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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)

**SUPPLEMENTAL ANNOUNCEMENT –
CONNECTED TRANSACTIONS
DISPOSAL OF APPROXIMATELY 14.86%
EQUITY INTEREST IN RUISHENG TIANHE AND
ACQUISITION OF APPROXIMATELY 19.81%
EQUITY INTEREST IN RUISHENG TIANHE**

Reference is made to the announcement of Meitu, Inc. (the “**Company**”) dated December 25, 2020 (the “**Announcement**”) in relation to the disposal of approximately 14.86% equity interest in Ruisheng Tianhe and the acquisition of approximately 19.81% equity interest in Ruisheng Tianhe. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless defined otherwise.

Below contains supplemental information in relation to the Announcement.

FUTURE DEVELOPMENTS OF RUISHENG TIANHE

Ruisheng Tianhe will continue to provide advertising services and at the same time develop its game publishing business. Having recruited a team for its game publishing business (the “**Game Publishing Team**”) and obtained a value-added telecommunications service operating permit, Ruisheng Tianhe is in the process of identifying a suitable game and securing other required permits. The Game Publishing team is led by two experienced managers each of whom has nearly a decade of experience in game publishing. At present, Ms. Liu Na is involved in identifying a suitable game and developing Ruisheng Tianhe’s nascent game publishing business. As soon as a suitable game is identified and secured, Ruisheng Tianhe will be able to mobilize approximately up to 50 internal personnel for the Game Publishing Team depending on the scale and complexity of the game in question. Once the game publishing business begins to take shape, Ms. Liu Na is expected to take on the role of strategic planning; Ms. Chen Xi will be responsible for execution; and Ms. Liu Renying will provide assistance primarily in the provision of media data.

The Company will provide further information on any material development of Ruisheng Tianhe's game publishing business by way of disclosure in announcement(s) and/or annual/interim report(s) as and when appropriate.

THE DISPOSAL CONSIDERATION

A historical net profits ratio had been used as the benchmark in determining the consideration, plus a 15% premium to reflect the Company's time value of money and cost of capital, for Meitu Networks' disposal of the Disposal Equity Interest to the Minority Shareholders. Taking into account the significant potential upside to the Group if the Proposed PRC Listing is successfully consummated, and the link between the Disposal Consideration and the consideration for the repurchase if the Clawback Provision is triggered, the Directors are of the view that it was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As confirmed by the Minority Shareholders, they intend to finance the Disposal Consideration through personal cash.

THE ACQUISITION CONSIDERATION

Based on Ruisheng Tianhe's net profit for the most recent two financial years ended 31 December 2018 and 2019 (as disclosed in the Announcement), Ruisheng Tianhe's average net profit per year for the most recent two financial years was RMB23,726,500 (the "**Average Net Profit**"). The maximum cap of Ruisheng Tianhe Valuation of HK\$1,250 million (i.e. approximately RMB1,053 million) corresponds to an approximately RMB100 million net profit and a price-to-earnings ratio of ten ("**P/E Ratio**"), which represents an approximately four times increase from the Average Net Profit. The Directors believe that this is a fair and reasonable cap of Ruisheng Tianhe's potential within the maximum timeframe permitted before the Clawback Provision is potentially triggered, taking into consideration Ruisheng Tianhe's business model, expansion strategy and cash reserves.

The 6 to 10 times P/E Ratio was derived from the peer analysis of listed companies that are engaged in similar businesses in the PRC as Ruisheng Tianhe with comparable scale (measured by net profit). These comparable companies included Ruicheng (China) Media Group Limited (HKEX: 1640), Beijing Shuzhi Technology Co Ltd (SHE: 300038), Bluefocus Intelligent Communications Group Co Ltd (SHE: 300058) and Glory Star New Media Group Holdings Limited (NASDAQ: GSMG). The 2019 P/E Ratios of these comparable companies ranged from 2.9 times to 19.0 times, with an average P/E Ratio of 8.8 times. The 6 to 10 times P/E Ratio is therefore a reasonable range where the average P/E Ratio of 8.8 times falls within. Moreover, since Ruisheng Tianhe is a private company whose shares do not have a liquid market, the maximum P/E Ratio was set at 10 times to reflect a moderate discount to the range of the P/E Ratios of the comparable public companies mentioned above.

Furthermore, the 6 to 10 times P/E Ratio was used to determine the Acquisition Consideration with a view to incentivizing the Minority Shareholders (who are involved in the day-to-day business operations of Ruisheng Tianhe) to achieve a higher profit level for Ruisheng Tianhe irrespective of whether the Proposed PRC Listing is eventually consummated, and as such a tiered valuation mechanism was adopted.

Accordingly, the Directors are of the view that the 6 to 10 times P/E Ratio was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Acquisition Agreement is silent on how the Acquisition Consideration will be determined if Ruisheng Tianhe records audited net loss in the Latest Financial Year. However, in the unlikely event that Ruisheng Tianhe records an audited net loss in the Latest Financial Year, as advised by the Company's PRC counsel, the Company is of the view that the Acquisition Consideration would be nil.

THE MINORITY SHAREHOLDERS

Ms. Liu Na is the CEO, director and legal representative of Ruisheng Tianhe. She assumes the roles and responsibilities that are customary to those of CEOs, directors and legal representatives, including but not limited to Ruisheng Tianhe's strategic planning and investment matters.

Ms. Chen Xi is the General Manager of Ruisheng Tianhe's Customer Department. She is responsible for the daily operations and all matters concerning Ruisheng Tianhe's Customer Department, including but not limited to daily project approvals, customer acquisition, customer service, review and approval of new customer relations policies, execution of customer contracts, payment collection, and other incidental matters.

Ms. Liu Renying is the General Manager of Ruisheng Tianhe's Media Department. She is responsible for the daily operations and all matters concerning Ruisheng Tianhe's Media Department, including but not limited to policy formulation, planning, contract execution with media promotion platforms, and other incidental matters.

Ms. Luo Huifang is the Consultant of Ruisheng Tianhe's Finance Department. She assists Ruisheng Tianhe's CEO in overseeing the operations of Ruisheng Tianhe's Finance Department including but not limited to financial matters and internal control matters, and provides advice and assistance to Ruisheng Tianhe's CEO at the strategic development level.

Save and except for the relationships disclosed in the Announcement and in this announcement, the Minority Shareholders are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

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

Hong Kong, February 9, 2021

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