Meitu, Inc.

美图公司

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

(Stock Code: 1357)

DISCLOSEABLE TRANSACTION ACQUISITION OF APPROXIMATELY 57.09% EFFECTIVE EQUITY INTEREST IN DAJIE NET INVESTMENT HOLDINGS LTD. AND ESTABLISHMENT OF VIE AGREEMENTS

THE TRANSACTIONS

On August 28, 2019, the Company, the Selling Parties and certain other parties entered into the Transaction Framework Agreement. Upon consummation of the transactions contemplated by the Transaction Framework Agreement, the Company will, through Dajie Net and pursuant to the VIE Agreements, acquire an approximately 57.09% effective equity interest in the Target Group, which operates an online recruitment business in the PRC. The Total Consideration is approximately HK$395,486,084, out of which HK$342,956,420 will be satisfied by the allotment and issue of 85,739,105 Consideration Shares and the remaining balance of approximately HK$52,529,664 will be satisfied in cash.

Pursuant to the Transaction Framework Agreement:

- the Offshore Vendors have conditionally agreed to sell, and the Company has conditionally agreed to acquire, the Offshore Shares representing in aggregate approximately 57.09% of the issued share capital of Dajie Net, for a total consideration of HK$342,956,420 to be satisfied by the allotment and issue of 85,739,105 Consideration Shares to the Offshore Vendors;

- the Onshore Exiting Nominees have conditionally agreed (and the Offshore Vendors have conditionally agreed to procure their respective Onshore Exiting Nominees) to sell, and the Meitu VIE Company has conditionally agreed to acquire, the Onshore Shares representing in aggregate approximately 54.81% of the equity interest of the Onshore Target Company for nil consideration;

- the Onshore Vendors have conditionally agreed to sell, and the Meitu VIE Company has conditionally agreed to acquire, the Onshore Shares representing in aggregate approximately 20.56% of the equity interest of the Onshore Target Company for a cash consideration of RMB47,754,240.08 (approximately HK$52,529,664);

- the Target Group has conditionally agreed to procure the establishment of the WFOE within sixty (60) days after the date of Completion; and

- upon the establishment of the WFOE, the WFOE (which will enter into a joinder agreement to become a party to the Transaction Framework Agreement) and the Onshore Target Company and its shareholders will enter into the VIE Agreements.

The Consideration Shares will be allotted and issued under the General Mandate at the issue price of HK$4.00 per Share. The Consideration Shares will, upon issue, represent (i) approximately 2.03% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, subject to Completion and assuming that there will be no change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transactions is more than 5% but all are less than 25%, the Transactions 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 of the conditions precedent to the Transaction Framework Agreement and there is no assurance that the conditions precedent will be fulfilled. Therefore, the transactions contemplated under the Transaction Framework Agreement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any securities of the Company.

INTRODUCTION

On August 28, 2019, the Company, the Meitu VIE Company, the Target Group, the Target Founder Parties, the Existing Shareholders and the Selling Parties entered into the Transaction Framework Agreement, pursuant to which the relevant parties have conditionally agreed to enter into the Transaction Documents appended thereto to further the objectives as reflected in the terms of the Transaction Framework Agreement. The principal terms of the Transaction Framework Agreement are as follows:

THE ACQUISITIONS

A. The Offshore Acquisition

Parties: 1) the Company as the purchaser

2) the Offshore Vendors as the vendors

Assets to be acquired

Pursuant to the Transaction Framework Agreement, the Offshore Vendors have conditionally agreed to sell, and the Company has conditionally agreed to acquire, the Offshore Shares representing in aggregate approximately 57.09% of the issued share capital of Dajie Net on the date of Completion.

Pursuant to the Transaction Framework Agreement, prior to Completion, Dajie Net shall adopt an amended and restated memorandum and articles of association containing various customary shareholder protection provisions including but not limited to right of first refusal, restrictions on transfer to competitors, and board nomination rights.

Upon Completion, Dajie Net will become a subsidiary of the Group and will be owned as to 57.09% by the Company (or its nominee).

The table below sets forth the shareholding structure of Dajie Net immediately after Completion:

Shareholder of Dajie Net	Shares of Dajie Net	Approximate Percentage Shareholding in Dajie Net
The Company (or its nominee)	246,305,398	57.09%
Dajie Group Limited	127,437,342	29.53%
Rapid Recruitment Limited	31,406,548	7.28%
Hill Ville Limited	26,331,492	6.10%
TOTAL	**431,480,780**	**100.00%**

Offshore Consideration

The Offshore Consideration is in aggregate HK$342,956,420, which shall be satisfied by the allotment and issue of a total number of 85,739,105 Consideration Shares, credited as fully paid, to the Offshore Vendors at the issue price of HK$4.00 per Consideration Share.

The table below sets forth the number of Offshore Shares each Offshore Vendor has conditionally agreed to sell and the number of Consideration Shares the Company has conditionally agreed to allot and issue to each Offshore Vendor:

Offshore Vendor	**Offshore Shares**	**Approximate Percentage shareholding in Dajie Net**	**Consideration Shares**	**Total Value of Consideration (HK$)**
Campus Staffing Limited	15,881,176	3.68%	5,528,250	22,113,000
Fine Talent Holdings Limited	36,586,347	8.48%	12,735,737	50,942,948
Northern Light Venture Capital III Ltd.	105,196,540	24.38%	36,619,000	146,476,000
SBCVC FUND IV. L.P.	26,781,235	6.21%	9,322,569	37,290,276
Huitung Investments (BVI) Limited	8,890,995	2.06%	3,094,962	12,379,848
Chengxuan (or its affiliated company)	26,500,477	6.14%	9,224,837	36,899,348
Wenkang (or its affiliated company)	26,468,628	6.14%	9,213,750	36,855,000
TOTAL	**246,305,398**	**57.09%**	**85,739,105**	**342,956,420**

B. The Onshore Acquisitions

(i) Onshore Acquisition I

Parties: 1) the Meitu VIE Company as the purchaser

2) the Onshore Exiting Nominees as the vendors

Assets to be acquired and consideration

The Onshore Exiting Nominees have conditionally agreed (and the Offshore Vendors have conditionally agreed to procure their respective Onshore Exiting Nominees) to sell, and the Meitu VIE Company has conditionally agreed to acquire, the Onshore Shares, which represent in aggregate approximately 54.81% of the equity interest of the Onshore Target Company on the date of Completion for nil consideration.

The table below sets forth the number of Onshore Shares each Onshore Exiting Nominee has conditionally agreed to sell:

Onshore Exiting Nominee	Onshore Shares	Approximate Percentage Shareholding in the Onshore Target Company
北京敏聞投資有限責任公司 (Beijing Minwen Investment Co., Ltd.)	808,156.00	1.87%
霍爾果斯鋒茂股權投資管理合夥企業（有限合夥） (Horgos Fengmao Equity Investment Management Partnership (Limited Partnership))	8,574,356.00	19.87%
杭州軟銀隆悦創業投資合夥企業（有限合夥） (Hangzhou Softbank Longyue Venture Capital Partnership (Limited Partnership))	2,182,884.00	5.06%
Chengxuan	6,046,881.55	14.01%
Wenkang	6,039,614.02	14.00%
TOTAL	**23,651,891.57**	**54.81%**

(ii) Onshore Acquisition II

Parties: 1) the Meitu VIE Company as the purchaser

2) the Onshore Vendors as the vendors

Assets to be acquired

Pursuant to the Transaction Framework Agreement, the Onshore Vendors have conditionally agreed to sell, and the Meitu VIE Company has conditionally agreed to acquire, the Onshore Shares representing in aggregate 20.56% of the equity interest of the Onshore Target Company on the date of Completion.

Onshore Consideration

The Onshore Consideration is in aggregate RMB47,754,240.08 (approximately HK$52,529,664), which shall be satisfied in cash.

The table below sets forth the number of Onshore Shares each Onshore Vendor has conditionally agreed to sell and the amount of cash consideration the Company has conditionally agreed to pay each Onshore Vendor:

Onshore Vendor	**Onshore Shares**	**Approximate Percentage Shareholding in the Onshore Target Company**	**Amount of Cash Consideration (RMB)**
北京華清博豐創業投資有限公司 (Beijing Huaqing Bofeng Venture Capital Co., Ltd.)	782,356.12	1.81%	4,209,966.70
Mr. Lei Jun (雷軍)	341,391.77	0.79%	1,837,076.42
Ms. Zhang Jianfang (張建芳)	106,684.9	0.25%	574,086.23
Ms. Lu Rong (盧蓉)	24,181.87	0.06%	130,125.99
Mr. Luo Zhuo (羅茁)	18,492.05	0.04%	99,508.28
北京東方卓永投資管理有限公司 (Beijing Oriental Zhuoyong Investment Management Co., Ltd.)	411,268	0.95%	2,213,090.10
金華揚航基石股權投資合夥企業(有限合夥) (Jinhua Yanghang Foundation Stone Equity Investment Partnership (Limited Partnership))	7,190,000	16.66%	38,690,386.36
TOTAL	**8,874,374.71**	**20.56%**	**47,754,240.08**

Upon Completion of the Onshore Acquisitions, the Onshore Target Company will be owned as to approximately 75.37% by the Meitu VIE Company.

The table below sets forth the shareholding structure of the Onshore Target Company immediately after Completion:

Registered Owner of the Onshore Target Company	Registered Capital Held by Each Registered Owner (RMB)	Approximate Percentage Shareholding in the Onshore Target Company
The Meitu VIE Company	32,526,266.28	75.37%
北京融薈企業管理合夥企業（有限合夥）(Beijing Ronghui Enterprise Management Partnership (Limited Partnership))	4,435,097.17	10.28%
Ms. Wang Xiujuan（王秀娟）	1,811,123.43	4.20%
Mr. Yu Minhong（俞敏洪）	1,742,441.91	4.04%
Ms. Cai Shuting（蔡舒婷）	1,482,614.21	3.44%
米林隆領投資有限公司 (Milin Longling Investment Co., Ltd.)	1,150,535.00	2.67%
TOTAL	**43,148,078**	**100.00%**

THE ONSHORE PLEDGES

Pursuant to the Transaction Framework Agreement, each of the Pledgors has conditionally agreed to pledge their respective equity interests in the Onshore Target Company, representing in aggregate approximately 7.04% of the equity interst of the Onshore Target Company, to the Meitu VIE Company or the Company on or prior to the date of Completion.

CONSIDERATION SHARES

The issue price of HK$4.00 per Consideration Share represents:

a) a premium of approximately 102% to the closing price of HK$1.98 per Share as quoted on the Stock Exchange on August 28, 2019, being the date of the Transaction Framework Agreement; and

b) a premium of approximately 99.6% to the average closing price of HK$2.004 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Transaction Framework Agreement.

The Consideration Shares will, upon issue, represent (i) approximately 2.03% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, subject to Completion and assuming that there will be no change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to the General Mandate and no Shareholders' approval is required for such allotment and issue. The Consideration Shares shall, on the date of allotment and issue, rank *pari passu* in all respects with the Shares in issue (except for the lock-up restrictions as provided under the Transaction Framework Agreement).

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.

ARRANGEMENTS FOR CLAWBACK AND SHARES CANCELLATION

Pursuant to the Transaction Framework Agreement, within one Business Day after the date of Completion, the Consideration Shares shall be issued and allotted in the names of the Offshore Vendors respectively with the original share certificates to be kept by the Company (or at the Company's instruction, its Hong Kong share registrar) until the Release Conditions are satisfied. If the Release Conditions are not satisfied within 90 Business Days of the date of Completion, the Company shall no longer be required to deliver any original share certificates to the Offshore Sellers and shall instead arrange for the cancellation of the Consideration Shares with its Hong Kong share registrar.

LOCK-UP OF THE CONSIDERATION SHARES

Each of the Offshore Vendors shall not, and shall procure its affiliate(s) or its nominee(s) not to, without the prior written consent of the Company, at any time within the 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 or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, any legal or beneficial interest in the Consideration Shares.

BASIS OF CONSIDERATION FOR THE ACQUISITIONS

The Total Consideration (including but not limited to the issue price per Consideration Share) was determined based on arm's length negotiations between the Company and the Selling Parties, taking into account (a) the valuations of the Target Group in previous private financing rounds as described under the paragraph headed "Information about the Target Group" in this announcement and (b) the Company's assessment on the prospects of the online recruitment industry in the PRC and the synergistic benefits that can be created between the Group and the VIE Group from the Transactions as described under the paragraph headed "Reasons for and benefits of the Transactions" in this announcement.

Since the Group will acquire an approximately 57.09% effective equity interest in the Target Group for the Total Consideration of approximately RMB47.8 million in cash and the issuance of approximately 85.7 million Consideration Shares at the issue price of HK$4 per Consideration Share, the effective valuation of the Target Group is approximately RMB629.8 million. The issue price of HK$4 per Consideration share was determined based on a modest premium to the Company's share price at the time when preliminary discussions began with respect to the potential acquisition of the Target Group. As the Target Group is not currently making a profit, price-to-sales and price-to gross-profit ratios were taken into account when determining the valuation of the Target Group. Based on the Target Group's 2018 financial results, the implied price-to-sales and price-to-gross-profit ratios were approximately 6.0 and 8.4 times, respectively. In this connection, two comparable companies in the recruitment industry were identified, namely Wise Talent Information Technology Co., Ltd (which operates under the name "Liepin" and is listed on the Stock Exchange with stock code: 6100) ("**Liepin**") and 51Job, Inc. (NASDAQ: JOBS) ("**51Job**"). Both of the Target Group's price-to-sales and price-to-gross-profit ratios were at a slight discount to Liepin's approximately 7.0 and 8.7 times, respectively, and at an even higher discount to 51Job's approximately 8.0 and 11.2 times, respectively. The Directors believe that this discount in the valuation of the Target Group relative to both Liepin and 51Job is justified as the Target Group is unlisted and its scale is much smaller than these two industry leaders. Having also considered the historical valuation trend of the Target Group, the Directors believe that the Total Consideration is fair and reasonable.

CONDITIONS PRECEDENT

The obligations of the parties to consummate the Transactions shall be conditional upon fulfillment of the following conditions precedent:

a) the approval from the Board having been obtained for the Transactions contemplated under the Transaction Framework Agreement and the Transaction Documents, including the issue and allotment of the Consideration Shares;

b) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares (the "**Listing Approval**") and such Listing Approval not having been revoked prior to Completion;

c) each of the covenants, conditions and obligations that the Dajie Warrantors, the Selling Parties and the Purchasers are required to fulfill or comply with pursuant to the Transaction Framework Agreement and the Transaction Documents on or prior to the Completion having been duly performed and complied with in all material respects;

d) the representations and warranties of the Dajie Warrantors, the Selling Parties and the Purchasers contained in the Transaction Framework Agreement and in the Transaction Documents being true, accurate, complete and not misleading in all material respects at Completion;

e) the Transaction Documents having been duly executed and delivered by the relevant parties thereto and duly registered with the PRC authorities (where applicable);

f) Dajie Net having adopted an amended and restated memorandum and articles of association;

g) there not having occurred any material breach or default by the Dajie Warrantors, the Selling Parties or the Purchasers under the Transaction Framework Agreement or the Transaction Documents;

h) all actions by, or filings with, any governmental authorities required to permit the consummation of the Acquisitions having been taken, made or obtained. Each company of the Target Group having received all required consents reasonably satisfactory to the Company or the Meitu VIE Company, and no such consent, authorization or approval having been revoked;

i) each of the Dajie Warrantors, the Selling Parties and the Purchasers having obtained all approvals, consents, permits and/or waivers required by any applicable laws and regulations (including the Listing Rules) or by any third party (including any governmental authorities and the Stock Exchange) necessary for the consummation of the Acquisitions;

j) there not having been any actions taken, or any applicable laws proposed, enacted, enforced, promulgated or issued by any governmental authorities that would have an adverse impact on the Transactions.

k) no events have having occurred following the date of the Transaction Framework Agreement that, individually or in the aggregate, have had or could reasonably be expected to have a material adverse effect;

l) the Target Group having delivered to the Company or the Meitu VIE Company a certified true copy of the shareholders' resolutions and board resolutions of each company of the Target Group, and such other documents as necessary to approve the execution of the Transaction Framework Agreement and the Transaction Documents and the consummation of the Transactions;

m) each of the Offshore Vendors having furnished to the Company (or its Hong Kong share registrar, as the case maybe) certified copies of (i) board resolutions to approve the signing of all transfer documents and instructions and (ii) the specimen signatures of their authorized signatories, to enable the Consideration Shares to be issued to the Offshore Vendors;

n) upon Closing, there being up to five directors on the board of directors of Dajie Net, of which up to three directors shall be appointed by the Company and up to two directors shall be appointed by the Target Founder;

o) the Company having received from Pacgate Law Group, PRC legal counsel to Dajie Net, a legal opinion on PRC laws satisfactory to the Company and from Travers Thorp Alberga, Cayman Islands legal counsel to Dajie Net, a legal opinion on the laws of the Cayman Islands satisfactory to the Company; and

p) no governmental authority of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law (whether temporary, preliminary or permanent) that has the effect of making the Transactions illegal or otherwise prohibiting the consummation of the Transactions or if the consummation of the Transactions would violate any laws (whether temporary, preliminary or permanent).

The Purchasers, on the one hand, and the Dajie Warrantors and the Selling Parties, on the other hand, may pursuant to the Transaction Framework Agreement at any time waive any or all of the above conditions precedent to the Completion to the extent that such conditions precedent do not relate to their own respective obligations.

COMPLETION

Completion shall take place no later than ten Business Days after the date on which all the conditions precedent have been fulfilled or waived (as the case may be). If Completion does not occur within 90 days after the date of the Transaction Framework Agreement, the Company may terminate the Transaction Framework Agreement.

UNWINDING

Without prejudice to any claims for damages, indemnities or other remedies that the parties may have under the Transaction Framework Agreement, in the event that the Release Conditions have not been satisfied within 90 Business Days of Completion, the Transaction Framework Agreement and the transactions contemplated thereunder shall be automatically terminated and all the parties thereto shall be obligated to cooperate in good faith to forthwith unwind all transactions performed and/or completed pursuant to the Transaction Framework Agreement and place all parties in the same respective positions as they would be in immediately prior to the consummation of such transactions (the "**Unwinding**"). The parties thereto shall at the same time also use reasonable endeavours to cooperate with each other to develop, devise and agree upon an alternative transaction plan in substitution of the Unwinding to further the underlying transactions contemplated under the Transaction Framework Agreement based on the agreed plan in substitution of the Unwinding.

THE VIE AGREEMENTS

Establishing the WFOE and Entering into the VIE Agreements

Pursuant to the Transaction Framework Agreement, the Target Group has conditionally agreed to, within sixty (60) days after the date of Completion, procure the establishment of the WFOE, and upon the establishment of the WFOE, the WFOE (which will enter into a joinder agreement to become a party to the Transaction Framework Agreement), the Onshore Target Company and the Relevant Shareholders will enter into the VIE Agreements.

Reasons for the Use of the VIE Agreements

Foreign investment activities in the PRC shall be subject to the restrictions as set forth in the Administrative Measures of Foreign Investment Admission (Negative List) (2019 Version) (the "**2019 Negative List**") which was promulgated and amended from time to time jointly by the National Development and Reform Commission of the PRC (the "**NDRC**") and Ministry of Commerce of the PRC (the "**MOFCOM**") and the latest version of which was released on June 30, 2019 and became effective on July 30, 2019. Foreign investments in industries which fall within the 2019 Negative List shall be subject to special administration measures as set forth therein.

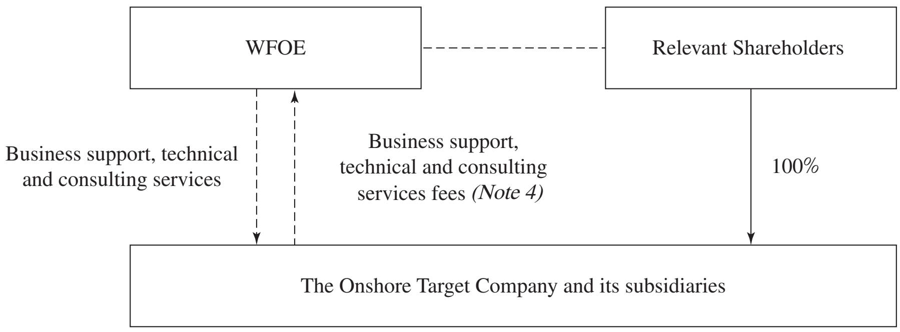
Under the 2019 Negative List, the proportion of foreign investment in the business of providing value-added telecommunications services (excluding e-commerce, domestic multi-party conferencing, store-and-forward, and call center services) (the "**Relevant Businesses**") cannot exceed 50%. The provision of online recruitment services, which is the principal business of the Onshore Target Company, falls within the aforesaid industry, and the Company, as a foreign investor, is subject to the aforesaid restriction in relation to its equity interest of the Onshore Target Company. Therefore, it is not feasible for the Company to hold more than 50% of equity interest in the Onshore Target Company, whether directly or indirectly. With respect to the subsidiaries of the Onshore Target Company (the "**Onshore Target Subsidiaries**"), some of them primarily engage in the business of advertising, sales, human resources and public relations related services, which is not restricted or prohibited for foreign investment and the other subsidiaries currently do not conduct any business. The Onshore Target Company will, as soon as practicable after the establishment of the WFOE, transfer all the equity interest held by it directly or indirectly in the Onshore Target Subsidiaries to the WFOE at the lowest price as permitted by, and in accordance with, applicable PRC laws, or deregister the relevant Onshore Target Subsidiaries.

In light of the above, the Transaction Framework Agreement requires that the Target Group shall be reorganized such that the newly established WFOE shall enter into the VIE Agreements with the Onshore Target Company and the Relevant Shareholders. The VIE Agreements will enable the financial results, the entire economic benefits and the risks of the business of the Onshore Target Company and its wholly-owned subsidiaries to flow into the WFOE and enable the WFOE to gain control over the Onshore Target Company and its wholly-owned subsidiaries. As a result, the Company will have a controlling equity interest in the Onshore Target Company and its subsidiaries via the VIE Agreements indirectly after the establishment of the VIE Agreements.

Details of the Form of the VIE Agreements

The following diagram illustrates the flow of economic benefits from the Onshore Target Company and its wholly owned subsidiaries to the WFOE under the VIE Agreements upon the execution and effectiveness of the VIE Agreements:

(1) Powers of attorney to exercise all shareholders' rights in the Onshore Target Company *(Note 1)*
(2) Exclusive option to acquire all or part of the equity interest in and/or assets of the Onshore Target Company *(Note 2)*
(3) First priority security interest over the entire equity interest in the Onshore Target Company *(Note 3)*



Notes:

(1) Please refer to" – Power of Attorney" for details.

(2) Please refer to" – Exclusive Option Agreement" for details.

(3) Please refer to" – Equity Pledge Agreement" for details.

(4) Please refer to" – Exclusive Business Cooperation Agreement" for details.

"⟶" denotes direct legal and beneficial ownership in the equity interest and "--->" denotes contractual relationship.

Exclusive Option Agreement

The Onshore Target Company and the Relevant Shareholders will enter into an exclusive option agreement with the WFOE (the "**Exclusive Option Agreement**"), pursuant to which the WFOE (or the Offshore Target Company or any subsidiary of the Offshore Target Company, the "**designee**") will be granted an irrevocable and exclusive right to purchase from the Relevant Shareholders and/or the Onshore Target Company all or any part of their equity interests in the Onshore Target Company or all or any part of the assets of the Onshore Target Company for a nominal price (the "**Purchase Right**"), unless the relevant government authorities or the PRC laws request that another amount to be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Relevant Shareholders and/or the Onshore Target Company shall return any amount of purchase price they have received to the WFOE. Upon the WFOE's request, the Relevant Shareholders and/or the Onshore Target Company will promptly and unconditionally transfer their respective equity interests in and/or assets of the Onshore Target Company to the WFOE after WFOE exercises the Purchase Right.

The Exclusive Option Agreement will be for an initial term of ten years and will be automatically renewable upon expiry unless the WFOE confirms a new renewal term in writing.

In order to prevent the flow of the assets and value of the Onshore Target Company and its subsidiaries to the Relevant Shareholders, during the term of the Exclusive Option Agreement, the Onshore Target Company is not allowed to, and shall procure its subsidiaries not to, sell, transfer, mortgage or otherwise dispose of any of its assets (exceeding the value of RMB1 million) without the prior written consent of the WFOE. In addition, the Onshore Target Company is not allowed to, and shall procure its subsidiaries not to, make any distributions to its shareholder(s) without the prior written consent of the WFOE. In the event that the Relevant Shareholders receive any distribution from the Onshore Target Company and/or its subsidiaries and subject to the PRC laws, the Relevant Shareholders must immediately pay or transfer such distribution to the WFOE (or its designee).

Exclusive Business Cooperation Agreement

The Onshore Target Company will enter into an exclusive business cooperation agreement with the WFOE (the "**Exclusive Business Cooperation Agreement**"), pursuant to which the Onshore Target Company will agree to engage the WFOE as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment, leasing, marketing consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under these arrangements, the service fees, subject to the WFOE's adjustment, are equal to all of the net profit of the Onshore Target Company and its subsidiaries. The WFOE may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of the Onshore Target Company and its subsidiaries from previous financial periods. If the Onshore Target Company runs into financial deficit or suffers severe operation difficulties, the WFOE will provide financial support to the Onshore Target Company to the extent that relevant PRC laws permit.

The Exclusive Business Cooperation Agreement will be for an initial term of ten years and will be automatically renewable upon expiry unless the WFOE confirms a new renewal term in writing.

Equity Pledge Agreement

The WFOE, the Relevant Shareholders and the Onshore Target Company will enter into an equity pledge agreement (the "**Equity Pledge Agreement**"). Under the Equity Pledge Agreement, the Relevant Shareholders will pledge as first charge all of their respective equity interests in the Onshore Target Company to the WFOE as collateral security for all of their payments due to the WFOE and to secure performance of their and the Onshore Target Company's obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Power of Attorney (as defined below) and the Equity Pledge Agreement. The Equity Pledge Agreement will not terminate until (i) all obligations of the Onshore Target Company and the Relevant Shareholders are satisfied in full; (ii) the WFOE (or its designee) exercises its exclusive option to purchase the entire equity interests of the Relevant Shareholders in the Onshore Target Company and/or the entire assets of the Onshore Target Company, pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws; (iii) the WFOE exercises its unilateral and unconditional right of termination; or (iv) the agreement is required to be terminated in accordance with applicable PRC laws.

The pledges under the Equity Pledge Agreement will be duly registered with the relevant PRC governmental authority pursuant to PRC laws and regulations.

Power of Attorney

An irrevocable power of attorney will be entered into between the Relevant Shareholders, the WFOE and the Onshore Target Company (the "**Power of Attorney**"), whereby the Relevant Shareholders will appoint the WFOE or a director of its offshore holding company or its/his/her successor (including a liquidator replacing WFOE's director) as their exclusive agent and attorney to act on their behalf on all matters concerning the Onshore Target Company and to exercise all of its rights as a registered shareholder of the Onshore Target Company. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to act as the legal representative (chairperson), the director, supervisor, the chief executive officer (or general manager) and other senior management members of the Onshore Target Company. The authorized person is entitled to sign minutes, file documents with the relevant PRC governmental authority and exercise voting rights on the winding up of the Onshore Target Company on behalf of the Relevant Shareholders. The Relevant Shareholders have each undertaken to transfer all assets obtained after the winding up of the Onshore Target Company to the WFOE at nil consideration or the lowest price permissible by the then applicable PRC laws. As a result of the Power of Attorney, the Company, through the WFOE, will be able to exercise management control over the activities that most significantly impact the economic performance of the Onshore Target Company upon the execution and effectiveness of the Power of Attorney.

Succession

The provisions set out in the VIE Agreements are also binding on the successors of the Relevant Shareholders, as if the successors were signing parties to the VIE Agreements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the VIE Agreements. In case of a breach, the WFOE can enforce its rights against the successors.

Pursuant to the VIE Agreements, any inheritor of the Relevant Shareholders shall inherit any and all rights and obligations of the registered shareholders under the VIE Agreements as a result of their death, loss of capacity, marriage, divorce, bankruptcy or under other circumstances which would affect their exercise of equity interest in the Onshore Target Company, as if the inheritor was a signing party to such VIE Agreements.

In addition, the spouse of each Relevant Shareholder who is an individual and is married will execute an irrevocable undertaking, whereby the spouse will expressly and irrevocably acknowledge and undertake that (i) any equity interests held by the respective spouse in the Onshore Target Company do not fall within the scope of their communal properties; (ii) he/she will not have any claim on the interests of the Onshore Target Company obtained through the VIE Agreements; (iii) he/she has never participated and will not participate in the operation or management of the Onshore Target Company.

Arrangement to Address Potential Conflicts of Interests

The Relevant Shareholders will undertake that, during the period that the VIE Agreements remain effective,

a) (i) they shall not execute any documents with or make any undertaking to any third parties that may have conflicts of interests with any agreements entered into by the WFOE or the Onshore Target Company, (ii) they shall not commit or refrain from committing any act that may lead to any conflicts of interests between the Relevant Shareholders and the WFOE (including its shareholders) and (iii) in the event of the occurrence of a conflict of interests (where the WFOE has the sole absolute discretion to determine whether such conflict arises), they shall take appropriate measures upon the consent of the WFOE and its designee to eliminate such conflicts, failing which the WFOE has the right to exercise the option under the Exclusive Option Agreement; and

b) unless otherwise agreed to by the WFOE in writing, the Meitu VIE Company, as a Relevant Shareholder holding 75.37% equity interest of the Onshore Target Company upon Completion, will not (i) directly or indirectly participate or engage in any business which is or may potentially be in competition with the businesses of the Onshore Target Company or any of its subsidiaries and (ii) be employed by an entity whose operation is or may potentially be in competition with the businesses of the Onshore Target Company or any of its subsidiaries or hold interest in or assets of such entities, save that ownership of an equity interest of up to 5% is permitted, where the WFOE has the sole absolute discretion to determine whether such conflict arises.

The Power of Attorney will also provide that, in order to avoid potential conflicts of interest, where the Relevant Shareholders are officers or directors of the WFOE or the Company, the Power of Attorney is granted in favor of other unrelated officers or directors of the Company.

Dispute Resolution

Each of the VIE Agreements will stipulate that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the VIE Agreements will also provide that (i) the arbitral tribunal may award remedies over the equity interests, assets or property interest of the Onshore Target Company, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the Onshore Target Company; and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and other jurisdiction (being the place of domicile of the Onshore Target Company and where the principal assets of the Onshore Target Company or the WFOE are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the shares or property interest of the Onshore Target Company.

Loss Sharing

None of the VIE Agreements will provide that Dajie Net or its wholly owned PRC subsidiary, the WFOE, is obligated to share the losses of the Onshore Target Company and its subsidiaries, but if the Onshore Target Company and its subsidiaries suffer any losses or material difficulties of business, Dajie Net may provide financial support as permitted under PRC laws at its discretion to Onshore Target Company and its subsidiaries under the terms of the Exclusive Business Cooperation Agreement. Further, each of the Onshore Target Company and its subsidiaries is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, the WFOE and Dajie Net is not expressly required to share the losses of Onshore Target Company and its subsidiaries or provide financial support to them. Despite the foregoing, given that the Target Group conducts the relevant business in the PRC through the Onshore Target Company and its subsidiaries which hold the requisite PRC licenses and approvals and that their results of operations and assets and liabilities will be consolidated into the Target Group's results of operations and assets and liabilities under the applicable accounting principles upon the execution and effectiveness of the VIE Agreements, Dajie Net's business, financial condition and results of operations would be adversely affected if Onshore Target Company and its subsidiaries suffer losses.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by PRC laws, the Onshore Target Company shall sell all of its assets to the extent permitted by PRC laws to the WFOE or another qualifying entity designated by the WFOE, at the lowest selling price permitted by applicable PRC laws. Any obligation for the WFOE to pay the Onshore Target Company as a result of such transaction shall be waived by the Onshore Target Company and any profits arising from the above transaction shall be paid to the WFOE or the qualifying entity designated by the WFOE in partial satisfaction of the service fees under the Exclusive Option Agreement, as applicable under the then current PRC laws. Accordingly, in a winding up of the Onshore Target Company, a liquidator may seize the assets of the Onshore Target Company through the WFOE based on the VIE Agreements for the benefit of the Company's creditors or shareholders.

Termination

Each of the form of the VIE Agreements provides that the WFOE and the Onshore Target Company shall terminate the VIE Agreements once the WFOE holds the entire equity interests and/or the entire assets of the Onshore Target Company under the then PRC laws and if the WFOE or its subsidiaries are able to conduct the Relevant Businesses directly as a result of being permitted to do so under the then PRC laws and the WFOE is registered as the sole shareholder of the Onshore Target Company. In addition, pursuant to the Exclusive Business Cooperation Agreement, the WFOE will have the unilateral right to terminate these agreements at any time by providing 30 days' advance written notice to the Onshore Target Company.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the VIE Agreements.

Legality of the VIE Agreements

The WFOE's right to deal with the pledged equity interest in the Onshore Target Company under the Equity Pledge Agreement and its option to acquire the equity interest in and/or the assets of the Onshore Target Company under the Exclusive Option Agreement will be confined to be carried out in a manner as permitted by the relevant PRC laws. Further, the pledges to be created under the Equity Pledge Agreement shall only become effective upon its due registration with the State Administration for Market Regulation of the PRC or its local counterparts (the "**SAMR**"). Based on the above, our PRC Legal Advisor is of the opinion that the form of the VIE Agreements, upon the execution by all the parties thereto and becoming effective in accordance with the terms thereof, and upon the completion of the registration of the relevant share pledge with the SAMR, will be narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Adviser is also of the opinion that, subject to the risks relating to the VIE Agreements provided herein, upon the execution and effectiveness of the VIE Agreements in the form as attached to the Transaction Framework Agreement and completion of the relevant share pledge as contemplated under the VIE Agreements with the SAMR:

a) each of the VIE Agreements will be legal, valid and binding on the parties thereto;

b) none of the VIE Agreements will violate any provisions of respective articles of association of the Onshore Target Company and its subsidiaries currently in effect;

c) the execution of the VIE Agreements will not require any approvals from the PRC governmental authorities according to the PRC laws and regulations currently in effect;

d) the VIE Agreements would not, individually or collectively, be deemed as "concealing illegal intentions with a lawful form" and void under the Contract Law of the PRC; and

e) the VIE Agreements will not be in violation of applicable PRC laws and regulations currently in effect, except that the VIE Agreements will provide that the arbitral body may award remedies over the shares and/or assets of the Onshore Target Company, injunctive relief and/or winding up of the Onshore Target Company, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Onshore Target Company in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

Board's view on the VIE Agreements

Based on the above, the Board is of the view that the VIE Agreements will be narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. The VIE Agreements will enable the WFOE to gain control over the Onshore Target Company, and to be entitled to the economic interests and benefits of the Onshore Target Company and its subsidiaries. The Company will unwind the VIE Agreements as soon as relevant PRC rules and regulations governing foreign investment in the operation of the Relevant Businesses are issued which allow the Company or any of its wholly-owned subsidies to register itself as the shareholder of the Onshore Target Company and its subsidiaries. Moreover, the Meitu VIE Company will be holding a direct equity interest of more than 50% in the Onshore Target Company, which acts as an additional layer of control by the Group over the assets of the Onshore Target Company and its subsidiaries.

Pursuant to the conditions of the waiver (the "**Waiver Conditions**") granted to the Company at the time of initial public offering as described on pages 208 to 210 of the Prospectus, and on the basis that the existing contractual arrangements between the Company and the Meitu VIE Company provide an acceptable framework for the relationship between the Company and the Meitu VIE Company, the Company is permitted to renew or clone the existing structured contracts between the Company and the Meitu VIE Company with respect to any new wholly foreign-owned enterprise without obtaining the approval of the Shareholders provided they are on substantially the same terms and conditions as those described under the section headed "Contractual Arrangements" in the Prospectus. As the VIE Agreements are on substantially the same terms and conditions as those described under the section headed "Contractual Arrangements" in the Prospectus, they therefore fall within the parameters of the Waiver Conditions.

RISKS RELATING TO THE VIE AGREEMENTS

If the PRC government finds that the agreements that establish the VIE structure for the Company and/or the Target Group Companies to operate certain businesses in the PRC through the VIE Agreements do not comply with applicable PRC Laws, or if these regulations or their interpretations change in the future, the Company and/or the Target Group Companies could be subject to severe consequences, including the nullification of the VIE Agreements and the relinquishment of the Company's interest in the Onshore Target Company.

Various regulations in the PRC restrict foreign-invested enterprises from holding certain licenses required to operate business in relation to value-added telecommunication services and internet content provision. The Company is a company incorporated under the laws of the Cayman Islands, and the WFOE, upon its establishment, will be a foreign-invested enterprise. In light of the abovementioned restrictions, by means of entering into the VIE Agreements, the Company is able to exercise effective control of the Onshore Target Company and receive substantially all of the economic benefits from the operation of the Onshore Target Company.

However, there are substantial uncertainties regarding the interpretation and application of the PRC Laws, including without limitation the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, and other relevant PRC Laws. Our PRC Legal Adviser has also advised that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant regulations and may not agree that the VIE Agreements comply with the current laws, regulations or rules of the PRC, and the authorities may deny the validity, effectiveness and enforceability of the VIE Agreements. If the PRC regulatory authorities find that the VIE Agreements do not comply with the laws and regulations of the PRC, or if these regulations or their interpretations change in the future, the Company and/or Target Group Companies could be subject to severe penalties or be forced to relinquish the Company's interests in the Onshore Target Company and its subsidiaries.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of the current corporate structure, VIE Agreements, corporate governance and business operations of the Company and the Target Group Companies.

Description of the Foreign Investment Law

On March 15, 2019, the National People's Congress of the PRC approved the foreign investment law (the "**Foreign Investment Law**"), which will come into effect on January 1, 2020 and replace the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

The Foreign Investment Law embodies the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in the PRC. Though it does not explicitly classify "variable interest entity" structure (the "**VIE structure**") as a form of foreign investment, there is no assurance that foreign investment via VIE structure would not be interpreted as a type of indirect foreign investment activities under the aforementioned definition of "foreign investment" in the future. In addition, the aforementioned definition of "foreign investment" contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for VIE structure as a form of foreign investment.

Impact of the Foreign Investment Law on VIE Agreements

The VIE structure has been adopted by many fully or partially foreign-owned companies which, through its subsidiaries in the PRC, assumes control over an operating company incorporated in the PRC which holds the necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. It will be uncertain whether the VIE structure will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.

In addition, the Foreign Investment Law further specifies that foreign investments shall be conducted in line with the negative list issued by or approved to be issued by the State Council. If a foreign invested enterprise or a foreign invested entity (the "**FIE**") proposes to conduct business in an industry subject to restrictions in the negative list, the FIE must meet certain conditions under the negative list before being established. It is uncertain whether the businesses operated by the Onshore Target Company from time to time will be or continue to be subject to the foreign investment restrictions under the negative list to be issued in future.

Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to the VIE Agreements, there will be substantial uncertainties as to whether such actions can be completed by the Company and the Target Group Companies in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance requirements could materially and adversely affect the current corporate structure and business operations of the Company and the Target Group Companies, as well as the ability of the Company and the Target Group Companies to be or continue to be engaged in businesses subject to the foreign investment restrictions.

Potential Risks to the Company

The VIE Agreements, in the worst case scenario, may be regarded as invalid and illegal. As a result, the Company may be required to dispose of the business under the VIE Agreements and will lose rights to receive the economic benefits from the Onshore Target Company, such that the financial results of the Onshore Target Company would no longer be consolidated into the Company's financial results and the Company will have to de-recognise assets and liabilities of the Onshore Target Company according to the relevant accounting standards. If such disposal of the business under the VIE Agreements would lead to the Group no longer having a sustainable business, the Stock Exchange may delist the Company.

Measures adopted by the Company to mitigate against any potential risk arising from the Foreign Investment Law

As aforementioned, there are uncertainties with respect to the interpretation and implementation of the newly enacted Foreign Investment Law, the Board will closely monitor the development of the Foreign Investment Law with the help of the Company's PRC legal adviser, including but not limited to any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities.

The Company will then discuss with its PRC legal adviser in order to assess any possible impact arising from the development of the Foreign Investment Law on the VIE Agreements and the business operation of the Company and the Target Group Companies.

In case there would be material and adverse effect on the Company or the business of the Target Group Companies arising from the Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the Foreign Investment Law as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to the Foreign Investment Law and any material impact of the development of the Foreign Investment Law on the Company's operations and financial position.

The bankruptcy or a dissolution or liquidation proceeding of the Onshore Target Company and its subsidiaries may cause the VIE Group to lose the ability to use and enjoy assets and licenses held by the Onshore Target Company and its subsidiaries.

The Onshore Target Company and its subsidiaries hold certain assets that are important to our business operations. The VIE Agreements contain terms that specifically obligate the Relevant Shareholders to ensure the valid existence of the Onshore Target Company and that the Onshore Target Company may not be voluntarily liquidated. However, should the Relevant Shareholders breach this obligation and voluntarily liquidate the Onshore Target Company, or should the Onshore Target Company or any of its subsidiaries declares bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and the VIE Group may be unable to continue some or all of its business operations, which could materially and adversely affect its business, financial condition and results of operations.

The exercise of the option to acquire the ownership of the Onshore Target Company may be subject to substantial costs.

Pursuant to the VIE Agreements, the WFOE (or any subsidiary within the Group) has the exclusive right to purchase all or any part of the equity interests in the Onshore Target Company from the respective shareholders for a nominal price, unless the relevant government authorities or PRC laws request that another amount be used as the purchase price and in which case the purchase price shall be the lowest amount under such request. Subject to relevant laws and regulations, the respective shareholders shall return any amount of purchase price they have received to the WFOE. If such a transfer takes place, the competent tax authority may require the WFOE to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

The VIE Agreements may not be as effective in providing operational control as direct ownership and the Onshore Target Company or their shareholders may fail to perform their obligations under the VIE Agreements.

The VIE Agreements may not provide control as effective as direct ownership. Under the VIE Agreements, the VIE Group will have to rely on the WFOE's rights under the VIE Agreements to effect changes in the management of the Onshore Target Company and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If the Onshore Target Company or the Relevant Shareholders refuse to cooperate, the VIE Group will face difficulties in effecting control over the Onshore Target Company through the VIE Agreements, which may adversely affect the beneficial interests of the VIE Group.

The Relevant Shareholders may potentially have a conflict of interests with the VIE Group.

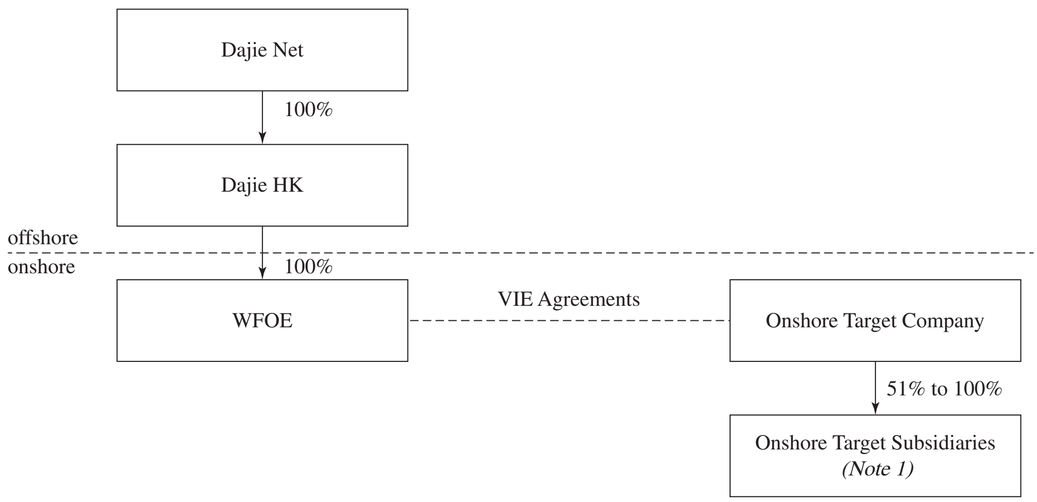
The Relevant Shareholders may have potential conflicts of interest with the VIE Group. Although there will be provisions under the Exclusive Option Agreement to prevent those situations, conflicts of interest may still arise when the interests of the Relevant Shareholders do not align with those of the VIE Group, and the Relevant Shareholders may breach or cause the Onshore Target Company to breach the VIE Agreements. If the VIE Group fails to resolve this internally, it may have to resort to dispute resolution. Such disputes and proceedings may significantly disrupt the business operations of the VIE Group, adversely affect its ability to control the Onshore Target Company and otherwise result in negative publicity.

The VIE Agreements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed.

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. The VIE Group would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the VIE Agreements were not conducted on an arm's-length basis as the PRC tax authorities have the authority to make special tax adjustments on the Onshore Target Company's tax position. Such adjustments may adversely affect us by increasing Onshore Target Company's tax expenses without reducing the tax expenses of the WFOE, subjecting Onshore Target Company to late payment fees and other penalties for under-payment of taxes. The consolidated results of operations of the VIE Group may be adversely affected if Onshore Target Company's tax liabilities increase or if it is subject to late payment fees or other penalties.

CORPORATE STRUCTURE OF THE TARGET GROUP AFTER COMPLETION AND THE ESTABLISHMENT OF THE VIE AGREEMENTS

The following diagram illustrates the corporate structure of the Target Group after Completion and the establishment of the VIE Agreements:



Note:

(1) As the Onshore Target Subsidiaries do not engage in any business that is restricted or prohibited for foreign investment, the Onshore Target Company will, as soon as practicable after the establishment of the WFOE, transfer all the equity interest held by it directly or indirectly in the Onshore Target Subsidiaries to the WFOE at the lowest price as permitted by, and in accordance with, applicable PRC laws.

INFORMATION ABOUT THE SELLING PARTIES, THE TARGET FOUNDER PARTIES AND THE EXISTING SHAREHOLDERS

The Offshore Vendors

Campus Staffing Limited is a company incorporated under the laws of the British Virgin Islands with limited liability. Its primary business is investment holding.

Fine Talent Holdings Limited is a company incorporated under the laws of the British Virgin Islands with limited liability. Its primary business is investment holding.

Northern Light Venture Capital III, Ltd. is a company incorporated under the laws of the Cayman Islands with limited liability. Its primary business is investment holding.

SBCVC FUND IV, L.P. is an exempted limited partnership established under the laws of Cayman Islands with limited liability. Its primary business is investment holding.

Huitung Investments (BVI) Limited is a company incorporated under the laws of the British Virgin Islands with limited liability. Its primary business is investment holding.

Bright Tranquil Global Limited, an affiliate of Chengxuan and Wenkang, is a company incorporated under the laws of the British Virgin Islands with limited liability. Its primary business is investment holding.

The Onshore Exiting Nominees

北京敏聞投資有限責任公司 (Beijing Minwen Investment Co., Ltd.) is a company incorporated under the laws of the PRC with limited liability. Its primary business is investment holding.

霍爾果斯鋒茂股權投資管理合夥企業（有限合夥）(Horgos Fengmao Equity Investment Management Partnership (Limited Partnership)) is a partnership established under the laws of the PRC with limited liability. Its primary business is investment holding.

杭州軟銀隆悅創業投資合夥企業（有限合夥）(Hangzhou Softbank Longyue Venture Capital Partnership (Limited Partnership)) is a partnership established under the laws of the PRC with limited liability. Its primary business is investment holding.

Chengxuan is a partnership established under the laws of the PRC with limited liability. Its primary business is investment holding.

Wenkang is a partnership established under the laws of the PRC with limited liability. Its primary business is investment holding.

The Onshore Vendors

北京華清博豐創業投資有限公司 (Beijing Huaqing Bofeng Venture Capital Co., Ltd.) is a company incorporated under the laws of the PRC with limited liability. Its primary business is investment holding.

Mr. Lei Jun (雷軍) is a domestic resident of the PRC.

Ms. Zhang Jianfang (張建芳) is a domestic resident of the PRC.

Ms. Lu Rong (盧蓉) is a domestic resident of the PRC.

Mr. Luo Zhuo (羅茁) is a domestic resident of the PRC.

北京東方卓永投資管理有限公司 (Beijing Oriental Zhuoyong Investment Management Co., Ltd.) is a company incorporated under the laws of the PRC with limited liability. Its primary business is investment holding.

金華揚航基石股權投資合夥企業(有限合夥) (Jinhua Yanghang Foundation Stone Equity Investment Partnership (Limited Partnership)) is a partnership established under the laws of the PRC with limited liability. Its primary business is investment holding.

The Offshore Existing Shareholders

The Target Founder Company, Dajie Group Limited, is a company incorporated under the laws of the British Virgin Islands with limited liability. Its primary business is investment holding.

Hill Ville Limited is a company incorporated under the laws of the British Virgin Islands with limited liability. Its primary business is investment holding.

Rapid Recruitment Limited is a company incorporated under the laws of the British Virgin Islands with limited liability. Its primary business is investment holding.

The Onshore Existing Shareholders

The Target Founder, Ms. Wang Xiujuan (王秀娟), is a domestic resident of the PRC.

Ms. Cai Shuting (蔡舒婷) is a domestic resident of the PRC, and the daughter of Mr. Cai.

米林隆領投資有限公司 (Milin Longling Investment Co., Ltd.) is a company incorporated under the laws of the PRC with limited liability and the majority of its shares are indirectly owned by Ms. Cai Shuting (蔡舒婷). Its primary business is investment holding.

Mr. Yu Minhong (俞敏洪) is a domestic resident of the PRC.

北京融薈企業管理合夥企業（有限合夥）(Beijing Ronghui Enterprise Management Partnership (Limited Partnership)) is a partnership established under the laws of the PRC with limited liability. Its primary business is investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save and except for (i) Ms. Cai Shuting（蔡舒婷）and (ii) 米林隆領投資有限公司 (Milin Longling Investment Co., Ltd.) (neither of whom is a Selling Party), the Selling Parties, the Target Founder Parties, the Existing Shareholders and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

INFORMATION ABOUT THE PURCHASERS

The Company is a company incorporated under the laws of Cayman Islands with limited liability. The Meitu VIE Company is a company incorporated under the laws of the PRC and by virtue of the existing VIE Agreements, accounted for as a subsidiary of the Company. The Company and its subsidiaries, together with Meitu VIE Company and its subsidiaries, are mobile Internet companies that offer a portfolio of innovative photo and community apps that enjoy popularity in the PRC and overseas, and are principally engaged in the provision of online advertising and other Internet value-added services.

INFORMATION ABOUT THE TARGET GROUP

The Target Group is mainly engaged in online recruitment. It has created an online social recruitment platform, dajie.com, which provides matching services to recruiters and job candidates.

The Target Group was valued at approximately RMB520 million in its series D financing in June 2017 and at approximately RMB600 million in its series E financing in February 2018.

Set out below is a summary of the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2017 and 2018:

	For the year ended 31 December 2017	**For the year ended 31 December 2018**
Net profit (loss) before tax	(86,675,404)	(26,877,879)
Net profit (loss) after tax	(86,675,404)	(26,877,879)

As at 31 December 2018, the Target Group has unaudited consolidated net liabilities of approximately RMB67,188,910.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in the provision of online advertising and other Internet value-added services by offering a portfolio of innovative photo and community apps (the "**Meitu Apps**") that enjoys popularity in the PRC and overseas. The VIE Group is principally engaged in the online recruitment business in the PRC and operates the website 'Dajie.com'.

Dajie.com was founded in 2008 by Ms. Wang Xiujuan (王秀娟), who is an accomplished serial entrepreneur and high achieving business leader in the China Internet industry. Before founding Dajie.com in 2008, she has played an integral role as a co-founder in building many China's consumer mobile and Internet companies. Ms. Wang's track record at ChinaRen, KongZhong.com (NASDAQ: KZ), and RenRen (NYSE: RENN) demonstrated her leadership, deep knowledge of social media, and business acumen, which led to product success and company profitability. She was awarded with "2010-2020: 35 Most Influential People in the IT Industry of the Next Decade" by Beijing Youth Daily and Tencent Tech. In addition, she was also awarded with "Pink Platinum Elite Women Leader" by Bazaar Magazine and recognized as a leading role model for women executives in the industry. Ms. Wang earned her Bachelor Degree in International Finance at the Central University of Finance and Economics in Beijing.

In view of Ms. Wang's accomplishments and expertise in the China Internet industry, Ms. Wang will be appointed as the chief operating officer of the Group, reporting to the chief executive officer of the Group. At the same time, Ms. Wang will continue to lead the Target Group.

Dajie.com is a social networking recruitment platform that reaches tens of millions of participants and businesses powered by big data analytics. By way of combining technology and networking, Dajie.com is able to provide a trusted precision matching that dramatically improves both efficiency and quality to fulfil the needs of the human resources industry. With over 80% of the users of the Meitu Apps being under 35 years old, the Group seeks to offer Dajie.com's professional social platform to its large user base as a value-added service to increase user engagement and stickiness. The Transactions aim to accelerate the growth of Dajie.com, which in return, would create new opportunities for monetization through individual and organization subscriptions and target advertising.

For the reasons explained above, the Directors consider that the Transactions are on normal commercial terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

CHANGE OF SHAREHOLDING STRUCTURE OF THE COMPANY UPON COMPLETION

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

	As at the date of this announcement		**Immediately upon Completion and the allotment and issue of the Consideration Shares**	
	No. of Shares	Approximate % of issued Shares	No. of Shares	Approximate % of issued Shares
Longlink Capital Limited(1)	620,000,000	14.68%	620,000,000	14.39%
Baolink Capital Limited(1)	506,600,000	11.99%	506,600,000	11.75%
Xinhong Capital Limited(1)	566,666,670	13.42%	566,666,670	13.15%
Mr. Wu Zeyuan	1,280,000	0.03%	1,280,000	0.03%
Dr. Lee Kai-Fu	32,994,151	0.78%	32,994,151	0.77%
Kingkey Enterprise Holdings Limited(2)	418,324,680	9.90%	418,324,680	9.71%
Eastern Sun Enterprise Limited(3)	58,626,000	1.39%	58,626,000	1.36%
Mr. Chen Jiarong(4)	412,500	0.01%	412,500	0.01%
Ms. Liu Chenchen(4)	130,000	0.003%	130,000	0.003%
Offshore Vendors	–	–	85,739,105	1.99%
Other Public shareholders	2,019,008,190	47.80%	2,019,008,190	46.85%
Total	**4,224,042,191**	**100%**	**4,309,781,296**	**100%**

Notes:

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

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

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

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

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transactions is more than 5% but all are less than 25%, the Transactions 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 of the conditions precedent to the Transaction Framework Agreement and there is no assurance that the conditions precedent will be fulfilled. Therefore, the transactions contemplated under the Transaction Framework Agreement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any securities of the Company.

DEFINITIONS

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

"Acquisitions"	the Offshore Acquisition and the Onshore Acquisitions
"Board"	the board of Directors
"Business Day"	a day, other than Saturday, Sunday or any other day on which commercial banks in Hong Kong and the PRC are authorized or required by applicable laws to close
"Chengxuan"	寧波梅山保税港區誠軒投資合夥企業(有限合夥) (Ningbo Meishan Bonded Port Area Chengxuan Investment Partnership), a limited liability partnership formed under the laws of the PRC and one of the Onshore Exiting Nominees
"Company"	Meitu, Inc. (Stock Code: 1357), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Transactions (other than the establishment of the WFOE and the VIE Agreements) pursuant to the Transaction Framework Agreement
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration Shares"	the Consideration Shares to be allotted and issued to the Offshore Vendors

"Dajie HK"	Dajie Net Hong Kong Limited (大街網香港有限公司), a limited liability company duly incorporated under the laws of Hong Kong and a company that will wholly own the WFOE upon its establishment
"Dajie Net"	Dajie Net Investment Holdings Ltd., a limited liability company incorporated under the laws of the Cayman Islands and a holding company that directly wholly owns Dajie HK, which will in turn wholly own the WFOE upon its establishment
"Dajie Warrantors"	the Target Group and the Target Founder Parties
"Director(s)"	the director(s) of the Company
"Existing Shareholders"	the Offshore Existing Shareholders and the Onshore Existing Shareholders
"General Mandate"	the general mandate granted to the Directors to exercise the power of the Company to allot, issue and deal with a maximum of 842,396,888 Shares, representing not more than 20% of the total number of issued shares of the Company on June 3, 2019, which Shares have not been allotted and issued as at the date of this announcement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Committee"	has the meaning ascribed thereto in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Lock-up Period"	the period commencing from the issuance of the Consideration Shares and ending at the expiration of eighteen (18) months after the date on which the Release Conditions are satisfied
"Meitu VIE Company"	厦門美圖網科技有限公司 (Xiamen Meitu Networks Technology Co., Ltd.), a limited liability company incorporated under the laws of the PRC and owned as to 51% and 49% by Mr. Wu and Ms. Cai Shuting (the daughter of Mr. Cai), respectively
"Mr. Cai"	Mr. Cai Wensheng (蔡文胜), our founder, Chairman, executive Director, one of our Controlling Shareholders and an authorized representative

"Mr. Wu"	Mr. Wu Zeyuan（吳澤源）, also known as Mr. Wu Xinhong（吳欣鴻）, our founder, Chief Executive Officer, executive Director and one of our Controlling Shareholders
"Offshore Acquisition"	the acquisition by the Company as the purchaser of approximately 57.09% of the issued share capital of Dajie Net
"Offshore Consideration"	the consideration of HK$342,956,420 payable to the Offshore Vendors for the Offshore Shares
"Offshore Existing Shareholders"	the shareholders of Dajie Net as of the date of the Transaction Framework Agreement
"Offshore Shares"	shares of Dajie Net to be acquired by the Company in the Offshore Acquisition
"Offshore Vendors"	the offshore vendors of the Offshore Shares as stated under the paragraph headed "A. The Offshore Acquisition" in this announcement
"Onshore Acquisition I"	the acquisition by the Meitu VIE Company as the purchaser of approximately 54.81% of the equity interest of the Onshore Target Company from the Onshore Exiting Nominees
"Onshore Acquisition II"	the acquisition by the Meitu VIE Company as the purchaser of approximately 20.56% of the equity interest of the Onshore Target Company from the Onshore Vendors
"Onshore Acquisitions"	Onshore Acquisition I and Onshore Acquisition II
"Onshore Consideration"	the consideration of RMB47,754,240.08 (approximately HK$52,529,664) payable to the Onshore Vendors for the Onshore Shares
"Onshore Existing Shareholders"	the shareholders of the Onshore Target Company as of the date of the Transaction Framework Agreement
"Onshore Exiting Nominees"	the vendors in Onshore Acquisition I as stated under the paragraph headed "B. The Onshore Acquisitions–(i) Onshore Acquisition I" in this announcement
"Onshore Pledges"	the pledges of the shares of the Onshore Target Company by the Pledgors to the Meitu VIE Company or the Company
"Onshore Shares"	shares of the Onshore Target Company to be acquired by the Meitu VIE Company in the Onshore Acquisitions

"Onshore Target Company"	北京大杰致遠信息技術有限公司 (Beijing Dajie Zhiyuan Information Technology Co., Ltd.), a limited liability company incorporated under the laws of the PRC
"Onshore Vendors"	the vendors of in Onshore Acquisition II as stated under the paragraph headed "B. The Onshore Acquisitions–(ii) Onshore Acquisition II" in this announcement
"Pledgor(s)"	the nominees designated by the Offshore Vendors to execute the Onshore Pledges
"PRC"	the People's Republic of China excluding Hong Kong, Macau and Taiwan
"PRC Legal Adviser"	Jingtian & Gongcheng (北京市競天公誠律師事務所), the legal adviser of the Company as to PRC laws
"Prospectus"	the Company's prospectus dated December 5, 2016
"Purchasers"	the Company and the Meitu VIE Company
"Release Conditions"	(i) the VIE Agreements having been duly executed by the parties thereto; and (ii) the pledges of all the equity interest of the Onshore Target Company as contemplated under the VIE Agreements have been duly registered with the relevant governmental authorities of the PRC, each with evidence delivered to and in a form satisfactory to the Company
"Relevant Shareholders"	upon Completion, the Meitu VIE Company holding approximately 75.37% equity interest in the Onshore Target Company and the other shareholders of the Onshore Target Company as follows: (a) 北京融薈企業管理合夥企業(有限合夥) (Beijing Ronghui Enterprise Management Partnership (Limited Partnership)) as to approximately 10.28%; (b) Target Founder as to approximately 4.20%; (c) Mr. Yu Minhong (俞敏洪) as to approximately 4.04%; (d) Ms. Cai Shuting (蔡舒婷) as to approximately 3.44%; and (e) 米林隆領投資有限公司 (Milin Longling Investment Co., Ltd.) as to approximately 2.67%
"Selling Parties"	the Offshore Vendors, the Onshore Vendors, the Onshore Exiting Nominees
"Shareholder(s)"	holder(s) of the Share(s)
"Shares"	ordinary share(s) in the share capital of the Company with a par value of US$0.00001 each

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Founder"or "Ms. Wang"	Ms. Wang Xiujuan（王秀娟）, founder of the Target Group
"Target Founder Parties"	Dajie Group Limited, a limited liability company incorporated under the laws of the British Virgin Islands and wholly owned by the Target Founder, together with the Target Founder
"Target Group"	Dajie Net, the Onshore Target Company and their respective subsidiaries
"Total Consideration"	the Offshore Consideration and the Onshore Consideration
"Transaction Documents"	collectively, the following transaction documents appended to the Transaction Framework Agreement: (1) the equity transfer agreements to be entered into by the Company, the Meitu VIE Company and the Selling Parties in relation to the Acquisitions; (2) the share pledge agreement to be entered into between each Pledgor and the Company or the Meitu VIE Company; (3) the deed of lock-up undertakings to be executed by each of the Offshore Vendors; (4) the VIE Agreements; (5) a joinder agreement to be entered into by the WFOE and other parties thereto; and (6) other documents referenced in the Transaction Framework Agreement
"Transaction Framework Agreement"	the transaction framework agreement dated August 28, 2019 entered into between the Company, Meitu VIE Company, the Target Group, the Target Founder Parties, the Existing Shareholders and the Selling Parties in respect of the Transactions
"Transactions"	the transactions contemplated under the Transaction Framework Agreement and the Transaction Documents
"VIE Agreements"	a series of contracts to be entered between the WFOE, the Onshore Target Company and the Relevant Shareholders that will allow the WFOE to exercise control over the operations of the Onshore Target Company and enjoy the economic benefits generated by the Onshore Target Company and its subsidiaries via the contractual arrangements, including the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement, the Equity Pledge Agreement and the Power of Attorney
"VIE Group"	collectively, Dajie Net, Dajie HK and the WFOE, after the establishment of the VIE Agreements

"Wenkang"	寧波梅山保稅港區文康投資合夥企業（有限合夥）(Ningbo Meishan Bonded Port Area Wenkang Investment Partnership), a limited liability partnership formed under the laws of the PRC and one of the Onshore Exiting Nominees
"WFOE"	the wholly foreign-owned enterprise to be set up by Dajie HK under the laws of the PRC in accordance with the terms of the Transaction Framework Agreement
"%"	percent

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

Hong Kong, August 28, 2019

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