arrangements, all the Zcool Network Options granted to the ESOP Holders pursuant to the ESOP Plans will be cancelled at Completion. In consideration of the cancellation of such Zcool Network Options, the ESOP Consideration in an aggregate amount of US\$2,142,518 (equivalent to approximately HK\$16,749,991) will be payable to the ESOP Holders, out of which US\$803,394 (equivalent to approximately HK\$6,280,854) (the “**ESOP Cash Consideration**”) will be settled by payment in cash to the ESOP Holders, and the remaining balance of approximately US\$1,339,124 (equivalent to approximately HK\$10,469,138) will be satisfied by allotment and issuance of 3,990,232 ESOP Consideration Shares to Meitu Trust (for the benefits of the ESOP Holders), according to the allocation as set forth in the table below.

ESOP Holder	Number of Zcool Network Options	Percentage of shareholding in Zcool Network ⁽¹⁾ (%)	Total ESOP Consideration payable to the ESOP Holders (US\$)	Total ESOP Cash Consideration payable to the ESOP Holders (US\$)	Total value of ESOP Consideration Shares to be allotted and issued to Meitu Trust for the benefit of the ESOP Holders ⁽²⁾ (US\$)	Number of ESOP Consideration Shares to be allotted and issued to Meitu Trust for the benefit of the ESOP Holders
(A) Founder ESOP Holders						
Ms. Zhao Lili (趙俐俐)	Zcool Network Options representing 3,000,000 ESOP Shares	1.14	233,700	0	233,700	696,365
Mr. Ji Xiaoliang (紀曉亮)	Zcool Network Options representing 1,200,000 ESOP Shares	0.45	93,480	0	93,480	278,546
Mr. Lu Wei (蘆偉)	Zcool Network Options representing 1,200,000 ESOP Shares	0.45	93,480	0	93,480	278,546
Ms. Tian Caixia (田彩霞)	Zcool Network Options representing 4,550,000 ESOP Shares	1.72	354,445	248,112	106,333	316,844
(B) Employee ESOP Holders						
Employee ESOP Holders	Zcool Network Options representing 20,345,082 ESOP Shares	7.71	1,367,413	555,282	812,131	2,419,931
TOTAL	30,295,082⁽³⁾	11.48	2,142,518	803,394	1,339,124	3,990,232

- (1) For the purpose of illustration only, the percentage of shareholding in Zcool Network as shown in the above table is calculated based on the total number of shares in Zcool Network of 263,798,151 on the assumption that all Zcool Network Options granted to the ESOP Holders were vested and exercised in full and that a total of 30,295,082 ordinary shares in Zcool Network were issued in satisfaction of such exercise.
- (2) The value of the ESOP Consideration Shares to be allotted and issued to Meitu Trust (for the benefits of the ESOP Holders) is calculated based on the issue price of US\$0.3356 (equivalent to approximately HK\$2.6237) per Share.
- (3) The Zcool Network Options granted to the ESOP Holders pursuant to the ESOP Plans represent an aggregate of 30,295,082 ordinary shares (representing approximately 11.48% of the total shares of Zcool Network on a fully diluted and as-converted basis) in Zcool Network, all of which have not been issued as at the date of the Sale and Purchase Agreement (i.e. the ESOP Shares).

The amounts of the Consideration and the ESOP Consideration were determined based on arm's length negotiations between the Vendors and the Purchaser, taking into account, *inter alia*, (i) the financial performance (including without limitation, the gross profits margin of the different business segments) and the prospect of the business of the Zcool Network Group; (ii) the leading market position of Zcool Network Group in the online design platform industry where it operates; (iii) the appointment by Shutterstock (US) of a member of the Zcool Network Group as an authorized reseller for marketing and distributing the Shutterstock Products in the PRC under the Shutterstock Cooperation Agreement entered into as of February 2, 2024 (further details of which are disclosed in the paragraph headed "The Shutterstock Cooperation Agreement" below); and (iv) the synergistic effect of the business of Zcool Network on the Group's businesses (further details of which are disclosed in the paragraph headed "Reasons for and Benefits of entering into the Sale and Purchase Agreement" below).

The portion of the Consideration payable to each Vendor was determined mainly with reference to the class of shares and the shareholding percentage in Zcool Network owned by it/him/her, the proportion of the Consideration payable in cash and/or settled by new Consideration Shares and the length of the Lock-up Period applicable to such Consideration Shares; and in respect of the portion of the Consideration Shares to be allotted and issued to Shutterstock (UK), having taken into account the cooperation arrangement under the Shutterstock Cooperation Agreement.

The portion of the ESOP Consideration payable to each ESOP Holder was determined with reference to the class of shares and the shareholding percentage in Zcool Network represented by the ESOP Shares on the assumption that the Zcool Network Options were exercised in full and the ESOP Shares were issued to the ESOP Holders, the vesting schedule of the ESOP Shares, the proportion of the ESOP Consideration payable in cash and/or settled by new ESOP Consideration Shares and the length of the Lock-up Period applicable to such ESOP Consideration Shares.

Payment terms for the Consideration and the ESOP Consideration:

The Consideration for the sale and purchase of the Sale Shares shall be paid by the Purchaser in the following manner:

First Tranche Cash Consideration

On the Completion Date, the Purchaser shall pay to each Vendor such amount of Cash Consideration (“**First Tranche Cash Consideration**”) as set forth under the item “Amount of First Tranche Cash Consideration” in the Payment Table after deducting the amount as set forth under the item “Announcement 7 Tax Withholding Amount” (if any) in the Payment Table (the “**Announcement 7 Tax Withholding Amount**”) and the amount as set forth under the item “Tax Withholding Amount for Option Exercise” (if any) in the Payment Table (the “**Tax Withholding Amount for Option Exercise**”, together with the Announcement 7 Tax Withholding Amount, the “**Tax Withholding Amount**”), by depositing the same to the relevant accounts designated by such Vendor or the Vendors (the “**Vendor Designated Account**”), provided that in respect of Yixuan Club Limited, if Mr. Lu Wei (蘆偉) or Yixuan Club Limited fails to complete any post-Completion undertaking made by them in the Sale and Purchase Agreement, the payment of its First Tranche Cash Consideration other than its applicable Tax Withholding Amount shall be postponed to the fifth (5th) Business Days after such undertakings are fulfilled.

Founder Second Tranche Cash Consideration

In respect of each Founder and his/her Founder Holdco, if at the first (1st) anniversary of the Completion Date:

- (i) such Founder continues to provide services to the Zcool Network Group as a full-time employee of the Zcool Network Group or his/her employment agreement and confidentiality, non-compete and intellectual property rights assignment agreement (the “**Employment Related Contracts**”) have been terminated by the Purchaser or the Company or any of their Affiliates without cause, or terminated by such Founder for good reason;

- (ii) such Founder has not breached any of the provisions of the Sale and Purchase Agreement, other Transaction Documents or the Employment Related Contracts due to the fraud or any fraudulent acts of such Founder;
- (iii) such Founder has not breached the relevant provisions of the Sale and Purchase Agreement relating to his/her non-competition and non-solicitation obligations; and
- (iv) the performance targets in respect of the Zcool Network Group as specified in the Sale and Purchase Agreement (including the targeted amount of revenue, works and activities and operating data of certain businesses of the Zcool Network Group for the year of 2024 and the turnover rate of the key employees at the first (1st) anniversary after Completion) has been achieved (for this purpose, the Total Completion Ratio shall reach 60%), provided that, with respect to any Founder and his/her Founder Holdco, the performance targets shall be deemed fully achieved with the Total Completion Ratio of 100% if prior to the first (1st) anniversary of the Completion Date, any of the followings occur: (aa) such Founder's Employment Related Contracts have been terminated by the Purchaser or the Company or any of their Affiliates without cause, or terminated by such Founder for good reason; or (bb) any of Mr. Liang Yaoming (梁耀明)'s operation authorities relating to certain personnel recruitment and compensation adjustment, contract and financial approval, business operation and new business development, etc. as set forth in the Sale and Purchase Agreement has been diminished (in which case the performance targets shall be deemed fully achieved with the Total Completion Ratio in respect of all Founders and their Founder Holdcos);

then the Purchaser shall pay to his/her Founder Holdco such Cash Consideration calculated based on the following formula (the "**Founder Second Tranche Cash Consideration**"), in cash within five (5) Business Days after the Calculation Statement Issuance (as defined below).

The Founder Second Tranche Cash Consideration = the amount as set forth under the item "Maximum Amount of the Founder Second Tranche Cash Consideration" in the Payment Table in respect of the relevant Founder Holdco x Total Completion Ratio, provided that:

- (i) if the Total Completion Ratio is lower than 60%, for the purpose of calculating the Founder Second Tranche Cash Consideration, the Total Completion Ratio shall be deemed to be zero and no Founder Second Tranche Cash Consideration shall be payable by the Purchaser; and
- (ii) if the Total Completion Ratio is higher than 100%, for the purpose of calculating the Founder Second Tranche Cash Consideration, the Total Completion Ratio shall be deemed to be 100% and for the avoidance of doubt, in respect of each Founder and his/her Founder Holdco, the Founder Second Tranche Cash Consideration payable to his/her Founder Holdco shall in no event exceed the amount as set forth under the item "Maximum Amount of the Founder Second Tranche Cash Consideration" in the Payment Table.

For the purpose of calculating the Founder Second Tranche Cash Consideration and Total Completion Ratio, the Purchaser shall issue a statement which includes the relevant calculation with reasonable evidence for such calculations within twenty (20) Business Days after the first (1st) anniversary of the Completion Date (the “**Calculation Statement Issuance**”).

In respect of the Cash Consideration payable to the Vendors (other than the First Tranche Cash Consideration and such amount of tax as determined by the relevant PRC tax authority to be paid by the Vendors in connection with the transactions contemplated under the Sale and Purchase Agreement (the “**Determined Tax Amount**”), and the applicable taxes for the receipt of ESOP Consideration Shares by certain Founder ESOP Holders (the “**Option Exercise Tax Amount**”), including the Founder Second Tranche Cash Consideration, the Purchaser shall pay such Cash Consideration to the relevant Vendor Designated Account.

Tax Withholding Amount

For each of the Vendors (other than Shutterstock (UK)) (each a “**Tax Paying Zcool Shareholder**”), the Announcement 7 Tax Withholding Amount, being 10% of the portion of the total Consideration payable to such Tax Paying Zcool Shareholder, and with respect to each of the Founder ESOP Holder (other than Ms. Tian Caixia (田彩霞)) (each a “**Tax Deducted Founder ESOP Holder**”), plus the Tax Withholding Amount for Option Exercise, shall be withheld by the Purchaser at Completion.

The relevant Tax Paying Zcool Shareholder shall promptly provide a payment notice to the Purchaser with a tax calculation form calculating the Determined Tax Amount after confirming with the relevant tax authority as evidenced by a written confirmation letter from the relevant tax consultant of such Tax Paying Zcool Shareholder, and upon the receipt of such payment notice and written evidence by the Purchaser to its reasonable satisfaction, the Purchaser should release and distribute the relevant Determined Tax Amount allocated to such Tax Paying Zcool Shareholder, out of the relevant Announcement 7 Tax Withholding Amount, by depositing the same to, at the option of the Purchaser, the relevant Vendor Designated Account or the bank account designated by the competent PRC tax authority. Any shortage for the Determined Tax Amount (if any) shall be paid by such Tax Paying Zcool Shareholder within the period for the payment of the Determined Tax Amount as required by the applicable tax authority.

With respect to the relevant Tax Deducted Founder ESOP Holder, the Purchaser, Beijing Zcool, or any other Affiliates of the foregoing designated by the Purchaser will declare and withhold the Option Exercise Tax Amount for such Tax Deducted Founder ESOP Holder with respect to his/her ESOP Consideration Arrangements; and if the relevant Tax Withholding Amount for Option Exercise exceeds the Option Exercise Tax Amount, the Purchaser shall refund the difference to such Tax Deducted Founder ESOP Holder’s Founder Holdco or Former Founder Holdco. If the Tax Withholding Amount for Option Exercise is less than the Option Exercise Tax Amount, any difference shall be paid by such Tax Deducted Founder ESOP Holder, and the Purchaser or its Affiliates shall have the right to deduct such difference from such Tax Deducted Founder ESOP Holder’s salary under the applicable Employment Related Contract.

The Payment Table for the Cash Consideration

The amount of the First Tranche Cash Consideration and the maximum amount of the Founder Second Tranche Cash Consideration payable to each Vendor and the Tax Withholding Amount withheld by the Purchaser are set forth in the Payment Table below:

Vendor	Total Cash Consideration (US\$)	Amount of First Tranche Cash Consideration (US\$)	Announcement 7 Tax Withholding Amount (US\$)	Tax Withholding Amount for Option Exercise (US\$)	Maximum Amount of the Founder Second Tranche Cash Consideration (Note) (US\$)
<i>(A) Founder Holdcos</i>					
Ming and Lily Design Limited	2,830,401	1,617,372	404,343	0	1,213,029
Lily Advertising Limited	1,431,120	817,783	204,446	79,511	613,337
JXL Advertising Co., Ltd.	715,561	408,892	102,223	20,606	306,669
<i>(B) Former Founder Holdcos</i>					
Yixuan Club Limited	1,401,347	1,401,347	200,192	22,461	0
TianFamilyTree Limited	117,975	117,975	16,854	0	0
<i>(C) Investor Vendors</i>					
IDG China Media Fund II L.P.	3,370,921	3,370,921	337,092	0	0
HES Ventures II, LLC	3,765,581	3,765,581	376,558	0	0
Shutterstock (UK)	0	0	0	0	0
VNTR V Holdings Limited	8,223,418	8,223,418	822,342	0	0
TOTAL	21,856,324	19,723,289	2,464,050	122,578	2,133,035

Note: In respect of each Founder Holdco, the “Maximum Amount of the Founder Second Tranche Cash Consideration” as stated in the above table is the maximum amount of the Founder Second Tranche Cash Consideration payable to it. The actual amount of the Founder Second Tranche Cash Consideration payable to each Founder Holdco will be determined with reference to the Total Completion Ratio (for details, please refer to the paragraph headed “The Acquisition – Payment terms for the Consideration and the ESOP Consideration – Founder Second Tranche Cash Consideration” above).

ESOP Cash Consideration

As soon as practicable but no later than the expiration of one (1) day after the day of the fulfilment or waiver of all conditions to the Completion (except for those conditions which by their nature are to be satisfied at the Completion Date), Zcool Network shall, and the Founder Parties shall procure Zcool Network to, deliver a written notice regarding stock option arrangement in the form reasonably satisfactory to the Purchaser and complying with the ESOP Plan and applicable award agreements to each ESOP Holder, with a copy to the Purchaser, which shall provide, among others, the cancellation of the relevant Zcool Network Options held by such ESOP Holder at Completion, the consideration for such cancellation and restrictions attached thereon, the payment terms and schedules of such consideration, and the request for information necessary for payment of Cash Consideration, issuance of ESOP Consideration Shares, foreign exchange registration and relevant

tax reporting and withholding (the “**ESOP Required Information**”). The Founder Parties shall collect the acknowledgement letters (the “**Acknowledgement Letter(s)**”) and the ESOP Lock-up Undertaking signed and returned to Zcool Network by the ESOP Holders and deliver the same to the Purchaser on or before the Completion Date and shall continue to do so after the Completion.

Within five (5) Business Days after the Completion, no less than US\$803,394 (equivalent to approximately HK\$6,280,854) shall be remitted by the Group to Beijing Zcool or the Domestic Company and within ten (10) Business Days after the receipt of such amount by it, Beijing Zcool or the Domestic Company shall, with respect to each ESOP Holder (other than the Tax Deducted Founder ESOP Holders) who has sent back the Acknowledgement Letter with adequate ESOP Required Information, pay the relevant ESOP Cash Consideration to the relevant ESOP Holder in cash after deducting any and all applicable taxes. For other ESOP Holders, Beijing Zcool or the Domestic Company shall pay the relevant ESOP Cash Consideration, after deducting any and all applicable taxes, to such ESOP Holder within ten (10) Business Days after the receipt of the Acknowledgement Letter delivered by such ESOP Holder with adequate ESOP Required Information.

Consideration Shares and ESOP Consideration Shares

Within one (1) Business Day after the Completion Date, the Purchaser shall cause the Hong Kong Share Registrar to issue and allot under the General Mandate at the issue price of US\$0.3356 (equivalent to approximately HK\$2.6237) per Share to (i) the Consideration Share Holders a total of 52,992,166 Consideration Shares and (ii) Meitu Trust (for the benefits of the ESOP Holders) a total of 3,990,232 ESOP Consideration Shares. The number of Consideration Shares to be issued and allotted to the relevant Vendor and the number of ESOP Consideration Shares to be issued and allotted to Meitu Trust for the benefit of the relevant ESOP Holder respectively are set forth under the item “Number of Consideration Shares to be allotted and issued to the Vendors” or the item “Number of ESOP Consideration Shares to be allotted and issued to Meitu Trust for the benefit of the ESOP Holders” in the tables in the paragraph headed “The Acquisition – The Consideration, the ESOP Consideration and the basis of determination” above.

In connection with the ESOP Consideration Shares held by Meitu Trust for the benefit of the Employee ESOP Holders, the Founder Parties shall use their commercially reasonable efforts to cause the Employee ESOP Holders to agree to the ESOP Consideration Arrangements.

The Consideration Shares and the ESOP Consideration Shares will, upon issue, in aggregate represent (i) approximately 1.27% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the ESOP Consideration Shares, assuming that there will be no other change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares and the ESOP Consideration Shares.

The issue price of US\$0.3356 (equivalent to approximately HK\$2.6237) per Consideration Share and ESOP Consideration Share was determined based on the average closing price of HK\$2.624 per Share as quoted on the Stock Exchange for the last 10 trading days immediately before the signing of the Sale and Purchase Agreement, which represents: (a) a premium of approximately 14.59% to the closing price of HK\$2.29 per Share as quoted on the Stock Exchange on February 2, 2024 being the date of the Sale and Purchase Agreement; and (b) a premium of approximately 7.77% to the average closing price of HK\$2.468 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

Such Consideration Shares and ESOP Consideration Shares will rank pari passu in all respects with the other Shares of the Company in issue on or prior to the Completion Date, except for the lock-up restrictions as described under the paragraph headed “Lock-up of the Consideration Shares and the ESOP Consideration Shares” in this announcement below.

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 and the ESOP Consideration Shares.

Conditions precedent:

The sale and purchase of the Sale Shares shall be subject to and conditional on the fulfilment of all of the following conditions (or waiver in writing by the Purchaser):

- (a) all the Vendor Warranties contained in the Sale and Purchase Agreement being true, accurate and not misleading in all material respects at the date of the Sale and Purchase Agreement and the Completion Date, except for those Vendor Warranties that address matters only as of a particular date as specified in the Sale and Purchase Agreement, which shall be true, correct and complete as of such particular date;
- (b) all corporate and other proceedings in connection with the transactions contemplated by the Sale and Purchase Agreement and other Transaction Documents, including without limitation, all Consents required from the board of directors and/or the shareholders of the Zcool Network Group and the Ordinary Vendors have been obtained and completed in writing;
- (c) each of the member of the Zcool Network Group, the Founders, the Former Founders and the Vendors shall have performed and complied in all material respects with all agreements, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it on or before the Completion Date;
- (d) all Transaction Documents other than the Sale and Purchase Agreement shall have been duly executed and delivered by all the relevant parties thereto other than the Purchaser;
- (e) each of the member of the Zcool Network Group shall have obtained all Consents required by any third party, including but not limited to all Consents required from the banks necessary for the consummation of the transactions contemplated by the Sale and Purchase Agreement and other Transaction Documents, if applicable;

- (f) all necessary Consents required under all applicable laws and regulations of Hong Kong and relevant Governmental Authorities in Hong Kong (including without limitation, the Stock Exchange and the Listing Rules) in connection with the transactions contemplated under the Sale and Purchase Agreement and/or implementation thereof and all other matters incidental thereto having been obtained and remaining in full force and effect, and among others, the Listing Committee of the Stock Exchange shall have granted the listing of, and permission to deal in, the Consideration Shares and the ESOP Consideration Shares (the “**Listing Approval**”) on the Stock Exchange, and the Listing Approval not having been revoked prior to Completion;
- (g) each of the Consideration Share Holders other than Shutterstock (UK) having furnished to the Purchaser (or to the Hong Kong Share Registrar, as the case maybe) certified copies of (i) board minutes or an extract of the resolution for the appointment of authorized signatory/signatories to sign all transfer documents and instructions for it and (ii) a list of the specimen signature(s) of such authorized signatory/signatories, to enable the Consideration Shares to be issued to such Consideration Share Holders respectively pursuant to the terms and conditions of the Sale and Purchase Agreement;
- (h) no provision of any applicable laws shall prohibit the consummation of any transactions contemplated by the Transaction Documents;
- (i) there shall have been no material adverse change on the Target Business or the financial conditions, prospects or results of operations of the Zcool Network Group and no material impairment of the validity or enforceability of the Transaction Documents against the Vendors or the Vendors’ abilities to execute or perform the relevant Transaction Documents since October 31, 2023 to the Completion Date;
- (j) the Zcool Network Group shall have delivered to the Purchaser the documents relating to their material liabilities on or prior to the date of the Sale and Purchase Agreement;
- (k) the Zcool Network Group shall have delivered to the Purchaser (i) the unaudited consolidated financial statements (including the unaudited consolidated balance sheet and unaudited consolidated income statement) of the Zcool Network Group as of the last day of the previous month (if the Completion Date is later than the 15th day of the relevant month) or the second previous month (if the Completion Date is no later than the 15th day of the month) of the Completion Date; (ii) the composition of the ending balance of current assets and current liabilities of the Zcool Network Group as of the date of the foregoing financial statements with the information of underlying transactions delivered in the reasonable satisfaction of the Purchaser; and (iii) the statements showing the amounts of cash and indebtedness of the Zcool Network Group as at the Completion Date;
- (l) the amended articles of association of Zcool Network shall have been duly adopted by all necessary action of the board of directors and/or the shareholders of Zcool Network, and such adoption shall have become effective upon Completion;
- (m) Zcool Network shall have taken all necessary corporate action such that immediately following Completion, the board of directors of each member of the Zcool Network Group shall consist of persons all designated by the Purchaser as notified to Zcool Network at least ten (10) Business Days prior to the Completion Date;

- (n) the existing shareholders of the Domestic Company (the “**Domestic Company Transferors**”) shall have entered into an equity transfer agreement to transfer all the equity interests held by them in the Domestic Company to the Purchaser’s Affiliate as designated by the Purchaser at the aggregate consideration of RMB1.00 (the “**Onshore Transfer**”) no later than the Completion Date, such Onshore Transfer shall be effective on and from the Completion Date, and the shareholder register of the Domestic Company shall have been updated on the Completion Date to reflect the completion of the Onshore Transfer, and the relevant tax filings shall have been completed and the applicable taxes (if any) have been fully paid by the Domestic Company Transferors;
- (o) each of the relevant contracts entered into by the Domestic Company relating to the variable interest entities structure of the Zcool Network Group prior to the Completion (the “**Control Documents**”) shall have been duly terminated;
- (p) the share pledge created on the equity interests in the Domestic Company pursuant to the Control Documents shall have been released absolutely and deregistered with the competent State Administration for Market Regulation;
- (q) all the ESOP Plans shall have been terminated on the Completion Date, Zcool Network shall have notified each ESOP Holder of the ESOP Consideration Arrangements in writing and all outstanding Zcool Network Options (including without limitation to the Zcool Network Options granted to the ESOP Holders) shall have been cancelled on the Completion Date, in each case in full compliance with the ESOP Plans and award agreements and/or other agreements with the ESOP Holders;
- (r) each of the Founders and key employees of the Zcool Network Group shall have entered into the Employment Related Contracts with certain members of the Zcool Network Group;
- (s) Zcool Network and Shutterstock (US) shall have executed certain reseller agreement (the “**Shutterstock Cooperation Agreement**”) in the form and substance reasonably satisfactory to the Purchaser (for further details, please see the paragraph headed “The Shutterstock Cooperation Agreement” below);
- (t) the Purchaser shall have received a legal opinion from the Cayman legal counsel of Zcool Network in respect of the corporate existence and good standing of Zcool Network and its capacity to enter into and the validity of execution of each Transaction Document to which it is a party, dated as of the Completion Date and addressed to the Purchaser;
- (u) each of the Investor Vendors shall have executed and delivered to the Purchaser at the Completion a certificate, dated as of the Completion Date stating that the conditions specified under the Sale and Purchase Agreement with respect to such Investor Vendor itself have been fulfilled as of the Completion;
- (v) each Former Founder and his/her Former Founder Holdco shall have executed and delivered to the Purchaser at the Completion a certificate, dated as of the Completion Date stating that the conditions specified under the Sale and Purchase Agreement with respect to such Former Founder and his/her Former Founder Holdco have been fulfilled as of the Completion; and

- (w) the Founder Parties and/or the Zcool Network Group, as warrantors, shall have executed and delivered to the Purchaser at the Completion a certificate, dated as of the Completion Date stating that the conditions specified under the Sale and Purchase Agreement with respect to them have been fulfilled as of Completion.

Completion:

Completion shall take place on the Completion Date (or at such other time, date and place as the Vendors and the Purchaser may otherwise agree in writing). If Completion shall not have been consummated by April 30, 2024, the Sale and Purchase Agreement and the transactions contemplated thereunder can be terminated by the Purchaser (on one hand) or the Company and the Founder Parties (on the other hand, and with the written approval of all Investor Vendors in advance).

Upon Completion, Zcool Network will become an indirect wholly-owned subsidiary of the Company, the financial results of which will be consolidated into the Group's financial statements.

Representations, warranties, undertakings and indemnities:

The Sale and Purchase Agreement contains representations, warranties, undertakings and indemnities given by the Founder Parties (and the Zcool Network Group if the Completion has not been consummated), the Former Founders, the Former Founder Holdcos and the Investor Vendors, which are no less favourable than those which are usual and customary for a transaction of this nature and scale.

THE SHUTTERSTOCK COOPERATION AGREEMENT

Pursuant to the Shutterstock Cooperation Agreement entered into between Shutterstock (US) (an Affiliate of Shutterstock (UK)) and the Domestic Company as of February 2, 2024, the Domestic Company shall be appointed as an authorized reseller for marketing and distributing the Shutterstock Products in the Exclusive Territory and the Non-Exclusive Territories, for a term of 5 years from the Completion Date (which term shall be automatically renewed for an additional period of 36 months unless terminated earlier in accordance with the terms of the Shutterstock Cooperation Agreement) (the “**Cooperation Term**”).

In particular, under the Shutterstock Cooperation Agreement, Shutterstock (US) shall grant to the Zcool Network Group and the Meitu Affiliates:

- (a) an exclusive, non-transferable and non-sublicensable right to market and distribute the Shutterstock Products directly to end users located within the Exclusive Territory for the sole purpose of use by such end users;
- (b) a non-exclusive, non-transferable and non-sublicensable right to market and distribute the Shutterstock Products directly to end users located within the Non-Exclusive Territories for the sole purpose of use by such end users; and

- (c) a non-exclusive and sublicensable license in and to the Content solely to the extent necessary to grant those certain enumerated rights in and to the Content set forth in the Shutterstock Products as detailed in the Shutterstock Cooperation Agreement.

In consideration of the license granted by Shutterstock (US) under the Shutterstock Cooperation Agreement, the Zcool Network Group shall pay to Shutterstock (US) a net license fee during the Cooperation Term for the license of the Content by the Zcool Network Group to end user licensees of the Shutterstock Products, which shall be calculated based on the gross sales or license fees charged to end user licensees.

The Shutterstock Products and the Content provided to the Zcool Network Group pursuant to the Shutterstock Cooperation Agreement, which encompasses a vast and diverse repository of high-quality digital contents, is an essential element in the core business operations of the Zcool Network Group. These proprietary contents, characterized by an expansive range of images, footage clips, music and other media content, underpin the competitive edge of the Zcool Network Group's products and service offerings.

Access to the Shutterstock Products and the Content is not merely an enhancement to the Zcool Network Group's product suite; it is a fundamental driver of its value proposition, empowering it to stand out in a crowded marketplace by offering a diverse and superior range of media content. The integration of this content across the Zcool Network Group's platforms and services is instrumental in enabling innovative marketing and distribution strategies, thus directly supporting the Zcool Network Group's operational efficacy and its ability to attract and retain a broad user base. Post-acquisition, the continued utilization of the Shutterstock Products and the Content will be central to achieving the Group's strategic objectives and to delivering long-term shareholder value.

LOCK-UP OF THE CONSIDERATION SHARES AND THE ESOP CONSIDERATION SHARES

The Deed of Lock-up Undertaking with respect to the Consideration Shares

In connection with the Acquisition, on or prior to the Completion Date, the Consideration Share Holders will execute the Deed of Lock-up Undertaking in favour of the Purchaser and the Company, pursuant to which each Consideration Share Holder shall not, and shall procure its Affiliate(s) and/or its nominee(s) or designated person(s) not to, without the prior written consent of the Purchaser and the Company, at any time from the issuance of the relevant Consideration Shares until the expiration of the applicable Lock-up Period, directly or indirectly transfer, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer (including but not limited to dividend/distribution in specie) or dispose of or create any encumbrance over, or agree to transfer or dispose of or create any encumbrance over, any legal or beneficial interest in the Consideration Shares issued to them.

The Deed of Lock-up Undertaking with respect to the ESOP Consideration Shares

In connection with the ESOP Consideration Shares held by Meitu Trust for the benefit of the ESOP Holders, all the ESOP Consideration Shares shall be bound by the undertakings in the form of the Deed of Lock-up Undertaking (the “**ESOP Lock-up Undertaking**”) and in addition, with respect to part of the ESOP Consideration Shares, certain vesting arrangement (including a vesting period of one to three years) (the “**Unvested ESOP Consideration Share Restrictions**”, together with the payment of the ESOP Cash Consideration and the ESOP Lock-up Undertaking, the “**ESOP Consideration Arrangements**”) shall apply. Upon the expiration of the ESOP Lock-up Undertaking, the vesting of the relevant ESOP Consideration Shares (if applicable) and completion of necessary registration as required by applicable laws in relation to foreign exchange administration by such ESOP Holder, each ESOP Holder may instruct Meitu Trust to dispose of any or all of the ESOP Consideration Shares beneficially held by it and released from the Unvested ESOP Consideration Share Restrictions, and Meitu Trust shall remit the proceeds out of such disposal, after deducting applicable taxes, to the account designated by such ESOP Holder.

NON-COMPETITION ARRANGEMENT

The Sale and Purchase Agreement also provides the following non-competition arrangement:

- (a) each Founder shall, until the first (1st) anniversary after the Completion Date, unless with good reasons, (i) devote substantially all of his or her working time to the business and operations of the Zcool Network Group and (ii) work full-time for the Zcool Network Group and shall not resign from the Zcool Network Group unless and until his/her resignation or alternative arrangement for such resignation is approved by the Purchaser.
- (b) each Founder shall not, for a period from the Completion until two (2) years after such Founder ceases to be a director, officer, employee of any member of the Zcool Network Group (“**Termination of Service**”), without the prior written consent of the Purchaser, either on his or her own account or through any of his or her Affiliates, or in conjunction with or on behalf of any other person:
 - (i) participate, operate, assist, invest, own, control, manage, work for, be concerned with, engaged or interested in, whether as shareholder, director, employee, partner, agent, consultant or otherwise, directly or indirectly in any business in competition with the Target Business carried on by any member of the Zcool Network Group as of the date of Termination of Service (provided, however, that such restrictions shall not include the acquisition by each Founder or Former Founder of less than 1% of the outstanding share capital of any publicly traded company engaged in a competing business); or

- (ii) solicit or entice away or attempt to solicit or entice away from any member of the Zcool Network Group, any employee, supplier, customer, client, or representative of such member of the Zcool Network Group, provided, however, that such restrictions shall not restrict (I) a general solicitation to the public of general advertising or similar methods of solicitation by search firms not specifically directed at the aforementioned persons of any member of the Zcool Network Group (provided however, each Founder shall not solicit or entice away or attempt to solicit or entice away from any member of the Zcool Network Group, any employee, supplier, customer, client, or representative of such member of the Zcool Network Group through such general solicitation), or (II) soliciting or recruiting any former aforementioned person whose relevant relationship with the member of the Zcool Network Group was terminated at least one (1) year prior to such solicitation or recruitment.

REASONS FOR AND BENEFIT OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

Established in 2006, Zcool Network Group is the most influential community in China's design and creative community, it has more than approximately 17 million registered users, who mainly are designers, photographers, artists, creatives and other design creative practitioners and enthusiasts. Under the mission of "making design more valuable", Zcool Network Group has created a series of ecological business layouts, aiming to provide professional services for creative practitioners in exhibition, communication, employment, learning and trading, including "Zcool Hellorf", a one-stop genuine visual content trading platform with more than 400 million genuine pictures and videos, and "Zcool Learning", an online education platform for art and design. In addition, Zcool Network Group has also created a creative marketing solution platform "Zcool Co-creation" to connect designers and brand advertisers to create more creative and impactful marketing cases.

After joining the Group, Zcool Network Group will bring great synergies to the development of Meitu's imaging and design product business, especially the construction of MiracleVision's visual model ecosystem and moat:

- a) To increase the exposure and use of MiracleVision in the domestic design and creative community. With the increase in the designers' usage of MiracleVision, we believe that more designers will share their experiences and discussions on the use of MiracleVision in the designer community and other social media of Zcool Network Group, with contents such as effect generation displays, visual models evaluations, tutorial sharing, etc. These high-quality contents generated by professional design and creative communities will serve as a benchmark for MiracleVision to reach our core target audience of "communicators" and lower the barrier for using MiracleVision.
- b) To improve the quality and iteration rate of MiracleVision. As more designers use MiracleVision as their creative tool, we will get more professional feedback data. On the one hand, we will carefully receive their requests and iterate on MiracleVision's products, and on the other hand, we will also add these feedback data to our training to improve the iteration rate and quality of MiracleVision.

- c) To expand high-quality training materials and resources. After the Acquisition, Meitu will fully support the development of Zcool Hellorf, a platform under Zcool Network Group, through its huge number of users and brand advantages in imaging and design products, and help Zcool Hellorf to further increase the scale of its copyright image library and video library. This is a win-win partnership: in addition to the development of Zcool Hellorf itself, users of our image products will be able to upload high-quality images and videos created by them to Zcool Hellorf for monetization, and our MiracleVision will also have more high-quality and creative materials for training.
- d) To accelerate the development of MiracleVision model stores and create a moat. As more designers will train their past creative styles into their own exclusive style models at MiracleVision, users can further assist in generating creative ideas by paying for access to models of different style. This will not only provide users with more diverse choices, but also further expand the differentiation from other visual models.

In addition to the ecology and moat construction of the MiracleVision model, the addition of Zcool Network Group will also bring synergy to other businesses of Meitu:

- a) Further expand the number of designers on the Meitu Creator Platform(美圖創意平台) (MCP) to bring more creative and high-quality materials such as stickers and frames to lifestyle imaging products (such as Meitu and BeautyCam) and to promote user satisfaction, membership payment conversion and retention.
- b) Users of Meitu Design Studio(美圖設計室) and other productivity tools will have the option to purchase genuine image content from Zcool Hellorf in the future to apply it to their works, and thereby enhance the diversity and professionalism of their works.
- c) Meitu can sell the functions of the co-creation platform of Zcool Network Group to existing brand advertisers, and further bring higher communication value and conversion capabilities to Meitu's advertisers through the capabilities of designers.
- d) Enhance Meitu's brand awareness in the field of professional design, and further consolidate the foundation of Meitu's productivity tool business.

Last but not least, Meitu will support the long-term development of Zcool Network Group with its artificial intelligence technology, development capabilities, user resources and financial resources, consolidate its designer community's position as the largest and most influential in the vertical field of design creativity in China, and continue to grow together with the design and creative communities.

Accordingly, the Directors consider that the Acquisition and the transactions thereunder are on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Dr. Guo Yihong (a non-executive Director) is a partner of the IDG Capital group, and IDG China Media Fund II L.P. (an Investor Vendor) is one of the funds managed by the IDG Capital group. Notwithstanding the above, IDG China Media Fund II L.P. is not a connected person of the Company. For good corporate governance, Dr. Guo Yihong has not participated in any negotiations in respect of the Acquisition, and has voluntarily abstained from voting on the Board resolution(s) for approving the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder.

INFORMATION ABOUT THE PARTIES

The Purchaser is a wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands with limited liability. Its principal business is investment holding.

The principal activities of the Group are (i) 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 and (ii) the smart hardware business involving the production of, among other things, artificial intelligence skin analysis SaaS under the brand of EveLab Insight (and MeituEve(美圖宜膚) in the PRC), MeituKey (a contact skin analyser), MeituSpa (an artificial intelligence cleansing brush) and Meitu Genius (an artificial intelligence smart mirror).

Ming and Lily Design Limited is a limited liability company incorporated under the laws of British Virgin Islands, and is principally engaged in investment holding. As at the date of this announcement, Ming and Lily Design Limited is wholly-owned by Mr. Liang Yaoming(梁耀明).

Lily Advertising Limited is a limited liability company incorporated under the laws of British Virgin Islands, and is principally engaged in investment holding. As at the date of this announcement, Lily Advertising Limited is wholly-owned by Ms. Zhao Lili(趙俐俐).

JXL Advertising Co., Ltd. is a limited liability company incorporated under the laws of British Virgin Islands, and is principally engaged in investment holding. As at the date of this announcement, JXL Advertising Co., Ltd. is wholly-owned by Mr. Ji Xiaoliang(紀曉亮).

Yixuan Club Limited is a limited liability company incorporated under the laws of British Virgin Islands, and is principally engaged in investment holding. As at the date of this announcement, Yixuan Club Limited is wholly-owned by Mr. Lu Wei(蘆偉).

TianFamilyTree Limited is a limited liability company incorporated under the laws of British Virgin Islands, and is principally engaged in investment holding. As at the date of this announcement, TianFamilyTree Limited is wholly-owned by Ms. Tian Caixia(田彩霞).

IDG China Media Fund II L.P. is a limited partnership established under the laws of Delaware, the United States of America, and is principally engaged in equity investment. As at the date of this announcement, IDG China Media Fund II L.P. is ultimately controlled by Chi Sing HO and Hugo SHONG.

HES Ventures II, LLC is a limited liability company established under the laws of Delaware, the United States of America, and is principally engaged in investment holding. As at the date of this announcement, HES Ventures II, LLC is ultimately wholly-owned by Hearst Communications, Inc., a leading global, diversified information, services, and media company.

Shutterstock (UK) is a limited liability company incorporated under the laws of England and Wales, which principal business is the provision of sales support and marketing services to Shutterstock (US), which is principally engaged in licensing high-quality content to brands, digital media and marketing companies. As at the date of this announcement, Shutterstock (UK) is wholly-owned as to Shutterstock (US), which is a public company incorporated in Delaware, the United States of America and listed in the New York Stock Exchange.

VNTR V Holdings Limited is a limited liability company incorporated under the laws of the Cayman Islands and is principally engaged in investment holding. As at the date of this announcement, it is wholly-owned by Hillhouse Venture Fund V, L.P., which is in turn managed by Hillhouse Investment Management, Ltd..

All of the Founders and the Former Founders are domestic residents of the PRC.

INFORMATION ABOUT ZCOOL NETWORK

Zcool Network is a limited liability company incorporated under the laws of the Cayman Islands. The Zcool Network Group is principally engaged in the business of online education platform for design, online advertising design, crowd-sourced design, online community for design, stock photography and stock image copyright trading.

Set out below is the unaudited consolidated net loss (both before and after tax) of Zcool Network for the 11 months ended November 30, 2023 and the two financial years ended December 31, 2021 and December 31, 2022, respectively:

	For the 11 months ended November 30, 2023 <i>(approximately)</i>	For the financial year ended December 31, 2022 2021 <i>(approximately)</i>	
Net profit (loss) before tax	RMB(16,216,000)	RMB(41,174,048)	RMB(1,157,212)
Net profit (loss) after tax	RMB(16,219,000)	RMB(41,221,701)	RMB(1,157,212)

The unaudited consolidated net asset value of Zcool Network as at November 30, 2023 is as follows:

	As at November 30, 2023 <i>(approximately)</i>
Net assets	RMB(48,454,000)

CHANGE OF SHAREHOLDING STRUCTURE OF THE COMPANY AFTER ALLOTMENT AND ISSUANCE OF THE CONSIDERATION SHARES AND THE ESOP CONSIDERATION SHARES

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 and the ESOP Consideration Shares (assuming that there is no other change in the issued share capital of the Company from the date of this announcement and until Completion and the allotment and issue of the Consideration Shares and the ESOP Consideration Shares), based on the interests and short positions of the Directors and other persons in the Shares and underlying Shares of the Company within the meaning of Part XV of the SFO, as recorded in the registers maintained by the Company pursuant to Section 352 and Section 336 of the SFO or as otherwise notified to the Company and/or the Stock Exchange pursuant to the Model Code, are as follows:

	As at the date of this announcement		Immediately upon Completion and the allotment and issue of the Consideration Shares and the ESOP Consideration Shares	
	<i>No. of Shares</i>	<i>Approximate % of issued Shares</i>	<i>No. of Shares</i>	<i>Approximate % of issued Shares</i>
Shareholders				
Longlink Capital Limited ⁽¹⁾	620,000,000	13.85%	620,000,000	13.67%
Baolink Capital Limited ⁽²⁾	448,100,000	10.01%	448,100,000	9.88%
Xinhong Capital Limited ⁽³⁾	566,666,670	12.66%	566,666,670	12.50%
Mr. Wu Zeyuan	7,192,500	0.16%	7,192,500	0.16%
Kingkey Enterprise Holdings Limited ⁽⁴⁾	65,024,180	1.45%	65,024,180	1.43%
Eastern Sun Enterprise Limited ⁽⁵⁾	81,025,000	1.81%	81,025,000	1.79%
Mr. Chen Jiarong ⁽⁴⁾	1,191,000	0.03%	1,191,000	0.03%
Vendors	–	–	52,992,166	1.17%
ESOP Holders	–	–	3,990,232	0.09%
Other Public Shareholders	2,688,564,336	60.03%	2,688,564,336	59.28%
Total	4,477,763,686	100%	4,534,746,084	100%

Notes:

- (1) 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 (a substantial shareholder of the Company).
- (2) The entire interest of Baolink Capital is held by Mr. Cai Wensheng (a substantial shareholder of the Company).
- (3) The entire interest of Xinhong Capital Limited is held by Easy Prestige Limited, which in turn is held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Wu Zeyuan (the executive Director, chairman of the Board and chief executive officer of the Company).
- (4) Kingkey Enterprise Holdings Limited is owned as to 50% by Mr. Chen Jiarong (a non-executive Director and substantial shareholder of the Company) and 50% by Mr. Chen Jiajun.
- (5) Eastern Sun Enterprise Limited is wholly-owned by Jubilee Prestige Investments Limited, which is in turn wholly-owned by Mr. Chen Jiarong (a non-executive Director and substantial shareholder of the Company).

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 all are less than 25%, the Acquisition and the transactions contemplated thereunder constitute a discloseable transaction for the Company and are subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

Completion is subject to the satisfaction (or waiver by the Purchaser) of the conditions precedent under the Sale and Purchase Agreement.

DEFINITIONS

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

“Affiliates”	in relation to a person or entity, any holding company, subsidiary (whether direct or indirect), any other subsidiaries of any such holding company or any other person that directly or indirectly (whether by way of contractual arrangements or otherwise), through one or more intermediaries, Controls, is Controlled by or is under common Control with such person
“Acquisition”	the acquisition of all the equity interest in Zcool Network by the Purchaser from the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement
“Beijing Zcool”	Beijing Zcool Creative Technology Co., Ltd.* (北京站酷创意科技有限公司), a company established in the PRC and a subsidiary of Zcool Network
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday and other general public holidays in the Cayman Islands, Hong Kong and the PRC and any day on which a tropical cyclone warning signal no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted or in effect at any time between 9:00 a.m. and 5:00 p.m. and is not lowered or discontinued at or before 5:00 p.m.) on which licensed banks in the Cayman Islands, Hong Kong and the PRC are generally open for business
“Cash Consideration”	the portion of the Consideration payable in cash by the Purchaser

“Company” or “Meitu” or “we” or “our”	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 sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Completion Date”	the tenth (10th) Business Day after the fulfilment or waiver of all conditions, except for those conditions which by their nature are to be satisfied at the Completion Date (or such other date as may be agreed between the Vendors and the Purchaser in writing)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consents”	any approval, consent, certification, authorisation, exemption, waiver, filing, license, order, permission, permit, recording, disclosures and/or registration
“Consideration”	the maximum consideration payable by the Purchaser to the Vendors for the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Consideration Shares”	a total of 52,992,166 new Shares to be issued to the Consideration Share Holders as all or part of the Consideration for the purchase of the respective Sale Shares from the Consideration Share Holders
“Consideration Share Holder(s)”	such Vendor(s) who will receive Consideration Shares as all or part of the Consideration for the sale of their respective Sale Shares, i.e. the Ordinary Vendors and Shutterstock (UK)
“Content”	the content subject to license by end users in accordance with the Shutterstock Products
“Control”, “Controls”, “Controlled” or “Controlling”	the possession, directly or indirectly, of the power to direct or cause the direction of the management of a person, whether through the ownership of voting securities, by contract, or otherwise. For the purpose of this definition, a person shall be deemed to Control another person if such first person, directly or indirectly, owns or holds more than 50% of the voting equity interests in such other person or has a power to control the composition of a majority of the board of directors of such person

“Cooperation Term”	has the meaning ascribed to it under the paragraph headed “The Shutterstock Cooperation Agreement” of this announcement
“Deed of Lock-up Undertaking”	the deed of lock-up undertaking to be executed prior to or on the Completion Date by each of the Consideration Share Holder in favour of the Company and the Purchaser
“Director(s)”	the director(s) of the Company
“Domestic Company”	Beijing Zcool Network Technology Co., Ltd.* (北京站酷網絡科技有限公司), a company established in the PRC and a subsidiary of Zcool Network held under a variable interest entities structure of the Zcool Network Group
“ESOP Cash Consideration”	has the meaning ascribed to it in the paragraph headed “The Acquisition – The Consideration, the ESOP Consideration and the basis of determination” of this announcement
“ESOP Consideration”	an aggregate amount of US\$2,142,518 (equivalent to approximately HK\$16,749,991) payable to the ESOP Holders in consideration of the cancellation of their Zcool Network Options, which will be settled by the payment of the ESOP Cash Consideration and the allotment and issuance of the ESOP Consideration Shares
“ESOP Consideration Shares”	a total of 3,990,232 new Shares to be issued to Meitu Trust (for the benefits of the ESOP Holders)
“ESOP Consideration Arrangements”	has the meaning ascribed to it in the paragraph headed “Lock-up of the Consideration Shares and the ESOP Consideration Shares – The Deed of Lock-up Undertaking with respect to the ESOP Consideration Shares” of this announcement
“ESOP Holders”	the Founder ESOP Holders and the Employee ESOP Holders, and an “ESOP Holder” means any of them
“ESOP Lock-up Undertaking”	has the meaning ascribed to it in the paragraph headed “Lock-up of the Consideration Shares and the ESOP Consideration Shares – The Deed of Lock-up Undertaking with respect to the ESOP Consideration Shares” of this announcement
“ESOP Plans”	the employee share incentive plans adopted by any of the Zcool Network Group companies prior to the date of the Sale and Purchase Agreement

“ESOP Shares”	30,295,082 unissued ordinary shares of Zcool Network reserved for the purpose of, and represented by, the Zcool Network Options granted to the ESOP Holders pursuant to the ESOP Plans for incentive purposes
“Employee ESOP Holders”	individuals who were granted the Zcool Network Options (including those who terminated employment relationship with the Zcool Network Group and those who are still employed by the Zcool Network Group as at the date of the Sale and Purchase Agreement), other than the Founder ESOP Holders
“Exclusive Territory”	the PRC, excluding the Non-Exclusive Territories
“Former Founder(s)”	collectively, Mr. Lu Wei (蘆偉) and Ms. Tian Caixia (田彩霞), and a “Former Founder” means any of them
“Former Founder Holdcos”	collectively, Yixuan Club Limited (a company incorporated in the British Virgin Islands with limited liability) and TianFamilyTree Limited (a company incorporated in the British Virgin Islands with limited liability), which are wholly-owned by Mr. Lu Wei (蘆偉) and Ms. Tian Caixia (田彩霞) respectively, and a “Former Founder Holdco” means any of them
“Founder ESOP Holders”	Ms. Zhao Lili (趙俐俐), Mr. Ji Xiaoliang (紀曉亮), Mr. Lu Wei (蘆偉) and Ms. Tian Caixia (田彩霞), each being a Founder or a Former Founder
“Founder(s)”	collectively, Mr. Liang Yaoming (梁耀明), Ms. Zhao Lili (趙俐俐) and Mr. Ji Xiaoliang (紀曉亮), and a “Founder” means any of them
“Founder Holdcos”	collectively, Ming and Lily Design Limited (a company incorporated in the British Virgin Islands with limited liability), Lily Advertising Limited (a company incorporated in the British Virgin Islands with limited liability) and JXL Advertising Co., Ltd. (a company incorporated in the British Virgin Islands with limited liability), which are wholly-owned by Mr. Liang Yaoming (梁耀明), Ms. Zhao Lili (趙俐俐) and Mr. Ji Xiaoliang (紀曉亮) respectively, and a “Founder Holdco” means any of them
“Founder Parties”	collectively, the Founders and the Founder Holdcos

“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company dated June 1, 2023 to the Directors to exercise the power of the Company to allot, issue and deal with a maximum of 888,865,864 Shares, representing not more than 20% of the total number of issued shares of the Company on June 1, 2023. Except for the proposed issue of the Consideration Shares and the ESOP Consideration Shares, no other new Shares have been previously allotted or issued under the General Mandate as at the date of this announcement
“Governmental Authority(ies)”	any government of any nation, province or state or any other political subdivision thereof, or any entity, department, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the government or any political subdivision thereof, any court, tribunal or arbitrator, or any self-regulatory organization (including any public stock exchange) of any jurisdiction
“Group”	the Company and its subsidiaries, together with Meitu Networks and, Xiamen MeituEve Network Services Co., Ltd. (廈門美圖宜膚網絡服務有限公司), and their respective subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investor Vendor(s)”	collectively, IDG China Media Fund II L.P. (a limited partnership established in Delaware, the United States of America), HES Ventures II, LLC (a corporation established under the laws of Delaware, the United States of America with limited liability), Shutterstock (UK) and VNTR V Holdings Limited (a company incorporated in the Cayman Islands with limited liability), and an “Investor Vendor” means any of them
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Lock-up Period”	in respect of each Ordinary Vendor, one hundred and eighty (180) days after the Completion Date, in respect of Shutterstock (UK), three (3) years after the Completion Date, unless terminated earlier due to occurrence of an event pursuant to the relevant Deed of Lock-up Undertaking, and in respect of the ESOP Holders, one hundred and eighty (180) days after the Completion Date
“Meitu Affiliates”	the Company and any person directly or indirectly Controlling, Controlled by, or under common Control with the Company
“Meitu Networks”	Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司), a company incorporated in the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
“Meitu Trust”	Beautiful Space Ltd., a limited liability company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which are beneficially owned by the Company through a professional trustee
“Non-Exclusive Territories”	Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Ordinary Vendor(s)”	collectively, the Founder Holdcos and the Former Founder Holdcos, and an “Ordinary Vendor” means any of them
“Payment Table”	the table of the payment of the Cash Consideration set forth in the paragraph headed “The Acquisition – Payment terms for the Consideration and the ESOP Consideration – The Payment Table for the Cash Consideration” of this announcement
“PRC” or “China”	the People’s Republic of China
“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
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the reseller share purchase agreement dated February 2, 2024, entered into between the Purchaser, the Vendors, the Founders, the Former Founders and the Zcool Network Group in relation to the sale and purchase of the Sale Shares
“Sale Shares”	119,158,806 ordinary shares (for the avoidance of doubt, excluding the ESOP Shares), 24,590,164 series A shares preferred shares, 9,836,066 series B preferred shares, 61,475,410 series B+ preferred shares and 18,442,623 series C preferred shares of Zcool Network respectively, representing the entire issued share capital of Zcool Network
“Securities”	any shares, stocks, debentures, funds, bonds, notes or any rights, warrants, options or interests in respect of any of the foregoing or any other derivatives or instruments having similar economic effect
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00001 each
“Shutterstock (UK)”	Shutterstock (UK) LTD, a company incorporated under the laws of England and Wales with limited liability
“Shutterstock (US)”	Shutterstock, Inc., a corporation incorporated under the laws of Delaware, the United States of America
“Shutterstock Cooperation Agreement”	the reseller agreement entered into between Shutterstock (US) and the Domestic Company as of February 2, 2024, further details of which are disclosed in the paragraph headed “The Shutterstock Cooperation Agreement” of this announcement
“Shutterstock Products”	certain premier visual content, media visual content, premier editorial content, premier music, images, footage clips and media content of Shutterstock (US)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Target Business”	business of online education platform for design, online advertising design, crowd-sourced design, online community for design, stock photography and stock image copyright trading
“Total Completion Ratio”	the aggregate of the completion ratio in respect of fulfilment of each performance targets in respect of the Zcool Network Group as specified in and as calculated pursuant to the Sale and Purchase Agreement
“Transaction Documents”	the Sale and Purchase Agreement, the instruments of transfer with respect to the sale and purchase of the Sale Shares, the Deed of Lock-up Undertaking, and any other documents incidental to the transactions contemplated under the Sale and Purchase Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendors”	the Ordinary Vendors and the Investor Vendors
“Vendor Warranties”	the relevant representations and warranties given by the Founder Parties (and the Zcool Network Group if the Completion has not been consummated), the Former Founders, the Former Founder Holdcos and the Investor Vendors in the Sale and Purchase Agreement
“Zcool Network”	Zcool Network Technology Limited, an exempted limited company incorporated under the laws of the Cayman Islands, being the target company of the Acquisition
“Zcool Network Group”	Zcool Network and its subsidiaries, namely, Zcool Network Technology Hong Kong Limited (站酷網絡科技有限公司), Beijing Zcool, the Domestic Company, Beijing Zcool Education Technology Co., Ltd.* (北京站酷教育科技有限公司), Xi’an Zcool Fengqi Network Technology Co., Ltd.* (西安站酷風起網絡科技有限公司) and Nanjing Zcool Intellectual Property Agency Co., Ltd.* (南京站酷知識產權代理有限公司)
“Zcool Network Options”	the incentive options to purchase the Securities in Zcool Network granted under the ESOP Plans
“%”	percent

In this announcement, US\$ has been converted to HK\$ at the rate of US\$1 = HK\$7.8179 for illustration purpose only.

By order of the Board
Meitu, Inc.
Wu Zeyuan
Chairman

Hong Kong, February 2, 2024

As at the date of this announcement, the executive Director is Mr. Wu Zeyuan (also known as Mr. Wu Xinhong); the non-executive Directors are Dr. Guo Yihong, Dr. Lee Kai-fu, Mr. Chen Jiarong and Mr. Hong Yupeng; the independent non-executive Directors are Mr. Zhou Hao, Mr. Lai Xiaoling, and Ms. Kui Yingchun.

** For identification purposes only*