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**BetaCafe Holdings Limited**

*(incorporated in the British Virgin Islands with limited liability)*

**China Youzan Limited**

**中國有贊有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8083)**

## **JOINT ANNOUNCEMENT**

**(1) PRE-CONDITIONAL TAKE PRIVATE PROPOSAL FOR  
CHINA YOUZAN LIMITED BY BETACAFE HOLDINGS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 99 OF THE COMPANIES ACT**

**(2) PROPOSED DISTRIBUTION IN SPECIE OF  
YOUZAN TECHNOLOGY SHARES**

**(3) SPECIAL DEAL RELATING TO THE ROLLOVER ARRANGEMENT  
WITH CHINA YOUZAN EXCLUDED SHAREHOLDERS**

**(4) SPECIAL DEALS RELATING TO CERTAIN PROPOSED YOUZAN  
TECHNOLOGY SHARE INCENTIVE PLANS**

**(5) PROPOSED WITHDRAWAL OF LISTING  
OF CHINA YOUZAN SHARES**

**Financial Adviser to the Offeror**

**MESSIS**  **大有融資**

**Valuer to China Youzan**

  
**JLL**  
仲量聯行

**Independent Financial Adviser to the Independent Board Committee**

 **紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

## INTRODUCTION

The Offeror and China Youzan jointly announce that, on 26 February 2021, the Offeror requested the Board to, subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions, put forward the Proposal which comprises (i) the Distribution of the Youzan Technology Shares held by China Youzan to all China Youzan Shareholders (including, for the avoidance of doubt, the China Youzan Excluded Shareholders and/or the China Youzan Excluded Shareholders Entities), such shares which are proposed to be listed on the Main Board of the Stock Exchange by way of introduction pursuant to the Youzan Technology Listing; and (ii) the taking private of China Youzan, after completion of the Distribution, by way of a scheme of arrangement under section 99 of the Companies Act.

For further details regarding the procedures for approval of the Proposal by China Youzan Shareholders, please refer to the sections headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions, 2.7 Scheme Conditions, and 2.8 The Distribution”, “10. INDEPENDENT BOARD COMMITTEE” and “11. INDEPENDENT FINANCIAL ADVISER”.

## THE PROPOSAL

Subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions, the Offeror proposes to make the Proposal. Upon the satisfaction or waiver (as applicable) of the Scheme Conditions and the Scheme becoming effective, all Scheme Shares (which, for the avoidance of doubt, excludes the Excluded Shares, being the China Youzan Shares held by the China Youzan Excluded Shareholders) will be cancelled and the Scheme Shareholders will receive from the Offeror:

**For every Scheme Share cancelled . . . . . HK\$0.1352 in cash**

In addition to the Scheme Consideration, under the Proposal and by way of the Distribution, all China Youzan Shareholders whose names appear on the register of members of China Youzan as at the Record Date will also receive their pro rata entitlement of all of the Youzan Technology Shares held by China Youzan, such shares which are proposed to be listed on the Main Board of the Stock Exchange by way of introduction pursuant to the Youzan Technology Listing.

**The Offeror will not increase the Scheme Consideration and does not reserve the right to do so. Shareholders and potential investors of China Youzan should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Scheme Consideration, unless in wholly exceptional circumstances.**

**The Distribution will only be made by China Youzan if the Distribution Conditions are satisfied. The Scheme Consideration will only be paid by the Offeror if the Scheme becomes effective.**

**The Youzan Technology Listing will only take place if the Scheme becomes effective.**

## **Estimated value of Youzan Technology Share and valuation of the Payment & Other Business**

### ***Estimated value of Youzan Technology Share***

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Valuer, has estimated, solely for reference purposes, that the values of each Youzan Technology Share and all the issued shares in Youzan Technology as at the Valuation Reference Date (on the basis of 1,513,127,641 Youzan Technology Shares in issue as at the Valuation Reference Date) is RMB35.73 (equivalent to approximately HK\$42.81 applying the Reference Exchange Rate) (being the Youzan Technology Reference Value) and RMB54,063,000,000 (equivalent to approximately HK\$64,783,692,900 applying the Reference Exchange Rate) respectively.

**Scheme Shareholders, investors and potential investors of China Youzan and Youzan Technology should note that the Youzan Technology Reference Value estimated by the Valuer does not represent the trading price of Youzan Technology Shares immediately following completion of the Youzan Technology Listing or at any time. Upon the Youzan Technology Listing, the trading price of Youzan Technology Shares may fluctuate subject to prevailing market conditions and may materially differ from the value estimated by the Valuer. Accordingly, Scheme Shareholders, investors and potential investors of China Youzan and Youzan Technology should not rely on the Valuer's estimated Youzan Technology Reference Value as the basis for the trading price of the Youzan Technology Shares upon completion of the Youzan Technology Listing.**

### ***Valuation of Payment & Other Business***

The Valuer has also evaluated that the value of the Payment & Other Business (being the remaining business carried out by China Youzan assuming the Distribution had been completed) as at the Valuation Reference Date is RMB1,948,000,000 (equivalent to approximately HK\$2,334,288,400 applying the Reference Exchange Rate).

The foregoing paragraph is subject to and should be read in conjunction with the bases, limitations and assumptions set out in the POB Valuation Report in Annex II of this Announcement. The evaluation of value in the POB Valuation Report and the qualification and experience of the Valuer have been reported on by the Financial Adviser, the full text of which is set out in Annex II of this Announcement.

### *Comparison of value*

On the basis of (a) 17,260,003,617 China Youzan Shares in issue as at the Announcement Date; (b) 785,249,026 Youzan Technology Shares held by China Youzan as at the Announcement Date (representing approximately 51.90% of the total issued share capital of Youzan Technology as at the Announcement Date) plus 91,087,206 Youzan Technology Shares proposed to be issued to China Youzan pursuant to the Youzan Technology Share Award Plan B, together amounting to an aggregate of 876,336,232 Youzan Technology Shares (representing approximately 51.90% of the total issued share capital of Youzan Technology after the proposed issuance of the total number of Youzan Technology Shares under the Youzan Technology Share Award Plan B and the Anti-Dilution Issue) which will be distributed to China Youzan Shareholders under the Distribution; and (c) none of the outstanding China Youzan Options will be exercised or lapsed from the Announcement Date up to the Scheme Effective Date, and assuming there is no other change in (i) the total number of China Youzan Shares in issue and (ii) the total number of Youzan Technology Shares held by China Youzan between the Announcement Date and the Record Date, each China Youzan Shareholder will be entitled to receive 0.05077265 Youzan Technology Share for every China Youzan Share under the Distribution.

Based on the above, the Aggregate Amount per Scheme Share to be received by a Scheme Shareholder for every Scheme Share cancelled under the Proposal (being the theoretical total value of (i) 0.05077265 Youzan Technology Share for every China Youzan Share under the Distribution multiplied by the Youzan Technology Reference Value, being RMB35.73 (equivalent to approximately HK\$42.81 applying the Reference Exchange Rate) per Youzan Technology Share, together with (ii) the Scheme Consideration in cash) is equivalent to HK\$2.3088 and represents:

- (a) a discount of approximately 30.2% to the closing price of HK\$3.31 per China Youzan Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 12.6% over the closing price of HK\$2.05 per China Youzan Share as quoted on the Stock Exchange on the Valuation Reference Date;
- (c) a discount of approximately 36.9% to the average closing price of approximately HK\$3.66 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 23.3% to the average closing price of approximately HK\$3.01 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 11.9% to the average closing price of approximately HK\$2.62 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

- (f) a discount of approximately 3.0% to the average closing price of approximately HK\$2.38 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 11.5% over the average closing price of approximately HK\$2.07 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 823.5% over the audited consolidated NAV attributable to owners of China Youzan as at 31 December 2019 of RMB0.21 (equivalent to approximately HK\$0.25 applying the Reference Exchange Rate) per China Youzan Share based on the 2019 Annual Report (which, for the avoidance of doubt, has not reflected the effect of the Distribution); and
- (i) a premium of approximately 621.5% over the unaudited consolidated NAV attributable to owners of China Youzan of RMB0.27 (equivalent to approximately HK\$0.32 applying the Reference Exchange Rate) per China Youzan Share based on the interim report of China Youzan for the six months ended 30 June 2020 (which, for the avoidance of doubt, has not reflected the effect of the Distribution).

## THE DISTRIBUTION

Under the Proposal, subject to the fulfilment of the Distribution Conditions, China Youzan will make the Distribution which shall be effected by way of a distribution in specie of all of the Youzan Technology Shares held by China Youzan to all China Youzan Shareholders (including, for the avoidance of doubt, the China Youzan Excluded Shareholders) as at the Record Date. It is proposed that all of the Youzan Technology Shares will be listed on the Main Board of the Stock Exchange by way of introduction pursuant to the Youzan Technology Listing.

The China Youzan Shareholders whose names appear on the register of members of China Youzan as at the Record Date will receive their pro rata entitlement of all of the Youzan Technology Shares held and to be distributed by China Youzan as at the Record Date.

**It is proposed that fractions of a Youzan Technology Share will not be distributed to the China Youzan Shareholders under the Distribution, and it is intended that the fractional entitlements of China Youzan Shareholders to Youzan Technology Shares under the Distribution will be aggregated (and if necessary, rounded down to the nearest whole number of a Youzan Technology Share) and retained by China Youzan for its benefit. It is intended that for any holding of less than 19.69564077 China Youzan Shares, no Youzan Technology Share will be distributed under the Distribution accordingly, and any entitlement of such China Youzan Shareholders to Youzan Technology Share will be retained for the benefit of China Youzan.**

## **SHAREHOLDING STRUCTURE OF CHINA YOUZAN AND THE SCHEME SHARES**

As at the Announcement Date, (i) there are 17,260,003,617 China Youzan Shares in issue and 292,804,000 outstanding China Youzan Options; (ii) the Offeror and parties acting in concert with it directly or indirectly hold and/or control the exercise of voting rights over 4,020,752,937 China Youzan Shares in aggregate, representing approximately 23.31% of the outstanding issued share capital of China Youzan.

Based on the shareholding as at the Announcement Date, out of the 4,020,752,937 China Youzan Shares held by the Offeror and parties acting in concert with it:

- (i) a total of 2,571,960,931 China Youzan Shares held by the China Youzan Excluded Shareholders (representing approximately 14.90% of the outstanding issued share capital of China Youzan as at the Announcement Date) will not form part of the Scheme Shares; and
- (ii) the remaining 1,448,792,006 China Youzan Shares held by the Offeror and/or parties acting in concert with the Offeror (representing approximately 8.41% of outstanding issued share capital of China Youzan as at the Announcement Date) will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

## **FINANCIAL RESOURCES**

The Offeror intends to finance the entire cash amount required for the Proposal by external debt financing.

Messis Capital Limited, as the financial adviser to the Offeror in connection with the Scheme, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with its terms.

## **BENEFITS OF THE PROPOSAL TO THE SCHEME SHAREHOLDERS**

The scale of the Payment & Other Business is relatively small compared with that of its peers (including other leading Chinese third-party payment service providers), while the SaaS Business has a leading market position and promising prospects in the PRC. The Offeror believes that the significant increase of the share price, trading volume, market capitalisation and valuation of China Youzan since April 2018 when China Youzan completed the major transaction to acquire 51% of Youzan Technology is mainly due to the inclusion of the SaaS Business operated under the Youzan Technology Group. Meanwhile, the taking private of China Youzan (after completion of the Distribution) by way of the Scheme under the Proposal would allow the Scheme Shareholders to capitalise the value of the Payment & Other Business with a certain level of cash consideration and enable the Scheme Shareholders to achieve a certain level of return of capital from their investment.



Additionally, following the completion of the Proposal, not only will the Scheme Shareholders be able to continue to participate in the performance of Youzan Technology Group which has a number of competitive edges and is well positioned to enjoy the growth potential of the PRC cloud-based commerce service industry, the Scheme Shareholders will also be able to further unlock the potential value in their investment as a result of the Youzan Technology Listing. As the proposed listing of the Youzan Technology Shares does not require external capital raising, the proposed transaction would be less exposed to fluctuations in the capital markets.

Accordingly, the Offeror believes that the Youzan Technology Group will be an attractive investment opportunity for the Scheme Shareholders and the proposed Youzan Technology Listing could bring a long-term benefit to the Scheme Shareholders.

## **YOUZAN TECHNOLOGY SHARE AWARD PLANS**

Youzan Technology intends to adopt the Youzan Technology Share Incentive Plans, as further detailed below and in this Announcement.

### ***Proposed Youzan Technology Share Award Plan A***

In connection with the preparation for Youzan Technology Listing and in order to simplify the structure of the existing Youzan Technology 2019 Share Award Plan, it is proposed that, conditional upon the fulfilment of the Plan A Effectiveness Conditions and prior to (and regardless of) the Youzan Technology Listing, the Youzan Technology 2019 Share Award Plan shall be amended and substituted by the Youzan Technology Share Award Plan A.

The passing of the requisite ordinary resolution as set out in paragraph (c) of the section headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions” is a waivable Scheme Pre-Condition. However, the effectiveness of the amendment and substitution of the Youzan Technology 2019 Share Award Plan by the Youzan Technology Share Award Plan A will **not** be conditional upon the implementation of the Youzan Technology Listing nor the Scheme becoming effective.

### ***Proposed Youzan Technology Share Award Plan B***

In order to recognise the extensive contributions of Mr. Zhu Ning (Mr. Zhu Ning being instrumental to the foundation and continued success of Youzan Technology), it is proposed that the Youzan Technology Share Award Plan B will be adopted, pursuant to which 84,432,360 Youzan Technology Shares (representing approximately 5.58% of the total issued capital of Youzan Technology as at the Announcement Date, and approximately 5.00% of the total issued share capital of Youzan Technology as enlarged by the issuance of new Youzan Technology Shares under the Youzan Technology Share Award Plan B and the Anti-Dilution Issue but prior to the impact of the Youzan Technology RSU Plan C) will be granted as share award to Whitecrow prior to the completion of the Youzan Technology Listing. To ensure there will be no dilution impact to China Youzan as a result of the adoption of the Youzan Technology Share Award Plan B and the grant of share award thereunder, concurrent with such issue of Youzan Technology Shares to Whitecrow, China Youzan will subscribe 91,087,206 new Youzan Technology Shares at par value (representing 6.02% of the total issued share capital of Youzan Technology as at the Announcement Date, and approximately 5.39% of the total issued share capital of Youzan Technology as enlarged by the issuance of new Youzan Technology Shares under the Youzan Technology Share Award Plan B and the Anti-Dilution Issue but prior to the impact of the Youzan Technology RSU Plan C), such that China Youzan will continue to hold 51.90% of the total issued share capital of Youzan Technology as enlarged by the issue of new Youzan Technology Shares to Whitecrow and China Youzan.

The passing of the requisite ordinary resolution as set out in paragraph (d) of the section headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions” is a non-waivable Scheme Pre-Condition. The effectiveness of the Youzan Technology Share Award Plan B (and the grant of share awards thereunder) and the Anti-Dilution Issue to China Youzan will be conditional upon the Stock Exchange having granted in-principle approval for the Youzan Technology Listing, but will **not** be conditional upon the Scheme becoming effective.

***China Youzan Options Conversion Proposal and proposed adoption of Youzan Technology RSU Plan C***

In view that the vast majority of the outstanding China Youzan Options are unvested on the Announcement Date and in order to provide fair and equal treatment to all China Youzan Optionholders, as an alternative to an acceleration of vesting of such China Youzan Options in connection with the Scheme and an early exercise of such China Youzan Options by the China Youzan Optionholders, it is proposed that, subject to the satisfaction of the Plan C Effectiveness Conditions, all China Youzan Optionholders (including but not limited to Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao, Ms. Ying Hangyan, Mr. Huan Fang and Mr. Zhou Kai) will receive grants of RSUs under the Youzan Technology RSU Plan C which entitle him/her to receive new Youzan Technology Shares corresponding to their respective ‘see through’ entitlements in the Distribution with respect to the outstanding China Youzan Options held by China Youzan Optionholders on the Record Date, determined on a basis as if all the outstanding China Youzan Options on the Announcement Date are fully vested and exercised (by the payment of the relevant exercise price) and have not lapsed prior to the Record Date.

The passing of the requisite ordinary resolution as set out in paragraph (f) of the section headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions” is a waivable Scheme Pre-Condition. The effectiveness of the Youzan Technology RSU Plan C will be conditional upon the Stock Exchange having granted formal approval for the Youzan Technology Listing and the Scheme becoming effective.

**SPECIAL DEAL ARRANGEMENT RELATING TO THE ROLLOVER ARRANGEMENT TO EXCLUDE CHINA YOUZAN EXCLUDED SHAREHOLDERS FROM THE SCHEME**

The Offeror proposes that the China Youzan Excluded Shareholders will be excluded from the Scheme and as a result they will be retained as shareholders of China Youzan after the Scheme becomes effective. The China Youzan Excluded Shareholders hold, in aggregate, 2,571,960,931 China Youzan Shares (representing 14.90% of the issued share capital of China Youzan) as at the Announcement Date.

The China Youzan Excluded Shareholders comprise Mr. Zhu Ning, Mr. Cui Yusong, Mr. Cao Chunmeng, Mr. Yan Xiaotian, Mr. Yu Tao, Ms. Ying Hangyan (each being an executive Director), Mr. Guan Guisen (being a former Director), Mr. Huang Rongrong (being a former director of Youzan Technology), Mr. Huan Fang (a director of Youzan Technology), Mr. Zhou Kai and Youzan Teamwork, each being a party acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code. The Offeror is of view that the Offeror can benefit from the excluding the China Youzan Excluded Shareholders in terms of reducing the burden of the cash resources required for paying the Scheme Consideration under the Scheme and China Youzan can benefit from the continuing contributions of the China Youzan Excluded Shareholders as shareholders of China Youzan after completion of the Scheme.



As the Rollover Arrangement is only in respect of the China Youzan Excluded Shareholders, the Rollover Arrangement is not offered to all China Youzan Shareholders. The Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror will make an application for consent from the Executive to the Rollover Arrangement conditional on (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Scheme Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM held to approve the Rollover Arrangement (which is a non-waivable Scheme Pre-Condition).

#### **SPECIAL DEAL ARRANGEMENT RELATING TO YOUZAN TECHNOLOGY SHARE AWARD PLAN A**

As certain proposed grantees under the Youzan Technology Share Award Plan A are Scheme Shareholders and the grant of share awards under the Youzan Technology Share Award Plan A are not extended to all Scheme Shareholders, the proposed adoption of the Youzan Technology Share Award Plan A will constitute a special deal under Rule 25 of the Takeovers Code.

Accordingly, the effectiveness of the amendment and substitution of the Youzan Technology 2019 Share Award Plan by the Youzan Technology Share Award Plan A and the granting of share awards to the proposed grantees thereunder will be conditional upon, amongst other things: (i) the Independent Financial Adviser stating in its opinion that the proposed terms of the Youzan Technology Share Award Plan A, and its replacement of the Youzan Technology 2019 Share Award Plan, are fair and reasonable and (ii) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM to approve the adoption of the Youzan Technology Share Award Plan A as a discloseable and connected transaction under Chapters 19 and 20 of the GEM Listing Rules and a special deal under Rule 25 of the Takeovers Code.

#### **SPECIAL DEAL ARRANGEMENT RELATING TO THE CHINA YOUZAN OPTIONS CONVERSION PROPOSAL**

As certain China Youzan Optionholders (who are proposed grantees of share awards under the Youzan Technology RSU Plan C) are China Youzan Shareholders, and the China Youzan Options Conversion Proposal is not extended to all Scheme Shareholders, the China Youzan Options Conversion Proposal will constitute a special deal under Rule 25 of the Takeovers Code.

Accordingly, the effectiveness of the Youzan Technology RSU Plan C will be conditional upon, amongst other things: (i) the Independent Financial Adviser stating in its opinion that the proposed terms of the China Youzan Options Conversion Proposal and the terms of the Youzan Technology Youzan RSU Plan C are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM to approve the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C (which is a waivable Scheme Pre-Condition).

## **DESPATCH OF CIRCULAR TO CHINA YOUZAN SHAREHOLDERS WITH RESPECT TO THE SPECIAL DEAL ARRANGEMENTS**

A Circular containing, among other things, further details about the Special Deal Arrangements, a letter of advice from the Independent Financial Adviser and the recommendations of the Independent Board Committee concerning the Special Deal Arrangements, and notice to convene the First SGM will be despatched to the China Youzan Shareholders as soon as possible in accordance with the Takeovers Code, the GEM Listing Rules and other applicable laws and regulations.

## **DESPATCH OF SCHEME DOCUMENT**

A Scheme Document containing, among other things, further details about the Scheme, the Distribution, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the recommendations of the Independent Board Committee, and notices to convene the Court Meeting and the Second SGM will be despatched to the China Youzan Shareholders as soon as possible in accordance with the Takeovers Code, the requirements of the Court, the GEM Listing Rules and other applicable laws and regulations.

## **WITHDRAWAL OF LISTING OF CHINA YOUZAN SHARES**

### ***If the Scheme becomes effective***

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. China Youzan will apply to the Stock Exchange in accordance with Rule 9.23 of the GEM Listing Rules for the withdrawal of the listing of the China Youzan Shares on GEM of the Stock Exchange.

### ***If the Scheme is not approved or if the Proposal otherwise lapses***

The Scheme will lapse if any of the Scheme Conditions has not been satisfied or waived, as applicable, on or before the Scheme Longstop Date. If the Scheme is not approved or if the Proposal otherwise lapses, the listing of the China Youzan Shares on GEM of the Stock Exchange will not be withdrawn.

If the Scheme is not approved or if the Proposal otherwise lapses, neither the Offeror nor the any parties acting in concert with it under the Proposal (nor any person who is subsequently acting in concert with any of them) may, except with the consent of the Executive, within 12 months thereafter, announce an offer or possible offer for the China Youzan Shares.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by China Youzan in connection with the Scheme will be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

**WARNING: Shareholders and potential investors of China Youzan should be aware that the making of the Proposal is subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions. Even if the Proposal is made, the implementation of the Proposal (including the effectiveness of the Scheme), is subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of China Youzan should therefore exercise caution when dealing in the securities of China Youzan. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.**

## **1. INTRODUCTION AND OBJECTIVES OF PROPOSAL**

The Offeror and China Youzan jointly announce that, on 26 February 2021, the Offeror requested the Board to, subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions, put forward the Proposal which comprises (i) the Distribution of the Youzan Technology Shares held by China Youzan to all China Youzan Shareholders (including, for the avoidance of doubt, the China Youzan Excluded Shareholders and/or the China Youzan Excluded Shareholders Entities), such shares which are proposed to be listed on the Main Board of the Stock Exchange by way of introduction pursuant to the Youzan Technology Listing; and (ii) the taking private of China Youzan, after the completion of the Distribution, by way of a scheme of arrangement under section 99 of the Companies Act in consideration for the Scheme Consideration of HK\$0.1352 per Scheme Share, which will be payable by the Offeror to the Scheme Shareholders in cash.

Upon completion of the Proposal:

- (a) the China Youzan Shareholders whose names appear on the register of members of China Youzan as at the Record Date will become shareholders of Youzan Technology pursuant to the Distribution, and will own Youzan Technology Shares together with the Youzan Technology Financial Investors;
- (b) the entire Youzan Technology Shares will become listed on the Main Board of the Stock Exchange by way of introduction;
- (c) the listing of China Youzan Shares on GEM of the Stock Exchange will be withdrawn; and
- (d) the privatised China Youzan will be beneficially owned as to 93.45% by Mr. Zhu Ning (through his 100% beneficial ownership in the Offeror and Whitecrow), 2.10% by Youzan Teamwork and 4.45% by the other China Youzan Excluded Shareholders (directly or indirectly through each of their respective China Youzan Excluded Shareholders Entities).

The Offeror has appointed Messis Capital Limited as its financial adviser in connection with the Proposal.

Youzan Technology is a company incorporated in the Cayman Islands with limited liability. As at the Announcement Date, Youzan Technology is held as to approximately 51.90% by China Youzan and the remaining approximately 48.10% by the Youzan Technology Financial Investors. For details of shareholdings in Youzan Technology, please refer to the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.2 Shareholding Information of Youzan Technology” below.

On the Announcement Date, an application was made to the Stock Exchange for the listing of all of the Youzan Technology Shares on the Main Board of the Stock Exchange by way of introduction.

From the perspective of the Scheme Shareholders, the effect of the Proposal is a demerger of China Youzan by way of distributing the Youzan Technology Shares held by China Youzan pursuant to the Distribution alongside a take private offer for the Payment & Other Business of China Youzan. The overall Proposal seeks to achieve two main objectives: (a) to achieve the primary listing of 100% of the shares of Youzan Technology on the Main Board of the Stock Exchange with the aim of unlocking value for the China Youzan Shareholders through unlocking the growth potential in the Youzan Technology Group and further developing the SaaS Business carried out by it; and (b) to take private China Youzan which will hold the remaining assets in respect of the Payment & Other Business after the completion of Distribution and the Youzan Technology Listing.

## **2. TERMS OF THE PROPOSAL**

### **2.1 The Scheme Consideration and the Distribution**

The Offeror has requested the Board to, subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions, put forward the Proposal. Upon the fulfilment or waiver (as applicable) of the Scheme Conditions and the Scheme becoming effective, all Scheme Shares (which, for the avoidance of doubt, excludes the Excluded Shares, being the China Youzan Shares held by the China Youzan Excluded Shareholders and/or the China Youzan Excluded Shareholders Entities) will be cancelled and the Scheme Shareholders will receive from the Offeror:

**For every Scheme Share cancelled . . . . . HK\$0.1352 in cash**

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Scheme Consideration will be paid by the Offeror to the Scheme Shareholders as soon as possible, but in any event within seven (7) Business Days after the Scheme Effective Date.

In addition to the Scheme Consideration, under the Proposal and by way of the Distribution, all China Youzan Shareholders whose names appear on the register of members of China Youzan as at the Record Date will also receive their pro rata entitlement of all of the Youzan Technology Shares held by China Youzan, such shares which are proposed to be listed on the Main Board of the Stock Exchange by way of introduction pursuant to the Youzan Technology Listing. Please refer to the paragraph headed “2. TERMS OF THE PROPOSAL – 2.8 The Distribution” below for further details of the Distribution. The Distribution will be made by China Youzan.

**The Offeror will not increase the Scheme Consideration and does not reserve the right to do so. Shareholders and potential investors of China Youzan should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Scheme Consideration, unless in wholly exceptional circumstances.**

**The Distribution will only be made by China Youzan if the Distribution Conditions are satisfied. The Scheme Consideration will only be paid by the Offeror if the Scheme becomes effective.**

**The Youzan Technology Listing will only take place if the Scheme becomes effective.**

Neither China Youzan nor Youzan Technology has declared or made any dividend or distribution which remains unpaid as at the Announcement Date. China Youzan and Youzan Technology do not intend to declare, pay and/or make any dividend or other distribution (other than the Distribution to be made by China Youzan) between the Announcement Date and the Scheme Effective Date or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be). Upon completion of the Proposal and the Scheme becoming effective, Scheme Shareholders will not be entitled to the dividends and/or other distribution declared, paid or made by China Youzan by reference to a record time on or after the Scheme Effective Date.

#### **Events following the Scheme becoming effective**

If the Scheme Conditions are fulfilled and upon the Scheme becoming effective:

- (a) all of the Scheme Shares will be cancelled;
- (b) the Scheme Consideration in the cash amount of HK\$0.1352 for every Scheme Share cancelled will be paid by the Offeror to the Scheme Shareholders;
- (c) the issued share capital of China Youzan will be reduced by the cancellation of the Scheme Shares. Immediately after such reduction, China Youzan will issue to the Offeror such number of China Youzan Shares as is equal to the number of Scheme Shares cancelled, such that the issued share capital of China Youzan so reduced will be restored to the amount in issue immediately before the capital reduction. The reserve created in the books of accounts of China Youzan as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new China Youzan Shares so issued; and
- (d) the listing of the China Youzan Shares on GEM of the Stock Exchange will be withdrawn pursuant to Rule 9.23 of the GEM Listing Rules.



## **Basis for determining the Scheme Consideration and the Distribution**

From the perspective of the Scheme Shareholders, under the Proposal, each Scheme Shareholder will be entitled to receive (i) his/her/its pro-rata entitlement of all of the Youzan Technology Shares held and to be distributed by China Youzan pursuant to the Distribution and (ii) the Scheme Consideration in the cash amount of HK\$0.1352 for every Scheme Share cancelled under the Scheme. The aggregate value to be received by the Scheme Shareholders under the Proposal has been determined on arm's length basis after taking into account the following matters, among other things:

- (i) the historical business and financial performance of the Payment & Other Business and SaaS Business;
- (ii) the terms of the Proposal which comprise (a) the Distribution which will allow the Scheme Shareholders to continue to participate in the performance of the SaaS Business upon the Youzan Technology Listing; and (b) the Scheme Consideration which will allow the Scheme Shareholders to capitalise the value of the Payment & Other Business, being the remaining assets held by China Youzan after implementation of the Distribution, with a certain level of cash consideration;
- (iii) the challenging environment and limited growth of the Payment & Other Business in the market as its scale is relatively small compared with that of its peers (including other leading Chinese third-party payment service providers);
- (iv) the business potential of the SaaS Business after implementation of the Proposal, and the potential benefits of the Youzan Technology Listing (in particular, the listing of the entire Youzan Technology Shares) and the Proposal for the Scheme Shareholders as stated in the below paragraph headed “3. REASONS AND BENEFITS OF THE PROPOSAL” in this Announcement;
- (v) the value of the Payment & Other Business as evaluated by the Valuer, and the historical and current trading multiples of certain of its respective comparable companies; and
- (vi) the fact that the Scheme Consideration could provide a partial exit to the Scheme Shareholders.

## **2.2 Estimated value of Youzan Technology Shares and valuation of the Payment & Other Business**

### ***Estimated value of Youzan Technology Shares***

Based on the Youzan Technology Share Value Assessment Report prepared by the Valuer (being Jones Lang LaSalle Corporate Appraisal and Advisory Limited) solely for reference purposes, the estimated values of each Youzan Technology Share and all the issued shares in Youzan Technology as at the Valuation Reference Date (on the basis of 1,513,127,641 Youzan Technology Shares in issue as at the Valuation Reference Date) is RMB35.73 (equivalent to approximately HK\$42.81 applying the Reference Exchange Rate) (being the Youzan Technology Reference Value) and RMB54,063,000,000 (equivalent to approximately HK\$64,783,692,900 applying the Reference Exchange Rate) respectively.

The foregoing paragraph is subject to and should be read in conjunction with the bases, limitations and assumptions set out in the Youzan Technology Share Value Assessment Report in Annex I of this Announcement. The estimation of the value of Youzan Technology Share in the Youzan Technology Share Value Assessment Report and the qualification and experience of the Valuer have been reported on by the Financial Adviser, the full text of which is set out in Annex I of this Announcement.

**Scheme Shareholders, investors and potential investors of China Youzan and Youzan Technology should note that the Youzan Technology Reference Value estimated by the Valuer does not represent the trading price of Youzan Technology Shares immediately following completion of the Youzan Technology Listing or at any time. Upon the Youzan Technology Listing, the trading price of Youzan Technology Shares may fluctuate subject to prevailing market conditions and may materially differ from the value estimated by the Valuer. Accordingly, Scheme Shareholders, investors and potential investors of China Youzan and Youzan Technology should not rely on the Valuer's estimated Youzan Technology Reference Value as the basis for the trading price of the Youzan Technology Shares upon completion of the Youzan Technology Listing.**

### ***Valuation of the Payment & Other Business***

Based on the POB Valuation Report prepared by the Valuer solely for reference purposes, the value of the Payment & Other Business (being the remaining business carried out by China Youzan assuming the Distribution had been completed) as at the Valuation Reference Date as evaluated by the Valuer is RMB1,948,000,000 (equivalent to approximately HK\$2,334,288,400 applying the Reference Exchange Rate).

The foregoing paragraph is subject to and should be read in conjunction with the bases, limitations and assumptions set out in the POB Valuation Report in Annex II of this Announcement. The valuation of the Payment & Other Business and the qualification and experience of the Valuer have been reported on by the Financial Adviser, the full text of which is set out in Annex II of this Announcement.

Pursuant to Rule 10 of the Takeovers Code, (i) the unaudited revenue of Youzan Technology Group for the period from 1 December 2019 to 30 November 2020; (ii) unaudited accounting balances of Youzan Technology Group as at 30 November 2020, including (a) loan to a director; (b) loans to fellow subsidiaries; (c) amount due from a related company; (d) financial assets at fair value through profit or loss; (e) restricted bank balances; (f) bank and cash balances; (g) amount due to fellow subsidiaries; (h) lease liabilities; and (i) payable to merchants; (iii) the unaudited revenue derived from China Youzan's Payment & Other Business for the period from 1 December 2019 to 30 November 2020; and (iv) unaudited accounting balances of China Youzan Group's (excluding Youzan Technology Group) as at 30 November 2020 including (a) investments in associates; (b) financial assets at fair value through other comprehensive income; (c) amount due from a non-controlling shareholder of subsidiaries; (d) restricted bank balances; (e) balances with central bank; (f) bank and cash balances; (g) amount due to a director; (h) amount due to a fellow subsidiary; (i) lease liabilities; and (j) settlement obligations, as respectively set out in the Youzan Technology Share Value Assessment Report and POB Valuation Report each constitutes a profit forecast (the "**Unaudited Financial Figures**"), and is required to be reported on by each of the independent financial adviser of China Youzan and auditors or accountants of China Youzan in accordance with Rule 10.1 and Rule 10.2 of the Takeovers Code.

The Unaudited Financial Figures have been reported on by RSM, the auditors of China Youzan, and Red Sun Capital, the Independent Financial Adviser. RSM has reported that, so far as the accounting policies and calculations are concerned, the Unaudited Financial Figures have been properly compiled in accordance with the bases adopted by the Directors as set out in the appendix of its comfort letter, and is presented on a basis in all material respects with the accounting policies normally adopted by the China Youzan Group as set out in the audited consolidated financial statements of China Youzan Limited for the year ended 31 December 2019.

Red Sun Capital has discussed with the Board the bases upon which the Unaudited Financial Figures were prepared. Red Sun Capital has also considered the letter on the Unaudited Financial Figures dated 26 February 2021 issued by RSM, the auditors of China Youzan, to China Youzan, which stated that, so far as the accounting policies and calculations are concerned, the Unaudited Financial Figures have been properly compiled in accordance with the bases adopted by the Directors as set out in the appendix of the comfort letter issued by RSM, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the China Youzan Group as set out in the audited consolidated financial statements of China Youzan Limited for the year ended 31 December 2019. Based on the above, Red Sun Capital is satisfied that the Unaudited Financial Figures, for which the Directors are solely responsible, have been made with due care and consideration.

The comfort letters issued by each of RSM and Red Sun Capital have been lodged with the Executive and the text of which are respectively set out in Annex III of this Announcement.

Each of RSM and Red Sun Capital has given and has not withdrawn their consent to the issue of this Announcement with the inclusion of its letter and references to its name in the form and context in which they appear in this Announcement.

## Comparison of value

On the basis of (a) 17,260,003,617 China Youzan Shares in issue as at the Announcement Date; (b) 785,249,026 Youzan Technology Shares held by China Youzan as at the Announcement Date (representing approximately 51.90% of the total issued share capital of Youzan Technology as at the Announcement Date) plus 91,087,206 Youzan Technology Shares proposed to be issued to China Youzan under the Youzan Technology Share Award Plan B, together amounting to an aggregate of 876,336,232 Youzan Technology Shares (representing approximately 51.90% of the total issued share capital of Youzan Technology after the proposed issuance of the total number of Youzan Technology Shares pursuant to the Youzan Technology Share Award Plan B and the Anti-Dilution Issue) which will be distributed to China Youzan Shareholders under the Distribution; and (c) none of the outstanding China Youzan Options will be exercised or lapsed from the Announcement Date up to and immediately before the Scheme Effective Date, and assuming there is no other change in (i) the total number of China Youzan Shares in issue and (ii) the total number of Youzan Technology Shares held by China Youzan between the Announcement Date and the Record Date, each China Youzan Shareholder will be entitled to receive 0.05077265 Youzan Technology Share for every China Youzan Share under the Distribution.

Based on the above, the Aggregate Amount per Scheme Share to be received by a Scheme Shareholder for every Scheme Share cancelled under the Proposal (being the theoretical total value of (i) 0.05077265 Youzan Technology Share for every China Youzan Share under the Distribution multiplied by the Youzan Technology Reference Value, being HK\$42.81 per Youzan Technology Share, together with (ii) the Scheme Consideration in cash) is equivalent to HK\$2.3088 and represents:

- (a) a discount of approximately 30.2% to the closing price of HK\$3.31 per China Youzan Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 12.6% over the closing price of HK\$2.05 per China Youzan Share as quoted on the Stock Exchange on the Valuation Reference Date;
- (c) a discount of approximately 36.9% to the average closing price of approximately HK\$3.66 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 23.3% to the average closing price of approximately HK\$3.01 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 11.9% to the average closing price of approximately HK\$2.62 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

- (f) a discount of approximately 3.0% to the average closing price of approximately HK\$2.38 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 11.5% to the average closing price of approximately HK\$2.07 per China Youzan Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 823.5% over the audited consolidated NAV attributable to owners of China Youzan as at 31 December 2019 of RMB0.21 (equivalent to approximately HK\$0.25 applying the Reference Exchange Rate) per China Youzan Share based on the 2019 Annual Report (which, for the avoidance of doubt, has not reflected the effect of the Distribution); and
- (i) a premium of approximately 621.5% over the unaudited consolidated NAV attributable to owners of China Youzan of RMB0.27 (equivalent to approximately HK\$0.32 applying the Reference Exchange Rate) per China Youzan Share based on the interim report of China Youzan for the six months ended 30 June 2020 (which, for the avoidance of doubt, has not reflected the effect of the Distribution).

## **2.3 Highest and Lowest Prices**

During the six-month period preceding the Announcement Date and up to the Announcement Date, the highest closing price of China Youzan Shares as quoted on the Stock Exchange was HK\$4.50 on 17 February 2021, and the lowest closing price of China Youzan Shares as quoted on the Stock Exchange was HK\$1.38 on 24 September 2020.



## 2.4 China Youzan Options

As at the Announcement Date:

- (a) there are no outstanding China Youzan Options under the China Youzan 2012 Share Option Scheme; and
- (b) there are an aggregate of 292,804,000 outstanding China Youzan Options which have been granted under the China Youzan 2019 Option Scheme, each entitling an option holder to subscribe for one China Youzan Share, of which (i) 100,000,000 outstanding China Youzan Options were granted to Mr. Zhu Ning, (ii) 20,000,000 outstanding China Youzan Options were granted to Mr. Cui Yusong; (iii) 15,000,000 outstanding China Youzan Options were respectively granted to each of Mr. Yu Tao and Ms. Ying Hangyan; (iv) 15,000,000 outstanding China Youzan Options were granted to Mr. Zhou Kai; (v) 11,252,000 outstanding China Youzan Options were granted to Mr. Huan Fang; and (vi) the remaining 116,552,000 outstanding China Youzan Options were granted to certain other employees of the China Youzan Group.

China Youzan does not intend to grant any further China Youzan Options under the China Youzan Option Schemes from the Announcement Date up to the earlier of the Scheme Effective Date or the date of which the Scheme otherwise lapses.

As at the Announcement Date, out of the 292,804,000 outstanding China Youzan Options:

- (a) a total of 48,304,000 outstanding China Youzan Options have vested and are exercisable by the China Youzan Optionholders; and
- (b) a total of 244,500,000 outstanding China Youzan Options (the “**Unvested China Youzan Options**”) remain unvested. A portion of such Unvested China Youzan Options would vest on each of 1 July 2021, 1 July 2022 and 1 July 2023, unless any of them lapses pursuant to the terms of the China Youzan 2019 Option Scheme.

As stated in the section headed “2. TERMS OF THE PROPOSAL – 2.6. Scheme Pre-Conditions below, one of the Scheme Pre-Conditions is that the Offeror and China Youzan having obtained the Optionholder Irrevocable Undertakings from all China Youzan Optionholders as of the Announcement Date, pursuant to which such China Youzan Optionholders will unconditionally and irrevocably undertake that: (i) he/she will not exercise the outstanding China Youzan Options (whether or not vested) held by him/her unless the Scheme lapses, (ii) he/she will accept the proposed grants under the Youzan Technology RSU Plan C as a substitution for his/her entitlements under the outstanding China Youzan Options held by him/her (whether or not vested) under the China Youzan Options Conversion Proposal, and (iii) he/she will not accept any offer in respect of the China Youzan Options, even if such an offer were to be made by the Offeror or otherwise as part of the Proposal or the take private of China Youzan.

Accordingly, pursuant to the above arrangements, no offer will be made by the Offeror in respect of the outstanding China Youzan Options (whether or not vested) as part of the Proposal or the take private of China Youzan and instead, it is proposed that the China Youzan Options Conversion Proposal be implemented. Upon the effectiveness of the Youzan Technology RSU Plan C, all such outstanding China Youzan Options will lapse and the entitlements of the China Youzan Optionholders will be substituted by the Plan C See Through Entitlements of such China Youzan Optionholders under the proposed Youzan Technology RSU Plan C.

**Pursuant to the terms of the China Youzan 2019 Option Scheme, the China Youzan Options will lapse automatically upon the Scheme becoming effective.**

In the event that the China Youzan Options Conversion Proposal fails to become effective as a result of the failure to fulfil any of the Plan C Effectiveness Conditions, but all Scheme Pre-Conditions have been satisfied or waived (as applicable), including without limitation, the obtaining of the Optionholder Irrevocable Undertakings under the Scheme Pre-Condition (e) as set out in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions” which is not waivable, and the Scheme subsequently becomes effective, the China Youzan Options will lapse automatically upon the Scheme becoming effective.

## **2.5 Confirmation of financial resources**

As at the Announcement Date, there are 14,688,042,686 Scheme Shares in issue. Assuming there will be no changes in the total number of China Youzan Shares in issue and the shareholding in China Youzan on or prior to the Record Date, the maximum amount of cash required for the Offeror to effect the Proposal is therefore approximately HK\$1,985,823,371.

The Offeror intends to finance the entire cash amount required for the Proposal by external debt financing.

Messis Capital Limited, as the financial adviser to the Offeror in connection with the Scheme, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with its terms.

## 2.6 Scheme Pre-Conditions

The making of the Proposal is conditional upon the satisfaction or waiver (as applicable) following Scheme Pre-Conditions:

- (a) the Stock Exchange having granted its in-principle approval for the listing of the Youzan Technology Shares on the Stock Exchange for the Youzan Technology Listing;
- (b) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM to approve the Rollover Arrangement as a special deal under Rule 25 of the Takeovers Code;
- (c) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM to approve the adoption of the Youzan Technology Share Award Plan A as a connected transaction under Chapter 20 of the GEM Listing Rules and as a special deal under Rule 25 of the Takeovers Code;
- (d) the passing of an ordinary resolution by the independent China Youzan Shareholders (being all the China Youzan Shareholders other than Whitecrow and its associates under the GEM Listing Rules, including Mr. Zhu Ning) at the First SGM to approve the grant of share awards under the Youzan Technology Share Award Plan B in favour of Mr. Zhu Ning (or Whitecrow) and the Anti-Dilution Issue to China Youzan as a connected transaction under Chapter 20 of the GEM Listing Rules;
- (e) all China Youzan Optionholders having executed irrevocable undertakings in favour of the Offeror and China Youzan (the “**Optionholder Irrevocable Undertakings**”) to unconditionally and irrevocably undertake that: (i) he/she will not exercise his/her outstanding China Youzan Options (whether or not vested) unless the Scheme lapses, (ii) he/she will accept grants under the Youzan Technology RSU Plan C as a substitution for his/her entitlements under the China Youzan Options (whether or not vested) pursuant to the China Youzan Options Conversion Proposal, and (iii) he/she will not accept any offer in respect of the China Youzan Options, even if such an offer were to be made by the Offeror or otherwise as part of the Proposal or the take private of China Youzan;
- (f) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM to approve the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C as a special deal under Rule 25 of the Takeovers Code.

The Scheme Pre-Conditions set out in paragraphs (a), (b), (d) and (e) above are not waivable, whilst the Scheme Pre-Conditions set out in paragraphs (c) and (f) above are waivable by the Offeror. Further announcement(s) will be made as soon as practicable after the Scheme Pre-Conditions have been satisfied or waived (as the case may be). If any of the Scheme Pre-Conditions is not satisfied or waived (as the case may be) by the Scheme Pre-Condition Longstop Date, the Proposal will lapse and will not be made and, in such case, an announcement will be made as soon as practicable.

## **2.7 Scheme Conditions**

The Scheme will become binding and effective on China Youzan and all Scheme Shareholders upon the satisfaction or waiver (as applicable) of the following Scheme Conditions:

### *Shareholders' approval*

- (a) the approval of the Scheme (by way of poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) (i) the approval of the Scheme (by way of poll) by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders;
- (c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the China Youzan Shareholders present and voting, in person or by proxy, at the Second SGM to approve, among other things, (i) the reduction of the issued share capital of China Youzan by the cancellation of the Scheme Shares, and (ii) the restoration of the issued share capital of China Youzan to the amount immediately prior to the cancellation of the Scheme Shares by the issuance to the Offeror such number of new China Youzan Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid at par;
- (d) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the China Youzan Shareholders present and voting, in person and by proxy, at the Second SGM to approve (i) the reduction of the share premium of China Youzan by cancellation of the whole amount standing in the share premium account of China Youzan; (ii) the transfer of the credit arising from such share premium reduction to the contributed surplus account of China Youzan; and (iii) the making of the Distribution;

#### *Other Bermuda law requirements*

- (e) the sanction of the Scheme (with or without modifications) by the Court, and the delivery to the Registrar of Companies in Bermuda of a copy of the Court Order for registration;
- (f) the necessary compliance with the procedural requirements and conditions, if any, of Section 46(2) of the Companies Act in relation to the reduction of the issued share capital and the reduction in the share premium of China Youzan referred to in paragraphs (c) and (d) above;

#### *Distribution*

- (g) the Distribution having been made by China Youzan to the China Youzan Shareholders;

#### *Third party consents and other governmental or regulatory approvals*

- (h) the Stock Exchange having granted its formal approval for the listing of, and permission to deal in, the Youzan Technology Shares on the Stock Exchange for the Youzan Technology Listing;
- (i) all applicable authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations) in connection with the Proposal or its implementation and the withdrawal of listing of the China Youzan Shares from GEM of the Stock Exchange having been made or obtained and remaining in full force and effect;
- (j) all necessary third party consents in relation to the Proposal which may be required under any existing contractual obligations to which any member of the China Youzan Group is a party (where any failure to obtain a consent would have a material adverse effect on the implementation of the Proposal or the business of the China Youzan Group as a whole) having been obtained or waived;
- (k) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Proposal void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Proposal (other than such order(s) or decision(s) that would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme);



*Other conditions*

- (l) no event having occurred which would make the Proposal or the cancellation of the Scheme Shares void, unenforceable or illegal or which would prohibit the implementation of the Proposal or impose any additional material conditions or obligations with respect to the Proposal or any part thereof or on the cancellation of the Scheme Shares (other than such event(s) that would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal);
- (m) since the Announcement Date, there having been no material adverse change to the business, financial or trading position of the China Youzan Group taken as a whole (to an extent which is material in the context of the China Youzan Group taken as a whole or in the context of the Proposal); and
- (n) save in connection with the implementation of the Proposal, the listing of the China Youzan Shares on GEM of the Stock Exchange not having been withdrawn, and no indication having been received from the SFC and/or the Stock Exchange, to the effect that the listing of the China Youzan Shares on GEM of the Stock Exchange is or is likely to be withdrawn.

Scheme Conditions (a) to (h) (inclusive) cannot be waived in any event. The Offeror reserves the right (but is not obliged) to waive any of Scheme Conditions (i) to (n) (inclusive) either in whole or in part, and either generally or in respect of any particular matter. All of the Scheme Conditions will have to be satisfied or waived, as applicable, on or before the Scheme Longstop Date, failing which the Proposal and the Scheme will lapse. China Youzan has no right to waive any of the Scheme Conditions.

In respect of Scheme Condition (i), as at the Announcement Date, the Offeror is not aware of any authorisations, approvals, permissions, waivers, consents, registrations or filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations) which may be required, save for the those already set out above as a Scheme Condition.

In respect of Scheme Condition (j), as at the Announcement Date, the Offeror is not aware of any necessary third party consents in relation to the Proposal which may be required under any existing contractual obligations to which any member of the China Youzan Group is a party, save for the third party consents already set out above as a Scheme Condition.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Scheme Condition are of material significance to the Offeror in the context of the Proposal.

## 2.8 The Distribution

Under the Proposal, subject to the fulfilment of the Distribution Conditions, China Youzan will make the Distribution which shall be effected by way of a distribution in specie of all of the Youzan Technology Shares held by China Youzan to all the China Youzan Shareholders (including, for the avoidance of doubt, the China Youzan Excluded Shareholders) as at the Record Date. It is proposed that all of the Youzan Technology Shares will be listed on the Main Board of the Stock Exchange by way of introduction pursuant to the Youzan Technology Listing.

The China Youzan Shareholders whose names appear on the register of members of China Youzan as at the Record Date will receive their pro rata entitlement of all of the Youzan Technology Shares held and to be distributed by China Youzan as at the Record Date, which will be calculated using the following formula:

$$\frac{A}{B} = C$$

where:

A = the total number of Youzan Technology Shares held by China Youzan as at the Record Date (including, for the avoidance of doubt, the 91,087,206 Youzan Technology Shares that may be issued to China Youzan under the Anti-Dilution Issue proposed to be effected prior to the Record Date, if approved)

B = the total number of China Youzan Shares in issue as at the Record Date

C = the approximate number of Youzan Technology Shares entitled to be received by China Youzan Shareholders (which, for the avoidance of doubt, includes the China Youzan Excluded Shareholders) for every China Youzan Share held as at the Record Date

**It is proposed that fractions of a Youzan Technology Share will not be distributed to the China Youzan Shareholders under the Distribution. It is intended that fractional entitlements of China Youzan Shareholders to Youzan Technology Shares under the Distribution will be aggregated (and if necessary, rounded down to the nearest whole number of a Youzan Technology Share) and retained by China Youzan for its benefit.**

**For illustration purposes only**, on the basis of (a) 17,260,003,617 China Youzan Shares in issue as at the Announcement Date; (b) 785,249,026 Youzan Technology Shares held by China Youzan as at the Announcement Date (representing approximately 51.90% of the total issued share capital of Youzan Technology as at the Announcement Date) plus 91,087,206 Youzan Technology Shares proposed to be issued to China Youzan pursuant to the Youzan Technology Share Award Plan B, together amounting to an aggregate of 876,336,232 Youzan Technology Shares (representing approximately 51.90% of the total issued share capital of Youzan Technology after the proposed issuance of the total number of Youzan Technology Shares pursuant to the Youzan Technology Share Award Plan B and the Anti-Dilution Issue); and (c) none of the outstanding China Youzan Options will be exercised or lapsed from the Announcement Date up to the Scheme Effective Date, and assuming there is no other change in (i) the total number of China Youzan Shares in issue and (ii) the total number of Youzan Technology Shares held by China Youzan between the Announcement Date and the Record Date, each China Youzan Shareholder will be entitled to receive 0.05077265 Youzan Technology Share for every China Youzan Share under the Distribution. This means that, for every 19.69564077 China Youzan Shares held by a China Youzan Shareholder, 1 Youzan Technology Share will be distributed to such China Youzan Shareholder. **As fractions of a Youzan Technology Share will not be distributed to the China Youzan Shareholders under the Distribution, it is intended that for any holding of less than 19.69564077 China Youzan Shares, no Youzan Technology Share will be distributed under the Distribution accordingly, and any entitlement of such China Youzan Shareholders to Youzan Technology Share will be retained for the benefit of China Youzan.**

The Youzan Technology Shares to be distributed by China Youzan under the Distribution will be fully paid and will be distributed free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, made or paid by reference to a record time at or after the Record Date.

The Scheme Document, which will be despatched to the Scheme Shareholders in due course, will set out the details of the Distribution, including the arrangements regarding the making of the Distribution and overseas China Youzan Shareholders' entitlements thereto and the expected timetable of the Distribution.

### ***Distribution Conditions***

The Distribution will be subject to the satisfaction of the following Distribution Conditions:

- (a) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the China Youzan Shareholders present and voting, in person and by proxy, at the Second SGM to approve (i) the reduction of the share premium of China Youzan by cancellation of the whole amount standing in the share premium account of China Youzan, (ii) the transfer of the credit arising from such share premium reduction to the contributed surplus account of China Youzan, and (iii) the making of the Distribution;
- (b) the Scheme (with or without modifications) having been sanctioned by the Court and the order of the Court in relation thereto having been granted; and

- (c) the Stock Exchange having granted its formal approval for the listing of, and permission to deal in, the Youzan Technology Shares on the Stock Exchange pursuant to the Youzan Technology Listing.

None of the Distribution Conditions can be waived in any event.

It is currently expected that China Youzan will instruct the share registrar of Youzan Technology to effect the Distribution after the Stock Exchange has granted its formal approval for the listing of, and permission to deal in, the Youzan Technology Shares on the Stock Exchange pursuant to the Youzan Technology Listing (i.e. fulfilment of Scheme Condition (h)) and the Court has sanctioned the Scheme and granted the order in relation thereto (i.e. fulfilment of the first part of Scheme Condition (e)). The process of transfer of the Youzan Technology Shares held by China Youzan to the China Youzan Shareholders will take approximately two (2) Business Days. After the Distribution is made to the China Youzan Shareholders (i.e. fulfilment of Scheme Condition (g)), a copy of the Court Order will be delivered to the Registrar of Companies in Bermuda for registration (i.e. fulfilment of the last part of Scheme Condition (e)), and the Scheme will become effective and the Youzan Technology Listing will become effective. A detailed expected timetable of the Distribution, the Scheme and the Youzan Technology Listing will be set out in the Scheme Document to be despatched to the Scheme Shareholders in due course.

In connection with the Proposal, on the Announcement Date, an application was made to the Stock Exchange for the listing of Youzan Technology Shares on the Main Board of the Stock Exchange by way of introduction, as set out in the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.4 Proposed Youzan Technology Listing” of this Announcement. Reference is made to the separate announcement published by China Youzan on the Announcement Date in respect of the proposed Youzan Technology Listing.

## **2.9 Special Deal Arrangement in respect of the Rollover Arrangement to exclude the China Youzan Excluded Shareholders from the Scheme**

Each of the China Youzan Excluded Shareholders, each being a party acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, has (i) agreed with the Offeror that the China Youzan Shares held by himself/herself/it and him/her/its controlled entities or nominees (if relevant) (the “**Excluded Shares**”) will be excluded from the Scheme and will not form part of the Scheme Shares, and (ii) indicated that if the Scheme is approved at the Court Meeting, to exercise or procure the exercise of all voting rights attached to the Excluded Shares held by himself/herself/it and his/her/its controlled entities or nominees (where relevant) at the Second SGM in favour of all the resolutions which are necessary to implement or otherwise relate to the Proposal.

However, for the avoidance of doubt, the China Youzan Excluded Shareholders whose names appear on the register of members of China Youzan as at the Record Date will be entitled to receive their pro rata entitlement of the Youzan Technology Shares held and to be distributed by China Youzan under the Distribution.

The China Youzan Excluded Shareholders comprise Mr. Zhu Ning, Mr. Cui Yusong, Mr. Cao Chunmeng, Mr. Yan Xiaotian, Mr. Yu Tao, Ms. Ying Hangyan (each being an executive Director), Mr. Guan Guisen (being a former Director), Mr. Huang Rongrong (being a former director of Youzan Technology), Mr. Huan Fang (a director of Youzan Technology), Mr. Zhou Kai and Youzan Teamwork. The Offeror is of view that the Offeror can benefit from excluding the China Youzan Excluded Shareholders from the Scheme in terms of reducing the burden of the cash resources required for paying the Scheme Consideration under the Scheme and China Youzan can benefit from the continuing contributions of the China Youzan Excluded Shareholders as shareholders of China Youzan after completion of the Scheme.

As at the Announcement Date, the Excluded Shares comprise 2,571,960,931 China Youzan Shares in total, representing approximately 14.90% of the total issued share capital of China Youzan.

As the Rollover Arrangement is only in respect of the China Youzan Excluded Shareholders, the Rollover Arrangement is not offered to all China Youzan Shareholders. The Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror will make an application for the consent from the Executive to the Rollover Arrangement conditional on the following effectiveness conditions (the “**Rollover Arrangement Effectiveness Conditions**”), being:

- (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Scheme Shareholders are concerned; and
- (ii) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM held to approve, amongst others, the Rollover Arrangement (which is a non-waivable Scheme Pre-Condition).

**WARNING: Shareholders and potential investors of China Youzan and Youzan Technology should be aware that the making of the Proposal is subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions. Even if the Proposal is made, the implementation of the Proposal (including the effectiveness of the Scheme), is subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of China Youzan and Youzan Technology should therefore exercise caution when dealing in the securities of China Youzan and Youzan Technology. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.**

### 3. REASONS AND BENEFITS OF THE PROPOSAL

#### 3.1 Objectives and reasons of the Proposal

Youzan Technology plans to further develop the SaaS Business which is now in the stage of high-speed development, providing merchants with a one-stop solution in building up online stores to operate and manage their business on various media platforms (such as WeChat, QQ, Weibo, Baidu and Kuaishou etc.) and also enable them to digitalise their offline stores.

As further disclosed in the below paragraph headed “4. INFORMATION ON CHINA YOUZAN”, as at the Announcement Date, the operations of the China Youzan Group mainly consist of four business operations, namely (i) the provision of cloud-based commerce services by offering a wide variety of cloud-based commerce services to merchants through subscription solutions and merchant solutions which carried out through the Youzan Technology Group (the “**SaaS Business**”); (ii) the provision of third party payment services and related consultancy services; (iii) the provision of third party payment system solutions and the sales of integrated smart point of sales devices; and (iv) general trading segment ((ii) to (iv) collectively and generally referred to as the “**Payment & Other Business**” in this Announcement).

The overall Proposal seeks to achieve two main objectives: (a) to achieve the primary listing of Youzan Technology Shares on the Main Board of the Stock Exchange with the aim of unlocking value for the China Youzan Shareholders through unlocking the growth potential in the Youzan Technology Group and further developing the SaaS Business; and (b) to take private China Youzan which will hold the remaining assets in respect of the Payment & Other Business after the proposed Distribution and the proposed Youzan Technology Listing.

#### 3.2 Industry growth drivers of the SaaS Business and unlocking the growth potential in the Youzan Technology Group

Leveraging Youzan Technology Group’s first-mover advantage and continuous innovation in its SaaS Business, the Youzan Technology Group effectively addressed the pain points of merchants’ online operations and bring success to their business with profound insights of the new retail model in China. As the leading player of the PRC cloud-based commerce service industry, it is believed that the Youzan Technology Group would be able to capitalise the following industry trends and help serve merchants to succeed: (i) the increasing mobile internet penetration in China; (ii) the rapid development of the online retail market; (iii) the strong consumption potential of Chinese residents; (iv) the large potential merchant base and increasing demand for digitalisation; and (v) the development of the decentralised e-commerce market. Therefore, Youzan Technology Group aims to continuously provide merchants with a suite of SaaS products applicable to various industry sectors and business scenarios. Apart from the subscription solutions that offer merchants with SaaS products, customized services as well as third-party developed applications through its Platform-as-a-Service (PaaS) platform, Youzan Technology Group also offers various value-added services through its merchant solutions so as to address merchants’ online and/or offline operational needs,



in order to build up a closed-loop ecosystem to help merchants succeed. Through this ecosystem, Youzan Technology Group can further enhance its market value and unlock the growth potential in the Youzan Technology Group.

### **3.3 Strategic plans of the Youzan Technology Group**

The Youzan Technology Group believes that its business value is commensurate with the continued success attained by its merchants and therefore the first growth strategy of the Youzan Technology Group is to keep helping grow its merchants' sales. The more sales a merchant could generate through subscription solutions and merchant solutions provided by Youzan Technology Group, the greater the financial return the Youzan Technology Group would receive in exchange for the value it created for such merchants. The Youzan Technology Group will also further enhance and optimise its service capabilities so that its merchants will be able to efficiently use its products and services, and so that the Youzan Technology Group will be able to provide its merchants with constructive advice for their business operations.

Moreover, the Youzan Technology Group will further increase the size of its merchant base and it believes that it is well-positioned to capitalise the growth of the decentralised ecommerce market in China. Merchants of all sizes demand user-friendly and efficient management tools to digitalise their business operations, manage their online customer traffic as well as integrate their operations of online and offline business. The Youzan Technology Group intends to continuously design and launch new solutions and optimise its existing offerings to capitalise these industry trends. In addition, the Youzan Technology Group will further expand its sales network of direct sales team and channel partners, improve its sales and marketing efficiency and increase penetration in more regions with sales potential so that it can achieve further growth and help more merchants succeed.

With the completion of the Proposal, Youzan Technology Group will achieve structural optimisation and operation realignment enabling it to accelerate the implementation of its SaaS Business strategies so that it can further strengthen its leadership in the PRC cloud-based commerce services industry.

### **3.4 Ability to generate substantially more revenue with total assets of the SaaS Business than that of the Payment & Other Business**

According to the audited consolidated financial statements of China Youzan for the year ended 31 December 2019 as disclosed in the 2019 Annual Report, the segment revenue generated from the SaaS Business for the year ended 31 December 2019 amounted to approximately RMB999.6 million, or approximately 85.4% of the China Youzan's total revenue from external customers, while the segment revenue generated from the Payment & Other Business for the year ended 31 December 2019 amounted to approximately RMB171.1 million, or approximately 14.6% of the China Youzan's total revenue from external customers.

According to the 2019 Annual Report, the segment assets of the SaaS Business as at 31 December 2019 amounted to approximately RMB3,152.2 million, while the segment assets of the Payment & Other Business as at 31 December 2019 amounted to approximately RMB4,797.3 million. As calculated based on the foregoing figures of segment revenue and assets, the segment revenue to segment assets ratio of the SaaS Business and Payment & Other Business was approximately 31.7% and 3.6%, respectively, for the year ended 31 December 2019.

As demonstrated by the figures stated above, the China Youzan Group is able to generate substantially more revenue with the segment assets of the SaaS Business as compared with that of the Payment & Other Business. Accordingly, the China Youzan Group is able to manage the financial resources of the SaaS Business in a substantially more efficient and effective manner than that of the Payment & Other Business.

### **3.5 Benefits to the Scheme Shareholders**

The scale of the Payment & Other Business is relatively small compared with that of its peers (including other leading Chinese third-party payment service providers), while the SaaS Business has a leading market position and promising prospects in the PRC. The Offeror believes that the significant increase of the share price, trading volume, market capitalisation and valuation of China Youzan since April 2018 when China Youzan completed the major transaction to acquire 51% of Youzan Technology is mainly due to the inclusion of the SaaS Business operated under the Youzan Technology Group. Meanwhile, the taking private of China Youzan by way of the Scheme under the Proposal would allow the Scheme Shareholders to capitalise the value of the Payment & Other Business with a certain level of cash consideration and enable the Scheme Shareholders to achieve a certain level of return of capital from their investment.

Additionally, following the completion of the Proposal, not only will the Scheme Shareholders be able to continue to participate in the performance of Youzan Technology Group which has a number of competitive edges and is well positioned to enjoy the growth potential of the PRC cloud-based commerce service industry, the Scheme Shareholders will also be able to further unlock the potential value in their investment as a result of the Youzan Technology Listing. As the proposed listing of the Youzan Technology Shares plus the Scheme Consideration does not require external capital raising, the proposed transaction would be less exposed to fluctuations in the capital markets.

Accordingly, the Offeror believes that the Youzan Technology Group will be an attractive investment opportunity for the Scheme Shareholders and the proposed Youzan Technology Listing could bring a long-term benefit to the Scheme Shareholders.

## **4. INFORMATION ON CHINA YOUZAN**

### **4.1 General Information on China Youzan**

China Youzan Shares are listed on GEM of the Stock Exchange. China Youzan is an investment holding company. The China Youzan Group, of which China Youzan forms part, mainly focuses on offering online and offline merchants suites of comprehensive solutions comprising third party payments and variety of SaaS products and comprehensive service through its e-commerce platform, like marketing and customer engagement tools to facilitate the process of transactions between merchants and their customers.

### **4.2 Shareholding Information of China Youzan**

As at the Announcement Date, there are 17,260,003,617 China Youzan Shares in issue. Other than the 292,804,000 outstanding China Youzan Options granted under the China Youzan 2019 Share Option Scheme, China Youzan does not have any outstanding options, warrants, convertible securities, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

On the assumption that there is no other change in the total number of China Youzan Shares in issue and no other change in the shareholding of China Youzan between the Announcement Date and the Scheme Effective Date, the table below sets out the shareholding structure of China Youzan as at the Announcement Date and immediately upon completion of the Youzan Technology Listing and the Proposal (and the Scheme becoming effective):

Shareholders	As at the Announcement Date		Immediately upon completion of the Youzan Technology Listing and the Proposal (and the Scheme becoming effective) (assuming none of the outstanding China Youzan Options are exercised)	
	Number of China Youzan Shares	Approximate % of the issued share capital of China Youzan	Number of China Youzan Shares	Approximate % of the issued share capital of China Youzan
Offeror (Note 2)	–	–	14,688,042,686	85.10
Whitecrow (Note 2)	1,440,601,703	8.35	1,440,601,703	8.35
Mr. Cao Chunmeng (Note 1)	53,420,000	0.31	53,420,000	0.31
Mr. Yan Xiaotian (Note 1)	21,640,000	0.13	21,640,000	0.13
Ms. Ying Hangyan (Note 1)	852,000	0.00	852,000	0.00
Mighty Advantage Enterprises Limited (Note 3)	411,592,000	2.38	411,592,000	2.38
V5. Cui Investment Ltd. (Note 4)	241,885,127	1.40	241,885,127	1.40
Youzan Teamwork Inc. (Note 5)	363,170,101	2.10	363,170,101	2.10
Rory Huang Investment Ltd. (Note 6)	25,800,000	0.15	25,800,000	0.15
Mr. Huan Fang	3,000,000	0.02	3,000,000	0.02
Mr. Zhou Kai	10,000,000	0.06	10,000,000	0.06
<b>Offeror and parties acting in concert with the Offeror not subject to the Scheme (i.e. China Youzan Excluded Shareholders)</b>	<b>2,571,960,931</b>	<b>14.90</b>	<b>17,260,003,617</b>	<b>100.00</b>
Aves Capital, LLC (Note 8)	201,123,478	1.17	–	–
Franchise Fund LP (Note 8)	686,680,679	3.98	–	–
Tembusu HZ II Limited (Note 8)	100,000,000	0.58	–	–
Matrix Partners China III, L.P. (Note 8)	180,000,000	1.04	–	–
Matrix Partners China III-A, L.P. (Note 8)	20,000,000	0.12	–	–
GCYZ Holdings Limited (Note 8)	257,735,849	1.49	–	–
Haitong International Securities Company Limited (Note 9)	1,252,000	0.01	–	–
Dr. Fong Chi Wah (Note 1)	1,000,000	0.01	–	–
Mr. Gu Jiawang (Note 1)	1,000,000	0.01	–	–
<b>Parties acting in concert with the Offeror subject to the Scheme</b>	<b>1,448,792,006</b>	<b>8.41</b>	<b>–</b>	<b>–</b>
<b>Aggregate number of China Youzan Shares held by the Offeror and parties acting in concert with the Offeror</b>	<b>4,020,752,937</b>	<b>23.31</b>	<b>17,260,003,617</b>	<b>100.00</b>
China Youzan Trustee (Note 7)	160,277,800	0.93	–	–
Other Disinterested Scheme Shareholders	13,076,972,800	75.76	–	–
<b>Total number of Scheme Shares held by the Disinterested Scheme Shareholders</b>	<b>13,239,250,680</b>	<b>76.69</b>	<b>–</b>	<b>–</b>
<b>Total number of China Youzan Shares</b>	<b>17,260,003,617</b>	<b>100.00</b>	<b>17,260,003,617</b>	<b>100.00</b>
Total number of Scheme Shares	14,688,042,686	85.10	–	–

*Notes:*

1. Each a Director.
2. A company beneficially wholly-owned by Mr. Zhu Ning, a Director and the sole beneficial owner of the Offeror.
3. A company beneficially wholly-owned by Mr. Guan Guisen, a former Director. As disclosed in the announcement issued by China Youzan on 17 February 2021, Mr. Guan Guisen resigned as a Director on 17 February 2021.
4. A company beneficially wholly-owned by Mr. Cui Yusong, a Director.
5. A company beneficially owned as to 26% by Mr. Zhu Ning, 8% by Mr. Cui Yusong, 8% by Mr. Yu Tao and 8% by Ms. Ying Hangyan (each a Director), 38% by Mr. Huang Rongrong (a former director of Youzan Technology), 6% by Mr. Huan Fang (a director of Youzan Technology) and 6% by Mr. Zhou Kai.
6. A company beneficially wholly-owned by Mr. Huang Rongrong, a former director of Youzan Technology.
7. The China Youzan Shares held by the China Youzan Trustee are held on trust for the China Youzan Share Aware Scheme.

As at the Announcement Date, the China Youzan Trustee holds a total of 160,277,800 China Youzan Shares as trustee under the China Youzan 2018 Share Award Plan, comprising:

- (i) a total of 127,954,800 China Youzan Shares held as China Youzan Awarded Shares granted but yet to be vested with the relevant grantees;
- (ii) a total of 814,000 China Youzan Shares held as China Youzan Awarded Shares which have vested but yet to be transferred to the relevant grantees; and
- (iii) a total of 31,509,000 China Youzan Shares held as a reserve for future awards under the China Youzan 2018 Share Award Plan (the “**Reserve**”).

Subject to compliance with any relevant requirements under the Takeovers Code, the GEM Listing Rules and all other applicable laws and regulations from time to time, the Board may grant further awards under the China Youzan 2018 Share Award Plan out of the pool of 31,509,000 existing China Youzan Shares in the Reserve to either existing or future eligible persons from time to time.

However, the Board does not intend to allot or issue any further new China Youzan Shares to the China Youzan Trustee for the purpose of the China Youzan 2018 Share Award Plan from the Announcement Date up to the Scheme Effective Date or the date of which the Scheme otherwise lapses.

The China Youzan Shares held by the China Youzan Trustee under sub-paragraphs (i) and (iii) above on the Record Date will form part of the Scheme Shares and be subject to and be entitled to participate in the Scheme. Accordingly, subject to the Scheme becoming effective, as part of the Proposal, the China Youzan Trustee will be entitled to receive with respect to those China Youzan Shares (I) its pro-rata entitlement of the Youzan Technology Shares distributed by China Youzan under the Distribution; and (II) the Scheme Consideration for every Scheme Share cancelled under the Scheme. The participation in the Scheme with respect to the China Youzan Shares held by the China Youzan Trustee under sub-paragraph (ii) above will depend on whether or not the corresponding grantees are included as the Scheme Shareholders.

Under the rules of the China Youzan 2018 Share Award Plan, the selected participants shall have no voting rights in respect of any China Youzan Awarded Shares which are yet to be vested.

Under the rules of the China Youzan 2018 Share Award Plan, the China Youzan Trustee is prohibited from exercising the voting rights attached to the China Youzan Shares held by it which are yet to be vested or which form part of the Reserve under the China Youzan 2018 Share Award Plan. Accordingly, the China Youzan Trustee will abstain from voting at the Court Meeting, the First SGM and the Second SGM (other than on behalf of selected participants under the China Youzan 2018 Share Award Plan in respect of their vested China Youzan Awarded Shares).

8. Each a Youzan Technology Financial Investor, which is or may be regarded as acting in concert with the Offeror as a result of an existing shareholders' agreement entered into among Youzan Technology together with the existing shareholders of Youzan Technology in respect of Youzan Technology (which is proposed to be terminated prior to the completion of the Youzan Technology Listing).
9. A company within the same group as Haitong International Capital (HK) Limited, being the underwriter of the facility provided to the Offeror for the purpose of satisfying payment under the Scheme and which is therefore presumed to be acting in concert with the Offeror under class (9) of the presumptions in the definition of acting in concert under the Takeovers Code.
10. As confirmed by Messis Capital Limited, as at the Announcement Date, members of Messis Capital Limited, being persons acting in concert with the Offeror, do not legally or beneficially own, control or have direction over any China Youzan Shares. Nor were there any borrowing or lending of, or dealing in, China Youzan Shares (or options, rights over China Youzan Shares, warrants or derivatives in respect of them) by any members of Messis Capital Limited during the period commencing from six months prior to the Announcement Date up to the Announcement Date.
11. The percentages of the China Youzan Shares are rounded to the nearest 2 decimal places, and the total number of the percentages may not add up to 100% due to rounding.

As described in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.4 China Youzan Options”, pursuant to the terms of the Optionholder Irrevocable Undertakings and the China Youzan Options Conversion Proposal, it is expected that there will not be any further exercise of the 292,804,000 outstanding China Youzan Options (whether vested or unvested) by the China Youzan Optionholders from the Announcement Date up to the Scheme Effective Date or the date on which the Scheme lapses.

### 4.3 Financial Information of China Youzan

Set out below is a summary of certain financial information of the China Youzan Group extracted from the quarterly report of China Youzan for the nine months ended 30 September 2020, the interim report of China Youzan for the six months ended 30 June 2020, and the annual reports of China Youzan for the two years ended 31 December 2019 and 31 December 2018:

	<b>Nine months ended 30 September 2020 (unaudited) (RMB'000)</b>	<b>Year ended 31 December 2019 (audited) (RMB'000)</b>	<b>Year ended 31 December 2018 (audited) (Restated) (Note 1) (RMB'000)</b>
Revenue	<b>1,306,609</b>	1,170,693	586,287
Gross profit	<b>788,322</b>	607,582	198,211
Loss for the year/period	<b>(340,024)</b>	(915,569)	(725,907)



	<b>As at 30 June 2020 (unaudited)  (RMB'000)</b>	<b>As at 31 December 2019 (audited)  (RMB'000)</b>	<b>As at 31 December 2018 (audited) (Restated) (Note 1) (RMB'000)</b>
Total assets	<b>11,251,948</b>	10,498,860	6,683,935
Total liabilities	<b>6,264,410</b>	6,599,813	2,799,469
Net assets	<b>4,987,538</b>	3,899,047	3,884,466

*Note:*

- (1) As previously disclosed by China Youzan, China Youzan Group changed the presentation currency for the preparation of China Youzan's consolidated financial statement from HKD to RMB with effect from 1 January 2019. Accordingly, the effects of the change in presentation currency have been accounted for retrospectively for prior financial years with comparative figures restated.

## **5. INFORMATION ON YOUZAN TECHNOLOGY**

### **5.1 General Information on Youzan Technology**

Youzan Technology is an investment holding company. The Youzan Technology Group is principally engaged in providing a variety of cloud-based commerce services to merchants through its subscription solutions and merchant solutions. Subscription solutions mainly comprise SaaS products designed for merchants of various industries including Youzan WeiMall (有贊微商城), Youzan Retail (有贊零售), Youzan Chain (有贊連鎖), Youzan Beauty (有贊美業), and Youzan Education (有贊教育). Merchant solutions mainly comprise value-added services offered to merchants to address their online and/or offline operational needs. Through its subscription solutions and merchant solutions, merchants can establish online presence, digitalise critical business operations, integrate online/offline activities, take ownership of and manage their online/offline customer traffic, boost customer acquisition and repeat purchases, and enhance operating efficiency.

### **5.2 Shareholding Information of Youzan Technology**

As at the Announcement Date, there are 1,513,127,641 Youzan Technology Shares in issue. Youzan Technology does not have any outstanding options, warrants, convertible securities, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

On the basis of 1,513,127,641 Youzan Technology Shares in issue as at the Announcement Date and taking into account (a) the proposed transfer of Youzan Technology Shares by Qima Teamwork Inc. to Trustee A pursuant to the Youzan Technology Share Award Plan A; (b) the proposed issue of new Youzan Technology Shares under Youzan Technology Share Award Plan B and the Anti-Dilution Issue; and (c) the proposed issue of new Youzan Technology Shares under the Youzan Technology RSU Plan C, and assuming there is no other change in the total number of Youzan Technology Shares and China Youzan Shares in issue and no other change in the shareholding of Youzan Technology and China Youzan between the Announcement Date and the Scheme Effective Date, the table below sets out the shareholding structure of Youzan Technology (i) as at the Announcement Date, (ii) as at the Record Date, and (iii) immediately upon completion of the Youzan Technology Listing and the Proposal (and the Scheme becoming effective) (assuming none of the outstanding China Youzan Options are exercised or lapsed):

Shareholders	As at the Announcement Date		As at the Record Date (Note 1)		Immediately upon completion of the Proposal and the Youzan Technology Listing (and the Scheme becoming effective) (assuming none of the outstanding China Youzan Options are exercised or lapsed) (Note 2)	
	Number of Youzan Technology Shares	Approximate % of issued share capital of Youzan Technology	Number of Youzan Technology Shares	Approximate % of issued share capital of Youzan Technology	Number of Youzan Technology Shares	Approximate % of issued share capital of Youzan Technology
China Youzan	785,249,026	51.90	876,336,232	51.90	118 (Note 4)	0.00
Whitecrow	155,833,263	10.30	240,265,623	14.23	313,408,789	18.44
V5. Cui Investment Ltd.	26,165,281	1.73	26,165,281	1.55	38,446,429	2.26
Rory Huang Investment Ltd	5,288,544	0.35	5,288,544	0.31	6,598,478	0.39
Youzan Teamwork Inc.	66,835,954	4.42	66,835,954	3.96	85,275,062	5.02
Qima Teamwork	106,428,391	7.03	–	–	–	–
Trustee A	–	–	106,428,391	6.30	106,428,391	6.26
Xincheng Investment Limited	32,101,782	2.12	32,101,782	1.90	32,101,782	1.89
Baidu (Hong Kong) Limited	17,737,531	1.17	17,737,531	1.05	17,737,531	1.04
Aves Capital, LLC	21,755,998	1.44	21,755,998	1.29	31,967,569	1.88
Hillhouse KDWD Holdings Limited	75,812,422	5.01	75,812,422	4.49	75,812,422	4.46
Ralston Global Holdings Limited	8,401,392	0.56	8,401,392	0.50	8,401,392	0.49

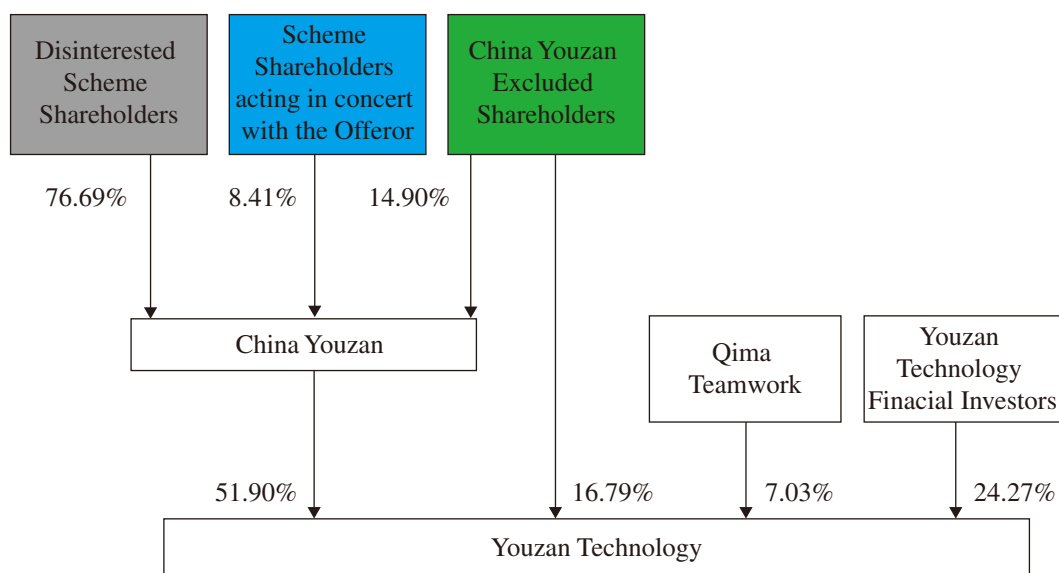
Shareholders	As at the Announcement Date		As at the Record Date (Note 1)		Immediately upon completion of the Proposal and the Youzan Technology Listing (and the Scheme becoming effective) (assuming none of the outstanding China Youzan Options are exercised or lapsed) (Note 2)	
	Number of Youzan Technology Shares	Approximate % of issued share capital of Youzan Technology	Number of Youzan Technology Shares	Approximate % of issued share capital of Youzan Technology	Number of Youzan Technology Shares	Approximate % of issued share capital of Youzan Technology
Hangzhou San Ren Yan Xing Investment Partnership (LLP) (杭州三仁焱興投資合夥企業(有限合夥))	8,401,392	0.56	8,401,392	0.50	8,401,392	0.49
Franchise Fund LP	30,659,587	2.03	30,659,587	1.82	65,524,184	3.86
Happy Zan Holdings Limited	3,332,997	0.22	3,332,997	0.20	3,332,997	0.2
Tembusu HZ II Limited	90,268,812	5.97	90,268,812	5.35	95,346,077	5.61
Matrix Partners China III, L.P.	38,148,261	2.52	38,148,261	2.26	47,287,338	2.78
Matrix Partners China III-A, L.P.	4,238,696	0.28	4,238,696	0.25	5,254,149	0.31
GCYZ Holdings Limited	6,118,075	0.40	6,118,075	0.36	19,204,007	1.13
GCQM Holdings Limited	30,350,237	2.01	30,350,237	1.80	30,350,237	1.79
Trustee C (Note 3)	–	–	–	–	10,815,887	0.64
Other China Youzan Shareholders	–	–	–	–	663,924,439	41.06
<b>Total</b>	<b>1,513,127,641</b>	<b>100</b>	<b>1,688,647,207</b>	<b>100</b>	<b>1,699,463,094</b>	<b>100</b>

*Notes:*

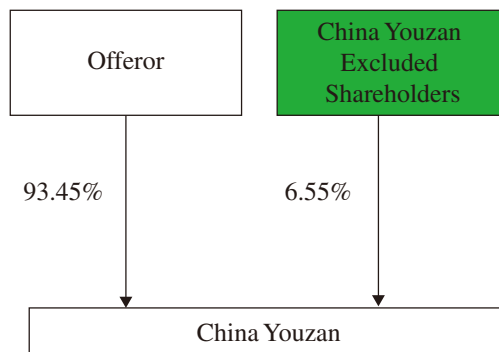
- (1) Assuming each of (a) the proposed transfer of Youzan Technology Shares from Qima Teamwork Inc. to Trustee A pursuant to the Youzan Technology Share Award Plan A; and (b) the proposed issue of new Youzan Technology Shares pursuant to Youzan Technology Share Award Plan B and the Anti-Dilution Issue has been completed prior to the Record Date.
- (2) After taking into account the effect of the Distribution and assuming the issue of new Youzan Technology Shares pursuant to the China Youzan Option Conversion Proposal and the Youzan Technology RSU Plan C has been completed (after the Distribution being made and the Scheme becoming effective but prior to the Youzan Technology Listing).
- (3) Assuming the proposed issue of Youzan Technology Shares pursuant to China Youzan Option Conversion Proposal and the Youzan Technology RSU Plan C has been completed after the Distribution being made and the Scheme becoming effective but prior to the Youzan Technology Listing.
- (4) The indicative amount of Youzan Technology Shares held by China Youzan for its benefit as a result of the aggregation of the fractional entitlements of the China Youzan Shareholders to Youzan Technology Shares under the Distribution, calculated by reference to the number of China Youzan Shares held by China Youzan Shareholders as shown in the register of members of China Youzan as at the Announcement Date. The number of Youzan Technology Shares to be retained by China Youzan as a result of the aggregation of fractional entitlements of China Youzan Shareholders will be subject to further changes by reference to the shareholding information as at the Record Date.
- (5) The percentages of the China Youzan Shares are rounded to the nearest 2 decimal places, and the total number of the percentages may not add up to 100% due to rounding.

On the assumption that (a) there is no other change in the number of China Youzan Shares in issue and the shareholding in China Youzan between the Announcement Date and the Scheme Effective Date; (b) 51.90% of the total issued share capital of Youzan Technology held by China Youzan shall be distributed under the Distribution; and (c) each of the Youzan Technology Share Incentive Plans becoming effective, set out below are simplified shareholding structure charts of Youzan Technology (i) as at the Announcement Date; and (ii) immediately upon completion of the Youzan Technology Listing and the Proposal (and the Scheme becoming effective):

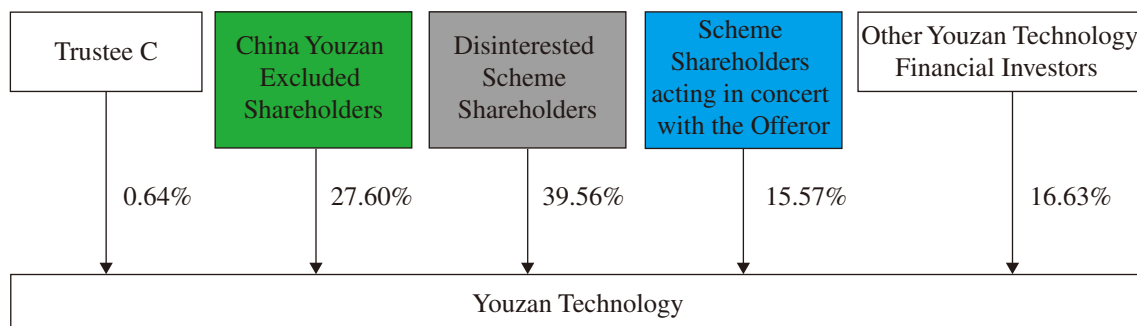
(a) *Simplified shareholding structure of Youzan Technology as at the Announcement Date:*



(b) *Simplified shareholding structure of China Youzan immediately upon the completion of the Proposal and the Youzan Technology Listing (and the Scheme becoming effective):*



(c) *Simplified shareholding structure of Youzan Technology immediately upon completion of the the Proposal and the Youzan Technology Listing (and the Scheme becoming effective):*



*Note:*

- (1) It is expected that China Youzan will hold a very small shareholding in Youzan Technology immediately upon completion of the Proposal and the Youzan Technology Listing as a result of the aggregation of the fractional entitlements of Youzan Technology Shares arising from the Distribution which will not be distributed to China Youzan Shareholders but will instead be retained by China Youzan for its benefit.

### 5.3 Financial Information of Youzan Technology

Set out below is a summary of the financial information of the Youzan Technology Group, based on the unaudited consolidated financial statements of Youzan Technology Group for the nine months ended 30 September 2020 and two financial years ended 31 December 2019 and 31 December 2018 as set out in the Application Proof in respect of the proposed Youzan Technology Listing:

	<b>For the nine months ended 30 September 2020 (unaudited) (RMB'000)</b>	<b>For the year ended 31 December 2019 (unaudited) (RMB'000)</b>	<b>For the year ended 31 December 2018 (unaudited) (RMB'000)</b>
Loss before tax	<b>235,533</b>	569,811	803,400
Loss for the period/year	<b>219,295</b>	503,484	714,072
	<b>As at 30 September 2020 (unaudited) (RMB'000)</b>	<b>As at 31 December 2019 (unaudited) (RMB'000)</b>	<b>As at 31 December 2018 (unaudited) (RMB'000)</b>
Total assets	<b>2,589,192</b>	1,689,949	2,290,984
Total liabilities	<b>1,639,326</b>	2,198,163	2,423,794
Net assets/(liabilities)	<b>949,866</b>	(508,214)	(132,810)

The draft financial information and the draft accountants' report of Youzan Technology for the financial years ended 31 December 2018 and 2019 and for the nine months ended 30 September 2020 included in the Application Proof (the **"Relevant Financial Information"**) constitutes a profit forecast under Rule 10 of the Takeovers Code and should be reported on by the financial advisers and auditors or accountants of China Youzan in accordance with Rule 10.4 of the Takeovers Code. In view of the applicable disclosure requirements for the Youzan Technology Listing under the MB Listing Rules, China Youzan has encountered genuine practical difficulties (time-wise or otherwise) in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code.

Under Rule 10.4 of the Takeovers Code, if the Relevant Financial Information is first published in an announcement, it must be repeated in full, together with the reports from the financial advisers and auditors or accountants of China Youzan on the said profit forecast, in the next document to be sent to the China Youzan Shareholders, which is likely to be the Circular in respect of, among other things, the Special Deal Arrangements. If the audited financial information and the final accountants' report for the financial years ended 31 December 2018, 2019 and 2020 of Youzan Technology have been published by the time of release of the next shareholders' document and the relevant audited financial information and the final accountants' report are included in the next shareholders' document, the requirements to report on the Relevant Financial Information under Rule 10.4 of the Takeovers Code will no longer apply at the time of despatch of the relevant shareholders' document.



**Shareholders and/or potential investors of China Youzan and Youzan Technology should note that the Relevant Financial Information has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and/or potential investors of China Youzan and Youzan Technology should therefore exercise caution in placing reliance on the Relevant Financial Information in assessing the merits and demerits of the Proposal.**

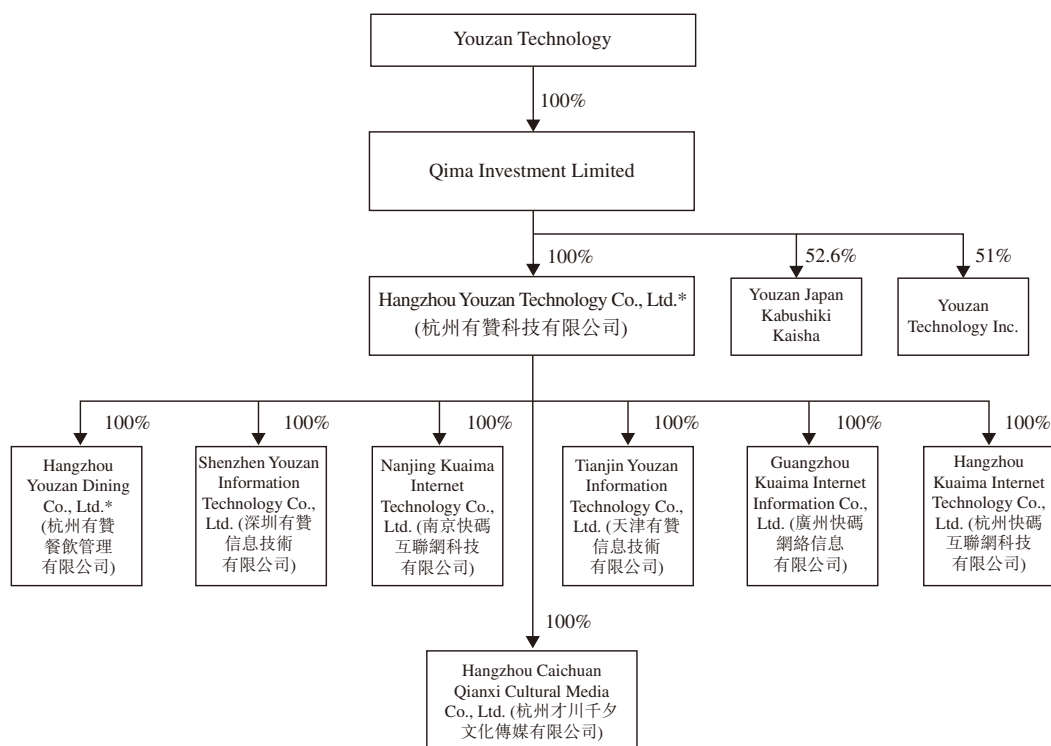
#### **5.4 Proposed Youzan Technology Listing**

In connection with the Proposal, on the Announcement Date, an application was made to the Stock Exchange for the listing of Youzan Technology Shares on the Main Board of the Stock Exchange by way of introduction. The purpose of the Youzan Technology Listing is to unlock the growth potential in the Youzan Technology Group and further develop the SaaS Business. At the same time, the distribution of Youzan Technology Shares to the China Youzan Shareholders pursuant to the Distribution (subject to the fulfilment of the Distribution Conditions) will enable Youzan Technology to satisfy the minimum public float requirements under Rule 8.08 of the MB Listing Rules. Accordingly, one of the Scheme Pre-Conditions is that the Stock Exchange having granted its in-principle approval for the listing of Youzan Technology Shares on the Stock Exchange for the Youzan Technology Listing, and one of the Scheme Conditions is that the Stock Exchange having granted its formal approval for the listing of, and permission to deal in, the Youzan Technology Shares on the Stock Exchange for the Youzan Technology Listing. Reference is made to the separate announcement published by China Youzan on the Announcement Date in respect of the proposed Youzan Technology Listing.

As the Youzan Technology Listing is proposed to be carried out by way of introduction, there will be no public offering of Youzan Technology Shares in connection with the Youzan Technology Listing.

Based on the above, it is expected that, upon the Youzan Technology Listing becoming effective, no less than 25% of the total issued share capital of Youzan Technology will be held by public shareholders. On this basis, upon the fulfilment of the Scheme Conditions and upon completion of the Youzan Technology Listing, it is expected that Youzan Technology will be able to satisfy the minimum public float requirements under Rule 8.08(1)(a) of the MB Listing Rules.

It is expected that the subsidiaries of China Youzan which are also subsidiaries of Youzan Technology will form part of the Youzan Technology Group to be listed on the Main Board of the Stock Exchange, while all the other subsidiaries of China Youzan will remain in the China Youzan Group upon the Scheme becoming effective and the withdrawal of listing of China Youzan on GEM of the Stock Exchange. A simplified corporate structure chart of Youzan Technology which is expected to form part of the Youzan Technology Group to be listed on the Main Board of the Stock Exchange immediately upon the completion of the Proposal is represented in the chart below:



## 5.5 Youzan Technology Share Incentive Plans

Youzan Technology intends to adopt the Youzan Technology Share Incentive Plans, as further detailed below.

### 5.5.1 Existing Youzan Technology 2019 Share Award Plan

The Youzan Technology 2019 Share Award Plan was adopted by Youzan Technology on 2 August 2019 for the purpose of attracting, retaining and providing incentives to employees of Youzan Technology Group, and which involved a total of 106,428,391 existing Youzan Technology Shares (representing approximately 7.03% of the total issued share capital of Youzan Technology as at the Announcement Date) currently held by Qima Teamwork.

Under the existing arrangements and rules of the Youzan Technology 2019 Share Award Plan upon the grant and vesting of the share awards with the relevant grantees, Qima Teamwork shall issue its own shares to the relevant grantees in accordance with the rules of the Youzan Technology 2019 Share Award Plan.

As at the Announcement Date:

- (a) Qima Teamwork directly holds a total of 106,428,391 Youzan Technology Shares (representing approximately 7.03% of the total issued share capital of Youzan Technology as at the Announcement Date); and
- (b) no grant of share awards has been made since the adoption of the Youzan Technology 2019 Share Award Plan.

Youzan Technology does not intend to grant any share awards under the Youzan Technology 2019 Share Award Plan from the Announcement Date up to the earlier of the Scheme Effective Date or the date on which the Scheme lapses.

#### ***5.5.2 Proposed Youzan Technology Share Award Plan A***

In connection with the preparation for the Youzan Technology Listing, in order to simplify the structure of the existing Youzan Technology 2019 Share Award Plan and to make grants to reward directors, management members and employees of the Youzan Technology Group for their historical contributions to the success of the business of the Youzan Technology Group, each of the Board and the board of directors of Youzan Technology intends to propose that, conditional upon the fulfilment of the Plan A Effectiveness Conditions and prior to (and regardless of) the Youzan Technology Listing, the Youzan Technology 2019 Share Award Plan shall be amended and substituted by the Youzan Technology Share Award Plan A.

Key arrangements concerning the Youzan Technology Share Award Plan A are proposed to be as follows:

- (a) the share awards to be granted under the plan will consist of the existing Youzan Technology Shares to be held by Trustee A, which will be appointed by Youzan Technology, for the purposes of the Youzan Technology Share Award Plan A;
- (b) the board of directors of Youzan Technology proposes to make grants to approximately 520 grantees who are currently directors, management members and employees of the Youzan Technology Group as recognition and reward for their historical contributions to the success of the business of the Youzan Technology Group;
- (c) it is intended that grants of share awards under the Youzan Technology Share Award Plan A will be made prior to the Record Date, and any share awards granted thereunder shall vest with the relevant grantees immediately upon grant; and

- (d) after all the share awards (which comprise of the existing Youzan Technology Shares to be held by Trustee A) under the Youzan Technology Share Award Plan A have been fully granted and vested with the relevant grantees thereunder, the Youzan Technology Share Award Plan A will be terminated prior to the date of the Youzan Technology Listing.

Please refer to the announcement to be issued by China Youzan in accordance with applicable requirements the GEM Listing Rules and the Takeovers Code for further details of the proposed key terms of the Youzan Technology Share Award Plan A.

***Special Deal Arrangement relating to the proposed adoption of the Youzan Technology Share Award Plan A***

As certain proposed grantees under the Youzan Technology Share Award Plan A are Scheme Shareholders and the proposed grant of share awards under the Youzan Technology Share Award Plan A are not extended to all Scheme Shareholders, the adoption of the Youzan Technology Share Award Plan A will constitute a special deal under Rule 25 of the Takeovers Code. The Offeror will make an application for the consent from the Executive to adopt the Youzan Technology Share Award Plan A conditional on (i) the Independent Financial Adviser stating its opinion that the proposed terms of the Youzan Technology Share Award Plan A and its replacement of the Youzan Technology 2019 Share Award Plan are fair and reasonable; and (ii) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM for the adoption of the Youzan Technology Share Award Plan A.

The effectiveness of the amendment and substitution of the Youzan Technology 2019 Share Award Plan by the Youzan Technology Share Award Plan A and the granting of share awards to the proposed grantees thereunder will be conditional upon the fulfilment of the following conditions (the “**Plan A Effectiveness Conditions**”):

- (a) the Independent Financial Adviser stating in its opinion that the proposed terms of the Youzan Technology Share Award Plan A, and its replacement of the Youzan Technology 2019 Share Award Plan, are fair and reasonable; and
- (b) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM to approve the adoption of the Youzan Technology Share Award Plan A as a connected transaction under Chapter 20 of the GEM Listing Rules and a special deal under Rule 25 of the Takeovers Code.

***A waivable Scheme Pre-Condition, and will be implemented subject to the satisfaction of the Plan A Effectiveness Conditions but regardless of whether the Youzan Technology Listing or the Scheme is completed***

The passing of the requisite ordinary resolution as referred to in paragraph (b) above is a waivable Scheme Pre-Condition as set out in paragraph (c) of the section headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions”. If such Scheme Pre-Condition cannot be fulfilled but the Offeror elects to waive such Scheme Pre-Condition and proceed with the making and implementation of the Proposal:

- (i) the amendment and substitution of the Youzan Technology 2019 Share Award Plan by the Youzan Technology Share Award Plan A will not take place;
- (ii) there will be no grants of any share awards thereunder up to the earlier of the Scheme Effective Date or the date on which the Scheme lapses; and
- (iii) the relevant Youzan Technology Shares under the Youzan Technology 2019 Share Award Plan will be held by Trustee A and be reserved for further grants after the completion of Youzan Technology Listing. Any further grants of share awards under the Youzan Technology 2019 Share Award Plan will comply with the relevant MB Listing Rules and any other applicable laws and regulations at such time.

However, the effectiveness of the amendment and substitution of the Youzan Technology 2019 Share Award Plan by the Youzan Technology Share Award Plan A will **not** be conditional upon the implementation of the Youzan Technology Listing nor the Scheme becoming effective.

It is expected that the existing total issued share capital of Youzan Technology as at the Announcement Date will not be enlarged as a result of the amendment to and substitution of the Youzan Technology 2019 Share Award Plan by the Youzan Technology Share Award Plan A as the grants of share awards thereunder concern the same number of Youzan Technology Shares as those currently held by Qima Teamwork pursuant to the Youzan Technology 2019 Share Award Plan.

### ***5.5.3 Proposed Youzan Technology Share Award Plan B***

Each of the Board and the board of directors of Youzan Technology intends to propose that, conditional upon the fulfilment of the Plan B Effectiveness Conditions and prior to the Youzan Technology Listing, the Youzan Technology Share Award Plan B will be adopted (and a grant of share award will be made thereunder to Whitecrow) in order to recognise the extensive contributions of Mr. Zhu Ning (Mr. Zhu Ning being instrumental to the foundation and continued success of Youzan Technology) and incentivise Mr. Zhu Ning to stay with Youzan Technology to continue to promote the future development of Youzan Technology’s business.

Key arrangements concerning the Youzan Technology Share Award Plan B are proposed to be as follows:

- (a) 84,432,360 Youzan Technology Shares (representing approximately 5.58% of the total issued capital of Youzan Technology as at the Announcement Date, and approximately 5.00% of the total issued share capital of Youzan Technology as enlarged by the proposed issuance of new Youzan Technology Shares under the Youzan Technology Share Award Plan B and the Anti-Dilution Issue but prior to the impact of the proposed issuance of new Youzan Technology Shares under the Youzan Technology RSU Plan C) will be issued and allotted by Youzan Technology, and granted as share award to Whitecrow prior to the completion of the Youzan Technology Listing;
- (b) the Youzan Technology Shares to be granted under the Youzan Technology Share Award Plan B will be vested with Whitecrow immediately upon grant prior to the Record Date;
- (c) in order to ensure that there will be no dilution impact to China Youzan as a result of the adoption of the Youzan Technology Share Award Plan B and the grant of share award thereunder, concurrent with the issue of 84,432,360 new Youzan Technology Shares to Whitecrow, China Youzan intends to subscribe for 91,087,206 new Youzan Technology Shares at par value (representing 6.02% of the total issued share capital of Youzan Technology as at the Announcement Date, and approximately 5.39% of the total issued share capital of Youzan Technology as enlarged by the issuance of new Youzan Technology Shares under the Youzan Technology Share Award Plan B and the Anti-Dilution Issue but prior to the impact of the issuance new Youzan Technology Shares under the Youzan Technology RSU Plan C), such that the percentage of China Youzan's shareholding in Youzan Technology (being, 51.90%) will not be diluted by the proposed issue of new Youzan Technology Shares under the Youzan Technology Share Award Plan B (the "**Anti-Dilution Issue**"). The Anti-Dilution Issue is proposed to made prior to the Record Date; and
- (d) the Youzan Technology Share Award Plan B will be terminated immediately prior to the date of the Youzan Technology Listing upon completion of the grant to and vesting with Whitecrow.

Please refer to the announcement to be issued by China Youzan in accordance with applicable requirements under the GEM Listing Rules and the Takeovers Code for further details of the proposed key terms of the Youzan Technology Share Award Plan B and the Anti-Dilution Issue.



The effectiveness of the adoption of the Youzan Technology Share Award Plan B (and the grant of share award thereunder) and the Anti-Dilution Issue to China Youzan will be conditional upon the fulfilment of the following conditions (the “**Plan B Effectiveness Conditions**”):

- (a) the passing of an ordinary resolution by the independent China Youzan Shareholders (being all China Youzan Shareholders other than Whitecrow and its associates under the GEM Listing Rules, including Mr. Zhu Ning) to approve the adoption of the Youzan Technology Share Award Plan B and the grant of share awards thereunder in favour of Mr. Zhu Ning (or Whitecrow) and the Anti-Dilution Issue to China Youzan as a connected transaction under Chapter 20 of the GEM Listing Rules; and
- (b) the Stock Exchange having granted its in-principle approval for the listing of the Youzan Technology Shares on the Stock Exchange pursuant to the Youzan Technology Listing.

*A non-waivable Scheme Pre-Condition, and will be implemented subject to the satisfaction of the Plan B Effectiveness Conditions and after the Stock Exchange has granted the in-principle approval for the Youzan Technology Listing but before the Scheme becoming effective*

The passing of the requisite ordinary resolution as referred to in paragraph (a) above is a non-waivable Scheme Pre-Condition as set out in paragraph (d) of the section headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions”. The effectiveness of the Youzan Technology Share Award Plan B (and the grant of share awards thereunder) and the Anti-Dilution Issue to China Youzan will be conditional upon the Stock Exchange having granted in-principle approval for the Youzan Technology Listing, but will **not** be conditional upon the Scheme becoming effective.

China Youzan understands from Whitecrow and Mr. Zhu Ning that, if Whitecrow is successful in receiving a grant of share award under the Youzan Technology Share Award Plan B and if conditions and circumstances permit at the relevant time, they may consider utilising part or all of such new Youzan Technology Shares to set up an incentive plan to attract, retain and incentivise existing and future management members and employees of Youzan Technology Group. As at the Announcement Date, no such incentive plan has been established and no possible or potential grantee has been identified.

#### ***5.5.4 China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C***

In view that the vast majority of the outstanding China Youzan Options are unvested on the Announcement Date and in order to provide fair and equal treatment to all China Youzan Optionholders, as an alternative to an acceleration of vesting of such China Youzan Options in connection with the Scheme and an early exercise of such China Youzan Options by the optionholders, it is intended that the following arrangements will be implemented so that all China Youzan Optionholders (including but not limited to Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao, Ms. Ying Hangyan, Mr. Huan Fang and Mr. Zhou Kai) will obtain their respective ‘see through’ entitlements in the Distribution with respect to the outstanding China Youzan Options held by the China Youzan Optionholders on the Record Date, determined on a basis as if all the outstanding China Youzan Options on the Announcement Date are fully vested and exercised (by the payment of the relevant exercise price), with the vesting of such ‘see through’ entitlements according to the original vesting schedule under the China Youzan 2019 Option Scheme (the “**China Youzan Options Conversion Proposal**”).

Key arrangements for the Youzan Technology RSU Plan C are proposed to be as follows:

- (a) each of the China Youzan Optionholders will receive grants of RSUs under the Youzan Technology RSU Plan C with respect to the outstanding China Youzan Options held by him/her based on his/her the Plan C See Through Entitlements (as defined and elaborated below), with the vesting of such grants according to the original vesting schedule under the China Youzan 2019 Option Scheme;
- (b) the grant of RSUs under the Youzan Technology RSU Plan C will be made immediately after the Scheme becoming effective and prior to the Youzan Technology Listing, and the vesting of the RSUs granted shall follow the same vesting schedule as that under the China Youzan 2019 Option Scheme;

- (c) the number of RSUs to be granted to each China Youzan Optionholder under the Youzan Technology RSU Plan C with respect to the outstanding China Youzan Options held by him/her shall be determined based on their respective ‘see through’ entitlements in the Distribution and as if all such outstanding China Youzan Options have been fully vested and exercised (by the payment of the relevant exercise price) prior to the Record Date, in accordance with the following formula, being the “**Plan C See Through Entitlements**”:

$$A = \frac{(B \times C)}{D} \times \frac{E}{F}$$

Where:

A = the number of RSUs proposed to be granted to a China Youzan Optionholder under the Youzan Technology RSU Plan C

B = the number of outstanding China Youzan Options (whether or not vested) held on the Record Date by a China Youzan Optionholder

C = the difference between the closing price per China Youzan Share as at 25 February 2021 and the relevant exercise price of the China Youzan Option(s) held by such China Youzan Optionholder

D = the closing price per China Youzan Share as at 25 February 2021

E = the total number of Youzan Technology Shares held by China Youzan as at the Record Date (including, for the avoidance of doubt, the 91,087,206 Youzan Technology Shares proposed to be issued to China Youzan under the Anti-Dilution Issue to be effected prior to the Record Date, if approved)

F = the total number of China Youzan Shares in issue as at the Record Date plus the number of additional China Youzan Shares that would be issued if all the outstanding China Youzan Options as of the Announcement Date had not lapsed and had been fully vested and exercised,

and each China Youzan Optionholder will determine its Plan C See Through Entitlements by using the above formula and by reference to the number of outstanding China Youzan Options held by him/her on the Record Date;

- (d) the total number of new Youzan Technology Shares proposed to be issued under the Youzan Technology RSU Plan C shall be 10,815,887, as determined by reference to the total outstanding China Youzan Options as of the Announcement Date and applying the above formula with the Record Date being the Announcement Date, and this number of new Youzan Technology Shares will not be reduced notwithstanding that some China Youzan Options may lapse between the Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme;

- (e) the board of Youzan Technology shall be entitled to make grants of RSUs after the Youzan Technology Listing for the purpose of attracting, retaining and providing incentives to employees of the Youzan Technology Group to the extent that there is any Youzan Technology Share remaining in the Youzan Technology RSU Plan C as a result of the lapsing of any China Youzan Option between the Announcement Date and the Record Date or the RSUs not becoming vested in accordance with the terms of Youzan Technology RSU Plan C; and
- (f) the term of the Youzan Technology RSU Plan C shall be ten years from the date of the adoption of the Youzan Technology RSU Plan C.

***Special Deal Arrangement relating to the China Youzan Options Conversion Proposal***

As certain China Youzan Optionholders (who are proposed grantees of share awards under the Youzan Technology RSU Plan C) are China Youzan Shareholders, and the China Youzan Options Conversion Proposal is not extended to all Scheme Shareholders, the proposed implementation of the China Youzan Options Conversion Proposal will constitute a special deal under Rule 25 of the Takeovers Code. The Offeror will make an application for the consent from the Executive to the China Youzan Options Conversion Proposal which will be conditional on (i) the Independent Financial Adviser to the Independent Board Committee confirming that the China Youzan Options Conversion Proposal and the terms of the Youzan Technology Youzan RSU Plan C are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM to approve the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C (which is a waivable Scheme Pre-Condition).

The effectiveness of the Youzan Technology RSU Plan C will be conditional upon the fulfilment of the following conditions (the “**Plan C Effectiveness Conditions**”):

- (a) the obtaining of the Optionholder Irrevocable Undertakings from each of the China Youzan Optionholders as of the Announcement Date (which is, itself, a Scheme Pre-Condition that is not waivable);
- (b) the Independent Financial Adviser stating in its opinion that the proposed terms of the China Youzan Options Conversion Proposal and the terms of the Youzan Technology Youzan RSU Plan C are fair and reasonable;

- (c) the passing of an ordinary resolution by the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements) at the First SGM, to approve the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C as a special deal under Rule 25 of the Takeovers Code;
- (d) the Stock Exchange having granted its formal approval for the listing of, and permission to deal in, the Youzan Technology Shares on the Stock Exchange pursuant to the Youzan Technology Listing; and
- (e) the Scheme becoming effective.

***A waivable Scheme Pre-Condition, and will only be implemented subject to the satisfaction of the Plan C Effectiveness Conditions and after the Stock Exchange has granted the formal approval for the Youzan Technology Listing and the Scheme becoming effective but prior to the Youzan Technology Listing***

The passing of the requisite ordinary resolution as referred to in paragraph (c) above is a waivable Scheme Pre-Condition as set out in paragraph (f) of the section headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions”. If such Scheme Pre-Condition cannot be fulfilled but the Offeror elects to waive such Scheme Pre-Condition and proceed with the making and implementation of the Proposal:

- (i) as the obtaining of the Optionholder Irrevocable Undertakings from all China Youzan Optionholders as of the Announcement Date is a non-waivable Scheme Pre-Condition, no comparable offer will be made by the Offeror in respect of the outstanding China Youzan Options (whether or not vested) as part of the Proposal and the take private of China Youzan;
- (ii) the China Youzan Options Conversion Proposal will not be implemented and the Youzan Technology RSU Plan C will not become effective; and
- (iii) the China Youzan Options will lapse automatically upon the Scheme becoming effective.

The effectiveness of the Youzan Technology RSU Plan C will be conditional upon the Stock Exchange having granted formal approval for the Youzan Technology Listing and the Scheme becoming effective.

Please refer to the announcement to be issued by China Youzan in accordance with applicable requirements under the GEM Listing Rules and the Takeovers Code for further details of the proposed key terms of the Youzan Technology RSU Plan C.

### ***GEM Listing Rules Implications on the Youzan Technology Share Incentive Plans***

Each of the Youzan Technology Share Incentive Plans, upon its proposal, is expected to have the following implications under the GEM Listing Rules:

- (a) the proposed grants of share awards by Youzan Technology under the Youzan Technology Share Award Plan A involve the granting of share awards to the Plan A Connected Grantees which correspond to a total of 106,428,391 existing Youzan Technology Shares, and as the highest applicable percentage ratio in respect of the proposed grants of share awards under the Youzan Technology Share Award Plan A exceeds 5% but is under 25%, the proposed grants of share awards under the Youzan Technology Share Award Plan A will constitute discloseable and connected transactions of China Youzan which require the compliance with the announcement, reporting and independent China Youzan Shareholders' approval requirements; and
- (b) (i) the proposed grant of share awards by Youzan Technology under the Youzan Technology Share Award Plan B to Whitecrow (a company wholly-owned by Mr. Zhu Ning) involves the granting of share award to Whitecrow which corresponds to a total of 175,519,566 new Youzan Technology Shares, and (ii) the Anti-Dilution Issue in connection with the adoption of the Youzan Technology Share Award Plan B involves the subscription of new shares by China Youzan in its connected subsidiary, and as the highest applicable percentage ratio in respect of such grant of share awards and the subscription by China Youzan under the Anti-Dilution Issue in aggregate exceeds 5% but is under 25%, the proposed grant of share awards to Whitecrow under the Youzan Technology Share Award Plan B and the Anti-Dilution Issue will constitute discloseable and connected transactions of China Youzan which require the compliance with the announcement, reporting and independent China Youzan Shareholders' approval requirements; and
- (c) the proposed grants of RSUs by Youzan Technology under the Youzan Technology RSU Plan C involve the granting of RSUs to the Plan C Connected Grantees which correspond to a total of 10,815,887 new Youzan Technology Shares, and as the highest applicable percentage ratio in respect of the proposed grants of RSUs under the Youzan Technology RSU Plan C exceeds 0.1% but is under 5%, the proposed grants of RSUs under the Youzan Technology RSU Plan C will constitute connected transactions of China Youzan which require the compliance with the announcement and reporting requirements.



It is intended that the First SGM will be convened by China Youzan for the relevant China Youzan Shareholders or Disinterested Scheme Shareholders (to the extent entitled to vote on such resolutions) to approve, among others, separate ordinary resolutions relating to (i) the adoption of the Youzan Technology Share Award Plan A as a connected transaction under Chapter 20 of the GEM Listing Rules and as a special deal under Rule 25 of the Takeovers Code, (ii) the grant of share awards under the Youzan Technology Share Award Plan B in favour of Whitecrow and the Anti-Dilution Issue to China Youzan as a connected transaction under Chapter 20 of the GEM Listing Rules, and (iii) the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C as a special deal under Rule 25 of the Takeovers Code.

## **6. INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in the British Virgin Islands with limited liability, and is 100% beneficially owned by Mr. Zhu Ning.

Mr. Zhu Ning joined China Youzan in April 2018 and was appointed as an executive Director and the chief executive officer of China Youzan in May 2018. Mr. Zhu Ning is the founder and the chief executive officer of Youzan Technology Group (comprising Youzan Technology and its subsidiaries) and is responsible for formulation of the overall development planning, business strategies as well as the general management of Youzan Technology Group. Before establishing Youzan Technology Group, Mr. Zhu Ning was a product experience planner of Alipay and an interaction designer of Baidu. He graduated from Henan Radio & Television University with a diploma in art. He is also the executive officer of China Prepay Group Limited, an indirect wholly-owned subsidiary of China Youzan.

## **7. WITHDRAWAL OF LISTING OF CHINA YOUZAN SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. China Youzan will apply to the Stock Exchange in accordance with Rule 9.23 of the GEM Listing Rules for the withdrawal of the listing of the China Youzan Shares on GEM of the Stock Exchange.

The Board intends that the listing of the China Youzan Shares on GEM of the Stock Exchange shall be maintained in the event the Scheme does not become effective.

Upon the satisfaction or waiver (as applicable) of the Scheme Conditions and the Scheme becoming effective, the Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the China Youzan Shares and the day on which the Scheme and the withdrawal of the listing of the China Youzan Shares on GEM of the Stock Exchange will become effective.

A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, among other things, further details of the Scheme and the Distribution as an integral part of the Proposal.

## **8. IF THE SCHEME IS NOT APPROVED OR IF THE PROPOSAL OTHERWISE LAPSES**

The Scheme will lapse if any of the Scheme Conditions has not been satisfied or waived, as applicable, on or before the Scheme Longstop Date. If the Scheme is not approved or if the Proposal otherwise lapses, the listing of the China Youzan Shares on GEM of the Stock Exchange will not be withdrawn.

If the Scheme is not approved or if the Proposal otherwise lapses, neither the Offeror nor any parties acting in concert with it under the Proposal (nor any person who is subsequently acting in concert with any of them) may, except with the consent of the Executive, within 12 months thereafter, announce an offer or possible offer for the China Youzan Shares.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by China Youzan in connection with the Scheme will be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

## **9. SCHEME SHARES, COURT MEETING AND THE SECOND SGM**

As at the Announcement Date, the Offeror does not hold any China Youzan Shares. Mr. Zhu Ning (through its 100% beneficial ownership in Whitecrow) holds 1,440,601,703 China Youzan Shares in issue, representing approximately 8.35% of the issued share capital of China Youzan. The other China Youzan Excluded Shareholders (directly or indirectly through their respective beneficial ownership in their respective China Youzan Excluded Shareholders Entities, where relevant) holds 1,131,359,228 China Youzan Shares in issue, representing approximately 6.55% of the issued share capital of China Youzan. Such 2,571,960,931 China Youzan Shares held by the China Youzan Excluded Shareholders in total, representing approximately 14.90% of the total issued share capital of China Youzan, will not form part of the Scheme Shares. Such China Youzan Shares will not be voted on at the Court Meeting and will not be cancelled upon the Scheme becoming effective.

All of the China Youzan Shares held by the other persons acting in concert with the Offeror (other than those held by the China Youzan Excluded Shareholders, directly or indirectly through their respective beneficial ownership in their respective China Youzan Excluded Shareholders Entities, where relevant) will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Under the Takeovers Code, persons acting in concert with the Offeror will not be permitted to vote on the Scheme at the Court Meeting, and only Disinterested Scheme Shareholders will be permitted to vote on the Scheme at the Court Meeting.

All China Youzan Shareholders will be entitled to attend the Second SGM and vote on the special resolutions to approve and give effect to, amongst other things, (a)(i) the reduction of the issued share capital of China Youzan by the cancellation of the Scheme Shares, and (ii) immediately thereafter, the restoration of the issued share capital of China Youzan to its amount in issue prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of China Youzan Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid at par, by applying the reserve created in the books of accounts of China Youzan as a result of the cancellation of the Scheme Shares; and (b)(i) the reduction of the share premium of China Youzan by cancellation of the whole amount standing in the share premium of China Youzan, (ii) the transfer of the credit arising from such share capital reduction to the contributed surplus account of China Youzan, and (iii) the making of the Distribution.

Each of the China Youzan Excluded Shareholders has agreed, if the Scheme is approved at the Court Meeting, to exercise or procure the exercise of all voting rights attached to the Excluded Shares held by himself/herself/its controlled entities or nominees (where relevant) at the Second SGM in favour of all the resolutions which are necessary to implement or otherwise relate to the Proposal.

Each of the Offeror, the China Youzan Excluded Shareholders and China Youzan Excluded Shareholders Entities will undertake to the Court that if the Scheme Conditions are satisfied and the Scheme becomes effective, it will be bound by the Scheme, so as to ensure that it will comply with and be subject to the terms and conditions of the Scheme.

## **10. INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee, comprising all independent non-executive Directors who are not interested in the Proposal, namely, Dr. Fong Chi Wah, Mr. Gu Jiawang, Mr. Xu Yanqing and Mr. Deng Tao, has been established by the Board to make a recommendation to the Disinterested Scheme Shareholders as to: (i) whether the terms of the Proposal are, or are not, fair and reasonable; (ii) whether to vote in favour of the resolutions for the approval of each of the Special Deal Arrangements at the First SGM; and (iii) whether to vote in favour of the resolutions for the approval of the Scheme at the Court Meeting and the resolutions necessary to implement the Proposal at the Second SGM.

## **11. INDEPENDENT FINANCIAL ADVISER**

Red Sun Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee in connection with, amongst other things, the Proposal, the Special Deal Arrangements and the Scheme. The appointment of Red Sun Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

## **12. DESPATCH OF CIRCULAR TO CHINA YOUZAN SHAREHOLDERS WITH RESPECT TO THE SPECIAL DEAL ARRANGEMENTS**

A Circular containing, among other things, further details about the Special Deal Arrangements, a letter of advice from the Independent Financial Adviser and the recommendations of the Independent Board Committee concerning the Special Deal Arrangements, and notice to convene the First SGM will be despatched to the China Youzan Shareholders as soon as possible in accordance with the Takeovers Code, the GEM Listing Rules and other applicable laws and regulations.

## **13. DESPATCH OF SCHEME DOCUMENT**

A Scheme Document containing, among other things, further details about the Scheme, the Distribution, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the recommendations of the Independent Board Committee, and notices to convene the Court Meeting and the Second SGM will be despatched to the China Youzan Shareholders as soon as possible in accordance with the Takeovers Code, the requirements of the Court and other applicable laws and regulations.

## **14. OTHER ARRANGEMENTS**

The Offeror confirms that, as at the Announcement Date:

- (a) save as disclosed in the paragraphs headed “2. TERMS OF THE PROPOSAL – 2.4 China Youzan Options” and “4. INFORMATION ON CHINA YOUZAN – 4.2 Shareholding Information of China Youzan” in this Announcement, none of the Offeror or parties acting in concert with it owns or has control or direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of China Youzan;

- (b) neither the Offeror nor parties acting in concert with it has entered into any outstanding derivative in respect of the securities in China Youzan;
- (c) save for (i) the share charge to be made by Whitecrow in favour of Haitong International Capital (HK) Limited in respect of all the China Youzan Shares held by Whitecrow; (ii) the share charge to be made by Whitecrow in favour of Haitong International Capital (HK) Limited in respect of no less than 240,265,623 Youzan Technology Shares and (iii) the share charge to be made by an entity beneficially wholly-owned by Mr. Zhu Ning in favour of Haitong International Capital (HK) Limited in respect of all the shares in the Offeror, there are no arrangements (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares in the Offeror, the Youzan Technology Shares and the China Youzan Shares and which might be material to the Proposal;
- (d) save for the conditions set out in the paragraphs headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions” and “2. TERMS OF THE PROPOSAL – 2.7 Scheme Conditions” in this Announcement, there is no agreement or arrangement to which the Offeror or any of the parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal;
- (e) none of the Offeror or any of the parties acting in concert with it has received any irrevocable commitment to vote for or against the Scheme;
- (f) neither the Offeror nor any of the parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in China Youzan;
- (g) other than Special Deal Arrangements, each as described in this Announcement, there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any of the parties acting in concert with it on one hand, and the Scheme Shareholders and persons acting in concert with them on the other hand; and
- (h) other than the Scheme Consideration in the cash amount of HK\$0.1352 to be paid by the Offeror for every Scheme Share cancelled under the Scheme, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the parties acting in concert with it to the Scheme Shareholders or persons acting in concert with them in connection with the cancellation of the Scheme Shares under the Scheme.

China Youzan confirms that, as at the Announcement Date, other than Special Deal Arrangements, each as described in this Announcement, there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between (a) any China Youzan Shareholder on one hand, and (b)(i) the Offeror and any parties acting in concert with it; or (b)(ii) the China Youzan Group or associated companies on the other hand.

## 15. DISCLOSURE OF DEALINGS

The respective associates (including, among others, any person who owns or controls 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code)) of the Offeror and China Youzan are hereby reminded to disclose their dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror, China Youzan and Youzan Technology under Rule 22 of the Takeovers Code.

Save as disclosed below, neither the Offeror nor any persons acting in concert with it had any dealings for value in the China Youzan Shares during the period commencing six months prior to the Announcement Date up to the Announcement Date:

Name	Date of transaction (DD/MM/YY)	Nature of transaction	On/off the Stock Exchange	No. of China Youzan Shares involved	Average transaction price per China Youzan Shares (HK\$)
Mr. Yu Tao ( <i>Notes 1 and 2</i> )	31/8/2020	Sale	On	3,000,000	1.67
	2/9/2020	Sale	On	2,000,000	1.78
Ms. Ying Hangyan ( <i>Notes 1 and 2</i> )	31/8/2020	Sale	On	4,148,000	1.70
Mr. Cao Chunmeng ( <i>Notes 1 and 2</i> )	4/9/2020	Sale	On	4,000,000	1.865
Mr. Huan Fang ( <i>Note 2</i> )	20/9/2020	Vesting of restricted share awards ( <i>Note 3</i> )	Off	8,800,000	–
	5/11/2020	Sale	On	1,560,084	1.90
	26/11/2020	Sale	On	3,000,000	1.91
Mr. Zhou Kai ( <i>Note 2</i> )	7/12/2020	Sale	On	1,000,000	2.16
Xincheng Investment Limited ( <i>Note 4</i> )	29/10/2020	Sale	On	4,000,000	1.93



Name	Date of transaction (DD/MM/YY)	Nature of transaction	On/off the Stock Exchange	No. of China Youzan Shares involved	Average transaction price per China Youzan Shares (HK\$)
Haitong International Securities Company Limited ( <i>Note 5</i> )	22/2/2021	Sale	On	244,000	4.04
	22/2/2021	Sale	On	4,000	4.04
	5/2/2021	Sale	On	4,000	3.51
	5/2/2021	Sale	On	12,000	3.51
	5/2/2021	Sale	On	8,000	3.51
	5/2/2021	Sale	On	20,000	3.51
	5/2/2021	Sale	On	20,000	3.51
	5/2/2021	Sale	On	68,000	3.51
	5/2/2021	Sale	On	8,000	3.51
	5/2/2021	Sale	On	12,000	3.51
	5/2/2021	Sale	On	20,000	3.51
	5/2/2021	Sale	On	32,000	3.51
	5/2/2021	Sale	On	4,000	3.51
	5/2/2021	Sale	On	4,000	3.51
	5/2/2021	Sale	On	4,000	3.51
	5/2/2021	Sale	On	4,000	3.51
	5/2/2021	Sale	On	16,000	3.51
	5/2/2021	Sale	On	4,000	3.51
	5/2/2021	Sale	On	12,000	3.51
	5/2/2021	Sale	On	20,000	3.51
	5/2/2021	Sale	On	4,000	3.51
	5/2/2021	Sale	On	8,000	3.51
	5/2/2021	Sale	On	4,000	3.51
	5/2/2021	Sale	On	100,000	3.51
	5/2/2021	Sale	On	4,000	3.52
	5/2/2021	Sale	On	12,000	3.52
	5/2/2021	Sale	On	32,000	3.52
	5/2/2021	Sale	On	20,000	3.52
	5/2/2021	Sale	On	36,000	3.52
	5/2/2021	Sale	On	4,000	3.52
	5/2/2021	Sale	On	4,000	3.52
	25/1/2021	Sale	On	4,000	4.15
	25/1/2021	Purchase	On	4,000	4.10
	25/1/2021	Purchase	On	48,000	4.10
	25/1/2021	Purchase	On	12,000	4.10
	25/1/2021	Purchase	On	28,000	4.10
	25/1/2021	Purchase	On	4,000	4.10
	25/1/2021	Purchase	On	4,000	4.10
	25/1/2021	Sale	On	12,000	4.15
	25/1/2021	Sale	On	12,000	4.15

Name	Date of transaction (DD/MM/YY)	Nature of transaction	On/off the Stock Exchange	No. of China Youzan Shares involved	Average transaction price per China Youzan Shares (HK\$)
	25/1/2021	Sale	On	40,000	4.15
	25/1/2021	Sale	On	8,000	4.15
	25/1/2021	Sale	On	4,000	4.15
	25/1/2021	Sale	On	20,000	4.15
	25/1/2021	Sale	On	100,000	4.13
	25/1/2021	Purchase	On	36,000	4.14
	25/1/2021	Purchase	On	56,000	4.14
	25/1/2021	Purchase	On	52,000	4.15
	25/1/2021	Purchase	On	4,000	4.15
	25/1/2021	Purchase	On	24,000	4.15
	25/1/2021	Purchase	On	12,000	4.15
	25/1/2021	Purchase	On	4,000	4.15
	25/1/2021	Purchase	On	4,000	4.15
	25/1/2021	Purchase	On	8,000	4.14
	25/1/2021	Sale	On	100,000	4.13
	22/1/2021	Sale	On	8,000	3.94
	22/1/2021	Sale	On	28,000	3.94
	22/1/2021	Sale	On	12,000	3.94
	22/1/2021	Sale	On	48,000	3.94
	22/1/2021	Sale	On	4,000	3.94
	22/1/2021	Sale	On	4,000	3.94
	22/1/2021	Sale	On	44,000	3.94
	22/1/2021	Sale	On	4,000	3.95
	22/1/2021	Sale	On	16,000	3.95
	22/1/2021	Sale	On	12,000	3.95
	22/1/2021	Sale	On	8,000	3.95
	22/1/2021	Sale	On	12,000	3.95
	21/1/2021	Purchase	On	4,000	3.79
	21/1/2021	Purchase	On	24,000	3.79
	21/1/2021	Purchase	On	4,000	3.79
	21/1/2021	Purchase	On	4,000	3.79
	21/1/2021	Purchase	On	4,000	3.79
	21/1/2021	Purchase	On	8,000	3.79
	21/1/2021	Purchase	On	20,000	3.79
	21/1/2021	Purchase	On	52,000	3.79
	21/1/2021	Purchase	On	4,000	3.79
	21/1/2021	Purchase	On	72,000	3.79
	21/1/2021	Purchase	On	4,000	3.79
	20/1/2021	Sale	On	124,000	3.85
	18/1/2021	Sale	On	4,000	3.62
	18/1/2021	Sale	On	4,000	3.62
	18/1/2021	Sale	On	4,000	3.63

Name	Date of transaction (DD/MM/YY)	Nature of transaction	On/off the Stock Exchange	No. of China Youzan Shares involved	Average transaction price per China Youzan Shares (HK\$)
	18/1/2021	Sale	On	4,000	3.63
	18/1/2021	Sale	On	4,000	3.62
	18/1/2021	Sale	On	4,000	3.62
	18/1/2021	Sale	On	4,000	3.63
	18/1/2021	Sale	On	4,000	3.62
	18/1/2021	Sale	On	8,000	3.61
	18/1/2021	Sale	On	4,000	3.60
	18/1/2021	Sale	On	4,000	3.66
	18/1/2021	Sale	On	8,000	3.63
	18/1/2021	Sale	On	4,000	3.65
	18/1/2021	Sale	On	4,000	3.59
	18/1/2021	Sale	On	4,000	3.55
	18/1/2021	Sale	On	4,000	3.57
	18/1/2021	Sale	On	4,000	3.48
	6/1/2021	Purchase	On	4,000	3.14
	6/1/2021	Purchase	On	4,000	3.14
	6/1/2021	Purchase	On	12,000	3.14
	6/1/2021	Purchase	On	8,000	3.14
	6/1/2021	Purchase	On	148,000	3.14
	6/1/2021	Purchase	On	4,000	3.14
	6/1/2021	Purchase	On	20,000	3.14
	5/1/2021	Purchase	On	20,000	2.63
	5/1/2021	Purchase	On	20,000	2.63
	5/1/2021	Purchase	On	12,000	2.59
	5/1/2021	Purchase	On	20,000	2.59
	5/1/2021	Purchase	On	12,000	2.59
	5/1/2021	Purchase	On	100,000	2.59
	5/1/2021	Purchase	On	4,000	2.59
	5/1/2021	Purchase	On	4,000	2.59
	5/1/2021	Purchase	On	8,000	2.59
	5/1/2021	Purchase	On	8,000	2.59
	5/1/2021	Purchase	On	212,000	2.59
	5/1/2021	Purchase	On	12,000	2.59
	5/1/2021	Purchase	On	24,000	2.59
	5/1/2021	Purchase	On	12,000	2.59
	5/1/2021	Purchase	On	32,000	2.59
	31/12/2020	Sale	On	1,000,000	1.90
	30/11/2020	Purchase	On	1,052,000	1.90
	31/10/2020	Purchase	On	1,448,000	1.89

Notes:

- (1) Each a Director.
- (2) Each a China Youzan Excluded Shareholder.
- (3) The China Youzan Shares were vested with the relevant individual pursuant to the scheme rules of the China Youzan 2018 Share Award Plan
- (4) A Youzan Technology Financial Investor
- (5) A company within the same group as Haitong International Capital (HK) Limited (the “**Underwriter**”), being the underwriter of the facility provided to the Offeror for the purpose of satisfying payment under the Scheme and which is therefore presumed to be acting in concert with the Offeror under class (9) of the presumptions in the definition of acting in concert under the Takeovers Code. The Underwriter first engaged with the Offeror to act as underwriter to the aforementioned facility in the afternoon of 25 January 2021, and Haitong International Securities Company Limited thus became a party presumed to be acting in concert with the Offeror under class (9) of the presumptions in the definition of acting in concert under the Takeovers Code. Those purchases made by Haitong International Securities Company Limited on 25 January 2021 were conducted prior to the Underwriter’s engagement with the Offeror.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **16. NUMBER OF RELEVANT SECURITIES IN ISSUE**

As at the Announcement Date:

- (a) the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror in issue are 50,000 shares;
- (b) the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the China Youzan in issue are 17,260,003,617 China Youzan Shares and 292,804,000 China Youzan Options; and
- (c) the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Youzan Technology in issue are 1,513,127,641 shares.

## **17. APPOINTMENT OF VALUER, THE YOUZAN TECHNOLOGY SHARE VALUE ASSESSMENT REPORT AND THE POB VALUATION REPORT**

China Youzan has appointed Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Valuer, to advise on the value of the Payment & Other Business carried out by China Youzan and the Youzan Technology Shares respectively. The Youzan Technology Share Value Assessment Report containing the Valuer's appraisal of the estimated value of the Youzan Technology Share and the letter from the Financial Adviser on the valuation of the Youzan Technology Shares are set out in Annex I of this Announcement. The POB Valuation Report containing the Valuer's appraisal of the value of the Payment & Other Business carried out by China Youzan and the letter from the Financial Adviser on the valuation of the Payment & Other Business are set out in Annex II of this Announcement.

Each of the Youzan Technology Share Value Assessment Report and the POB Valuation Report of Jones Lang LaSalle Corporate Appraisal and Advisory Limited has been reported on by RSM, the auditors of China Youzan, and Red Sun Capital, the Independent Financial Adviser in accordance with the requirements under Rule 11.1(b) of the Takeovers Code and the reports from RSM and Red Sun Capital have been lodged with the Executive. Copies of the reports from RSM and Red Sun Capital are also set out in Annex III of this Announcement.

## **18. TAXATION AND INDEPENDENT ADVICE**

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of the Offeror, China Youzan, Youzan Technology or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of their acceptance or rejection of the Proposal.

## **19. OVERSEAS SCHEME SHAREHOLDERS**

The making and implementation of the Proposal to Scheme Shareholders, and the making of the Distribution to the China Youzan Shareholders, who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders and China Youzan Shareholders are located.

Such overseas Scheme Shareholders and China Youzan Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders and China Youzan Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any acceptance by the overseas Scheme Shareholders and China Youzan Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror, China Youzan and Youzan Technology and their respective advisers, that those laws and regulatory requirements have been complied with. If such overseas Scheme Shareholders are in doubt as to their positions, they should consult their professional advisers.

In the event that the despatch of the Scheme Document to overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of China Youzan or the China Youzan Shareholders), the Scheme Document may not be despatched to such overseas Scheme Shareholders. For that purpose, China Youzan may apply for any waiver(s) as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders.



## 20. NOTICE TO U.S. INVESTORS

*The Proposal is being made to cancel the securities of a Bermuda company by means of a scheme of arrangement provided for under the laws of Bermuda and is subject to Hong Kong disclosure requirements which are different from those of the United States.*

*A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the U.S. Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Bermuda and Hong Kong to schemes of arrangement which differ from the disclosure and procedural requirements applicable under the U.S. federal securities laws.*

*The receipt of cash pursuant to the Proposal by a U.S. holder of Scheme Shares as consideration for the cancellation of the Scheme Shares pursuant to the Scheme may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him.*

*It may be difficult for U.S. holders of Scheme Shares to enforce their rights and claims arising out of the U.S. federal securities laws, since the Offeror and China Youzan are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. U.S. holders of Scheme Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgement.*

## **21. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS**

All statements, other than statements of historical facts included in this Announcement, are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as “seek”, “expect”, “envisage”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Offeror’s or China Youzan’s (as the case may be) current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties.

Accordingly, actual results may differ materially from those described in such forward-looking statements as a result of a number of factors, including, without limitation:

- (a) the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions;
- (b) the satisfaction or waiver (as applicable) of the Scheme Conditions;
- (c) any changes in the regulatory regime and significant policies for the industries in which China Youzan and/or Youzan Technology respectively operates, or any in the regulatory policies of the relevant government authorities of the PRC;
- (d) any changes in the effects of competition on the market demand and sale price of the products provided by China Youzan and Youzan Technology; and
- (e) any changes in political, economic, legal and social conditions in the PRC and other countries in which the Offeror, China Youzan and/or Youzan Technology operates.

Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. China Youzan Shareholders and investors should not place undue reliance on such forward-looking statements.

All written and oral forward-looking statements attributable to the Offeror and China Youzan or persons acting on behalf of either of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as at the Announcement Date. Subject to the requirements of the applicable laws, rules and regulations, including the Takeovers Code, neither the Offeror and China Youzan undertake any obligation to update publicly or revise any forward-looking statements contained in this Announcement.

## 22. WARNINGS

Shareholders and potential investors of China Youzan should be aware that the making of the Proposal is subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions. Even if the Proposal is made, the implementation of the Proposal (including the effectiveness of the Scheme), is subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of China Youzan should therefore exercise caution when dealing in the securities of China Youzan. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.

## 23. DEFINITIONS

In this Announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2019 Annual Report”	the annual report of China Youzan for the financial year ended 31 December 2019
“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“Aggregate Amount per Scheme Share”	the amount equal to (I)(a) the number of Youzan Technology Share to be distributed for every China Youzan Share, multiplied by (b) the Youzan Technology Reference Value, being HK\$42.81 per Youzan Technology Share, <i>together with</i> (II) the Scheme Consideration
“Announcement”	this joint announcement issued by the Offeror and China Youzan
“Announcement Date”	26 February 2021, being the date of this Announcement
“Anti-Dilution Issue”	has the meaning ascribed to it in the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.5.3. Proposed Youzan Technology Share Award Plan B” in this Announcement
“Application Proof”	the draft listing document submitted by Youzan Technology to the Stock Exchange together with its listing application for the Youzan Technology Listing on the Announcement Date

“associate”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of directors of China Youzan
“Business Day”	has the meaning ascribed to it in the Takeovers Code
“China Youzan”	China Youzan Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8083)
“China Youzan 2012 Option Scheme”	the share option scheme of China Youzan adopted by China Youzan on 3 May 2012
“China Youzan 2019 Option Scheme”	the share option scheme of China Youzan adopted by China Youzan on 12 June 2019
“China Youzan 2018 Share Award Plan”	the share award plan of China Youzan adopted by China Youzan on 31 May 2018
“China Youzan Awarded Share(s)”	the awarded share(s) granted under the China Youzan 2018 Share Award Plan from time to time
“China Youzan Excluded Shareholders”	Mr. Zhu Ning, Mr. Cui Yusong, Mr. Cao Chunmeng, Mr. Yan Xiaotian, Mr. Yu Tao, Ms. Ying Hangyan (each being an executive Director), Mr. Guan Guisen (a former Director), Mr. Huang Rongrong (being a former director of Youzan Technology), Mr. Huan Fang (a director of Youzan Technology), Mr. Zhou Kai and Youzan Teamwork, each being a party acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, and “ <b>China Youzan Excluded Shareholder</b> ” means any of them
“China Youzan Excluded Shareholders Entities”	China Youzan Shareholders which are companies beneficially owned or controlled by, or nominee companies of, any of the China Youzan Excluded Shareholders (where relevant)
“China Youzan Group”	China Youzan and its subsidiaries
“China Youzan Optionholder(s)”	holder(s) of China Youzan Option(s)
“China Youzan Option(s)”	the share option(s) granted under the China Youzan Option Schemes and outstanding from time to time

“China Youzan Option Schemes”	the China Youzan 2012 Option Scheme and the China Youzan 2019 Option Scheme
“China Youzan Options Conversion Proposal”	has the meaning ascribed to it in the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.5.4 China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C” of this Announcement
“China Youzan Share(s)”	share(s) of HK\$0.01 each in the share capital of China Youzan
“China Youzan Shareholders”	registered holder(s) of China Youzan Shares
“China Youzan Trustee”	the trustee of the China Youzan 2018 Share Award Plan appointed by China Youzan from time to time
“Circular”	the circular to be despatched to the China Youzan Shareholders containing details of, among other things, the Special Deal Arrangements
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Court”	the Supreme Court of Bermuda
“Court Meeting”	the meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Court Order”	the order of the Court pursuant to Section 99(2) of the Companies Act sanctioning the Scheme
“Director(s)”	the director(s) of China Youzan
“Disinterested Scheme Share(s)”	the China Youzan Shares held by the Disinterested Scheme Shareholder(s)
“Disinterested Scheme Shareholder(s)”	the Scheme Shareholder(s) other than the Offeror and the parties acting in concert with it. Persons acting or presumed to be acting in concert with the Offeror include each of the China Youzan Excluded Shareholders, Qima Teamwork Inc., each of the Youzan Technology Financial Investors, and each of the Directors

“Distribution”	the distribution in specie by China Youzan of all the Youzan Technology Shares directly held by it to all China Youzan Shareholders (including, for the avoidance of doubt, the China Youzan Excluded Shareholders) whose names appear on the register of members of China Youzan as at the Record Date as described in the section headed “2. TERMS OF THE PROPOSAL – 2.8 The Distribution” of this Announcement
“Distribution Conditions”	the conditions to the Distribution, as described in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.8 The Distribution” of this Announcement
“Excluded Shares”	has the meaning given to in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.9 Special Deal Arrangement in respect of the Rollover Arrangement to exclude the China Youzan Excluded Shareholders from the Scheme” of this Announcement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“exempt fund managers”	has the meaning ascribed to it in the Takeovers Code
“exempt principal traders”	has the meaning ascribed to it in the Takeovers Code
“Financial Adviser”	Messis Capital Limited, a company incorporated in Hong Kong and licensed under the SFO to carry on Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities, and the financial adviser to the Offeror in respect of the Proposal and the Scheme
“First SGM”	a special general meeting of the China Youzan Shareholders to be convened to consider and if thought fit, approve, among other things, the necessary resolutions for the implementation of the Special Deal Arrangements
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong



“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of China Youzan established by the Board to make a recommendation to the Scheme Shareholders in respect of the Proposal, the Special Deal Arrangements and the Scheme
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a company incorporated in Hong Kong and licensed under the SFO to carry on Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activity, and the independent financial adviser in respect of the Proposal, the Special Deal Arrangements, the Scheme and the connected transactions under Chapter 20 of the GEM Listing Rules constituted by the proposed Youzan Technology Share Award Plan A and the proposed Youzan Technology Share Award Plan B, appointed by the Board with the approval of the Independent Board Committee
“Last Trading Day”	25 February 2021, being the last day on which China Youzan Shares were traded on GEM of the Stock Exchange prior to the date of publication of this Announcement
“MB Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Cao Chunmeng”	Mr. Cao Chunmeng, an executive Director
“Mr. Cui Yusong”	Mr. Cui Yusong, an executive Director and the chief technology officer of China Youzan
“Mr. Guan Guisen”	Mr. Guan Guisen, a former Director
“Mr. Huan Fang”	Mr. Huan Fang, a director of Youzan Technology
“Mr. Huang Rongrong”	Mr. Huang Rongrong, a former director of Youzan Technology
“Mr. Yan Xiaotian”	Mr. Yan Xiaotian, an executive Director and the chief investment officer of China Youzan

“Mr. Yu Tao”	Mr. Yu Tao, an executive Director and the chief financial officer of China Youzan
“Mr. Zhou Kai”	Mr. Zhou Kai, a member of the senior management of the China Youzan Group
“Mr. Zhu Ning”	Mr. Zhu Ning, an executive Director and the chairman and chief executive officer of China Youzan, and being the sole beneficial owner of the Offeror and Whitecrow
“Ms. Ying Hangyan”	Ms. Ying Hangyan, an executive Director and the chief service officer of China Youzan
“NAV”	net asset value
“Offeror”	BetaCafe Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Zhu Ning
“Optionholder Irrevocable Undertakings”	has the meaning given to it in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions” of this Announcement
“Payment & Other Business”	has the meaning given to in the paragraph headed “3. REASONS AND BENEFITS OF THE PROPOSAL – 3.1 Objectives and reasons of the Proposal” of this Announcement
“Plan A Effectiveness Conditions”	the conditions to the effectiveness of the amendment and substitution of the Youzan Technology 2019 Share Award Plan by the Youzan Technology Share Award Plan A and the proposed grant of share awards thereunder, as described in the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.5.2 Proposed Youzan Technology Share Award Plan A” of this Announcement
“Plan B Effectiveness Conditions”	the conditions to the effectiveness of the proposed adoption of the Youzan Technology Share Award Plan B and the Anti-Dilution Issue, as described in the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.5.3 Proposed Youzan Technology Share Award Plan B” of this Announcement

“Plan C Effectiveness Conditions”	the conditions to the effectiveness of the China Youzan Options Conversion Proposal and the proposed adoption of the Youzan Technology RSU Plan C, as described in the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.5.4 China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C” of this Announcement
“POB Valuation Report”	the valuation report issued by the Valuer on the value of the Payment & Other Business carried out by China Youzan as at the Valuation Reference Date
“PRC”	the People’s Republic of China
“Proposal”	the proposal by the Offeror to take private China Youzan by way of the Scheme, comprising both the Scheme and the Distribution, and the withdrawal of listing of the China Youzan Shares, on the terms and subject to the conditions as set out in this Announcement
“Qima Teamwork”	Qima Teamwork Inc., a company incorporated in the British Virgin Islands with limited liability, which is a special purpose vehicle which holds Youzan Technology Shares for the purposes of the Youzan Technology 2019 Share Award Plan and is 100% beneficially owned by Mr. Hong Bo, an independent third party to the Offeror and China Youzan
“Record Date”	the record date (to be jointly announced by the Offeror and China Youzan) for determining entitlements of the Scheme Shareholders under the Scheme and for determining the entitlements of the China Youzan Shareholders under the Distribution
“Relevant Financial Information”	has the meaning given to in the paragraph headed 5. INFORMATION ON YOUZAN TECHNOLOGY – 5.3 Financial Information of Youzan Technology” of this Announcement

“Remaining Group”	has the meaning given to it in the paragraph headed 2. TERMS OF THE PROPOSAL – 2.2. Estimated value of Youzan Technology Shares and valuation of Payment & Other Business” of this Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Rollover Arrangement”	the arrangement between the Offeror and the China Youzan Excluded Shareholders to exclude the China Youzan Excluded Shareholders from the Scheme, as more particularly described in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.9 Special Deal Arrangement in respect of the Rollover Arrangement to exclude the China Youzan Excluded Shareholders from the Scheme” of this Announcement
“Rollover Arrangement Effectiveness Conditions”	has the meaning given to in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.9 Special Deal Arrangement in respect of the Rollover Arrangement to exclude the China Youzan Excluded Shareholders from the Scheme” of this Announcement
“RSM”	RSM Hong Kong, certified public accountants and the auditors of China Youzan
“RSU”	restricted share unit
“SaaS Business”	has the meaning given to in the paragraph headed “3. REASONS AND BENEFITS OF THE PROPOSAL – 3.1 Objectives and reasons of the Proposal” of this Announcement
“Scheme”	a scheme of arrangement under Section 99 of the Companies Act, involving, among other matters, the cancellation of all of the Scheme Shares and the restoration of the issued share capital of China Youzan to the amount immediately prior to the cancellation of the Scheme Shares by the issuance to the Offeror such number of new China Youzan Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid at par by applying the reserve created in the books of accounts of China Youzan as a result of the cancellation of the Scheme Shares

“Scheme Condition(s)”	the condition(s) of the Scheme as described in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.7 Scheme Conditions” of this Announcement
“Scheme Consideration”	the amount of HK\$0.1352 per Scheme Share to be paid by the Offeror in cash to the Scheme Shareholders for the cancellation of their Scheme Shares under the Scheme
“Scheme Document”	the composite scheme document to be despatched to the China Youzan Shareholders containing details of the Scheme and the Distribution
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act
“Scheme Longstop Date”	30 September 2021, or such later date as may be agreed by the Offeror and China Youzan, or to the extent applicable, as the Court may direct, and in all cases, as permitted by the Executive
“Scheme Pre-Condition(s)”	the pre-condition(s) to the making of the Proposal as described in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.6 Scheme Pre-Conditions” of this Announcement
“Scheme Pre-Condition Longstop Date”	30 June 2021, or such later date as may be determined by the Offeror in its discretion and as permitted by the Executive
“Scheme Share(s)”	all of the China Youzan Shares in issue and such further China Youzan Shares as may be issued prior to the Record Date, other than those in which the China Youzan Excluded Shareholders are interested
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Shares
“Second SGM”	a special general meeting of the China Youzan Shareholders to be convened to consider and if thought fit, approve, among other things, the necessary resolutions for the implementation of the Proposal and the Distribution or any adjournment thereof
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Special Deal Arrangements”	(i) the Rollover Arrangement, (ii) the Youzan Technology Share Award Plan A and (iii) the China Youzan Options Conversion Proposal (which includes the adoption of the Youzan Technology RSU Plan C), each a “Special Deal Arrangement”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trustee A”	the trustee of Youzan Technology Share Award Plan A to be appointed by Youzan Technology
“Trustee C”	the trustee of Youzan Technology RSU Plan C to be appointed by Youzan Technology
“U.S.” or “United States”	the United States of America
“Unvested China Youzan Options”	has the meaning ascribed to it in the paragraph headed “2. TERMS OF THE PROPOSAL – 2.4 China Youzan Options” of this Announcement
“Valuation Reference Date”	30 November 2020
“Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the valuer appointed by China Youzan to value the Youzan Technology Shares and the Payment & Other Business, and which is a company incorporated in Hong Kong
“Whitecrow”	Whitecrow Investment Ltd., a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Zhu Ning
“Youzan Teamwork”	Youzan Teamwork Inc., a company incorporated in the British Virgin Islands with limited liability, which is controlled by Mr. Zhu Ning by virtue of being its sole director. Youzan Teamwork Inc. is beneficially owned as to 26% by Mr. Zhu Ning, 38% by Mr. Huang Rongrong, 8% by Mr. Cui Yusong, 8% by Ms. Ying Hangyan, 8% by Mr. Yu Tao, 6% by Mr. Huan Fang and 6% by Mr. Zhou Kai
“Youzan Technology”	Youzan Technology Inc. (有贊科技有限公司) (formerly known as Qima Holdings Ltd.), a company incorporated in the Cayman Islands with limited liability, and is a non-wholly owned subsidiary of China Youzan as at the Announcement Date



“Youzan Technology 2019 Share Award Plan”	the share award plan of Youzan Technology adopted by Youzan Technology on 2 August 2019
“Youzan Technology Financial Investors”	<p>the shareholders of Youzan Technology as at the Announcement Date, other than China Youzan, Mr. Zhu Ning, Mr. Cui Yusong, Youzan Teamwork, Mr Huang Rongrong and Qima Teamwork (and, if applicable, companies which are beneficially owned or controlled by, or nominee companies of, any of them), being:</p> <ul style="list-style-type: none"> <li>i. Baidu (Hong Kong) Limited;</li> <li>ii. Xincheng Investment Limited;</li> <li>iii. Aves Capital, LLC;</li> <li>iv. Hillhouse KDWD Holdings Limited;</li> <li>v. Ralston Global Holdings Limited;</li> <li>vi. Hangzhou San Ren Yan Xing Investment Partnership (LLP) (杭州三仁焱興投資合夥企業 (有限合夥));</li> <li>vii. Franchise Fund LP;</li> <li>viii. Happy Zan Holdings Limited;</li> <li>ix. Tembusu HZ II Limited;</li> <li>x. Matrix Partners China III, L.P.;</li> <li>xi. Matrix Partners China III-A, L.P.;</li> <li>xii. GCYZ Holdings Limited; and</li> <li>xiii. GCQM Holdings Limited</li> </ul>
“Youzan Technology Group”	Youzan Technology and its subsidiaries
“Youzan Technology Listing”	the proposed listing of all of the Youzan Technology Shares on the Main Board of the Stock Exchange by way of introduction

“Youzan Technology Share Award Plan A”	the share award plan proposed to be adopted by Youzan Technology for the amendment to and substitution of the Youzan Technology 2019 Share Award Plan, as described in the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.5.2 Proposed Youzan Technology Share Award Plan A” of this Announcement
“Youzan Technology Share Award Plan B”	the share award plan proposed to be adopted by Youzan Technology, as described in the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.5.3 Proposed Youzan Technology Share Award Plan B” of this Announcement
“Youzan Technology RSU Plan C”	the RSU plan proposed to be adopted by Youzan Technology, as described in the paragraph headed “5. INFORMATION ON YOUZAN TECHNOLOGY – 5.5.4 China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C” of this Announcement
“Youzan Technology Share Incentive Plans”	Youzan Technology Share Award Plan A, Youzan Technology Share Award Plan B and Youzan Technology RSU Plan C
“Youzan Technology Share Value Assessment Report”	the report issued by the Valuer on the estimated value of the Youzan Technology Shares as at the Valuation Reference Date
“Youzan Technology Shares”	ordinary share(s) of a par value of US\$0.00001 each in the share capital of Youzan Technology
“Youzan Technology Reference Value”	the reference estimated value of RMB35.73 (equivalent to approximately HK\$42.81 applying the Reference Exchange Rate) per Youzan Technology Share as determined by reference to the valuation of each Youzan Technology Share estimated by the Valuer as at the Valuation Reference Date

*For the purpose of this Announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB1.1983 (the “Reference Exchange Rate”), being the central parity rate published by the People’s Bank of China on its website on 26 February 2021. The Reference Exchange Rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.*

By Order of the sole director of  
**BetaCafe Holdings Limited**  
**Zhu Ning**  
Director

By Order of the Board of  
**China Youzan Limited**  
**Yu Tao**  
Director

Hong Kong, 26 February 2021

*As at the Announcement Date, the sole director of the Offeror is Mr. Zhu Ning.*

*The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Announcement (other than any information relating to China Youzan) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Announcement (other than those expressed by the directors of China Youzan) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading.*

*As at the Announcement Date, the executive Directors are Mr. Cao Chunmeng, Mr. Yan Xiaotian, Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan; the independent non-executive Directors are Dr. Fong Chi Wah, Mr. Gu Jiawang, Mr. Xu Yanqing and Mr. Deng Tao.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than any information relating to the Offeror) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading.*

*This Announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to China Youzan. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This Announcement will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on China Youzan’s website at [www.chinayouzan.com](http://www.chinayouzan.com).*

## ANNEX I

### YOUZAN TECHNOLOGY SHARE VALUE ASSESSMENT REPORT

#### I. LETTER FROM THE FINANCIAL ADVISER ON THE ASSESSMENT OF THE ESTIMATED VALUE OF THE YOUZAN TECHNOLOGY SHARES



MESSIS CAPITAL LIMITED

Room 1606, 16/F  
Tower 2, Admiralty Centre  
18 Harcourt Road  
Hong Kong

26 February 2021

**The Sole Director**  
**BetaCafe Holdings Limited**  
Craigmuir Chambers,  
Road Town, Tortola,  
VG 1110, British Virgin Islands

**The Board of Directors**  
**China Youzan Limited**  
Victoria Place, 5th Floor,  
31 Victoria Street,  
Hamilton HM10, Bermuda

Dear Sirs,

#### **PRE-CONDITIONAL TAKE PRIVATE PROPOSAL FOR CHINA YOUZAN LIMITED BY BETACAFE HOLDINGS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT**

We refer to the joint announcement dated 26 February 2021 issued by BetaCafe Holdings Limited (the “**Offeror**”) and China Youzan Limited (“**China Youzan**”) in connection with the Proposal (the “**Rule 3.5 Announcement**”). Unless otherwise stated, capitalised terms used in this letter have the same meanings as defined in the Rule 3.5 Announcement.

Pursuant to the requirements of the Takeovers Code, China Youzan has engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Valuer**”) to undertake a valuation exercise to assess the estimated values of each Youzan Technology Share and all the issued shares in Youzan Technology as at 30 November 2020, contained in the letter dated 26 February 2021 addressed to China Youzan from the Valuer as set out in the Rule 3.5 Announcement (the “**Estimated Values**”). The responsible person of the Valuer is a Chartered Valuer and Appraiser, and a fellow member of the Hong Kong Institute of Certified Public

Accountants, CPA Australia as well as the Royal Institution of Chartered Surveyors, and who has over 20 years of experience in valuation and advisory business in different industries in Asia Pacific region.

Pursuant to the requirements of Rule 11.1(b) of the Takeovers Code, we, in our capacity as the financial adviser solely to the Offeror in connection with the Proposal, is required to report on the Estimated Values and the qualifications and experience of the Valuer.

## **OUR REVIEW**

For the purpose of providing this letter, we have conducted the following due diligence:

- (a) conducted reasonable checks to assess the relevant qualifications and experience of the Valuer, including reviewing the supporting documents on the qualifications of the Valuer and discussing with the Valuer on its qualifications and experience;
- (b) reviewed the Estimated Values, for which China Youzan and the Valuer are solely responsible; and
- (c) discussed, from the perspective of financial adviser, with the Valuer, the Estimated Values and the bases and assumptions underlying the Estimated Values.

Based on the information provided by the Valuer and China Youzan as of the date of this letter, without giving any other opinion or expressing any other view on the Estimated Values, for which the Valuer and China Youzan are solely responsible, we are satisfied that the Estimated Values have been made after due care and consideration. Based on the information provided by the Valuer, we are also satisfied that the Valuer is suitably qualified and experienced to prepare the Estimated Values.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Valuer and China Youzan. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of the Estimated Values.

This letter has been provided to the sole director of the Offeror and the board of directors of China Youzan only and solely for the purposes of compliance with Rule 11.1(b) of the Takeovers Code. We do not accept any responsibility to any person(s), other than the Offeror and China Youzan, in respect of, arising out of, or in connection with this letter.

Yours faithfully  
For and on behalf of  
**Messis Capital Limited**  
**Erica Law**  
*Director*

## II. LETTER FROM THE VALUER ON THE ESTIMATED VALUE OF THE YOUZAN TECHNOLOGY SHARES



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
7/F One Taikoo Place 979 King's Road Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No.: C-030171

26 February 2021

The Board of Directors  
CHINA YOUZAN LIMITED  
Unit 2708, The Centre,  
99 Queen's Road Central,  
Hong Kong

Dear Sirs,

In accordance with the instructions from China Youzan Limited (the “**Company**” or “**China Youzan**”), we have undertaken an investigation and analysis to assess the estimated value (the “**Estimated Value**”) of Youzan Technology Share (the “**Subject**”) as at 30 November 2020 (the “**Assessment Date**”). Each Youzan Technology Share refers to one ordinary share in the issued share capital in Youzan Technology Inc. (the “**Target Company**” or “**Youzan Technology**”, formerly known as Qima Holdings Ltd., and together with its subsidiaries, the “**Youzan Technology Group**” or “**Target Group**”).

We are given to understand that the Company is making a joint announcement (the “**Announcement**”) with BetaCafe Holdings Limited (the “**Offeror**”) pursuant to Rule 3.5 of the Hong Kong Code on Takeovers and Mergers (“**Takeovers Code**”) on a proposal (the “**Proposal**”) involving: (i) the Distribution of Youzan Technology Shares held by China Youzan to all China Youzan Shareholders as at a record date for determining entitlement thereto; and (ii) the taking private of China Youzan by way of a scheme of arrangement under section 99 of the Companies Act in consideration for the Scheme Consideration (refer to Definition sections of the Announcement) payable by the Offeror to the Scheme Shareholders (refer to Definition sections of the Announcement) in cash.

This assessment (the “**Assessment**”) is prepared for the inclusion in its public disclosure by the Company. The Assessment does not constitute an opinion as to the price at which Youzan Technology Share may trade at any point in the future, or represent the value that a holder of Youzan Technology Share may realise on any future sale, where such a value may be higher or lower than the Estimated Value per Youzan Technology Share in this Report. We are not aware of any material changes to the Subject between the Assessment Date and the Report Date; and we shall endeavor to notify shareholders through the Company should there be any material changes throughout the offer period.



This Assessment was carried out with consideration of the requirements under International Financial Reporting Standard 13 – Fair Value Measurement (“**IFRS 13**”) issued by the International Accounting Standards Board. In this Assessment, we define Estimated Value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

## INTRODUCTION

### China Youzan

China Youzan is a listed company on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with stock code 8083. China Youzan and its subsidiaries (“**China Youzan Group**”) mainly focuses on offering online and offline merchants suites of comprehensive solutions comprising third party payments and variety of SaaS (Software as a Service) products and comprehensive service through its e-commerce platform, like marketing and customer engagement tools to facilitate the process of transactions between merchants and their customers.

The operations of the China Youzan Group may be classified into two main groups of business operations. The first group of business operations consists of the business operations carried out by Youzan Technology, of which China Youzan holds approximately 51.9% of the total issued shares of Youzan Technology as at the Assessment Date and as the date of this Report. Youzan Technology focuses on the provision of online and offline e-commerce platform with a variety of cloud-based commerce services in the PRC carried out through the Youzan Technology Group (the “**SaaS Business**”). The second group of business operations is generally referred to as the “Payment & Other Business” (the “**Payment & Other Business**”).

### The Subject

Youzan Technology is an investment holding company. The Youzan Technology Group is principally engaged in providing a variety of cloud-based commerce services to merchants through its subscription solutions and merchant solutions. Subscription solutions mainly comprise SaaS products designed for merchants of various industries including Youzan WeiMall (有贊微商城), Youzan Retail (有贊零售), Youzan Chain (有贊連鎖), Youzan Beauty (有贊美業), and Youzan Education (有贊教育). Merchant solutions mainly comprise value-added services offered to merchants to address their online and/or offline operational needs. Through its subscription solutions and merchant solutions, the Youzan Technology Group enables merchants to establish online presence, digitalise critical business operations, integrate online/offline activities, take ownership of and manage their online customer traffic, boost customer acquisition and repeat purchases, as well as enhance operating efficiency.

## **The Proposal**

We are given to understand that China Youzan is making the Announcement with the Offeror on a proposal involving: (i) the Distribution of Youzan Technology Shares held by China Youzan to all China Youzan Shareholders as at a record date for determining entitlement thereto; and (ii) the taking private of China Youzan by way of a scheme of arrangement under section 99 of the Companies Act in consideration for the Scheme Consideration payable by the Offeror to the Scheme Shareholders in cash.

## **BASIS OF ASSESSMENT**

We have been guided by IFRS 13 and the International Valuation Standards issued by the International Valuation Standards Council when we carried out the Assessment. The procedures employed include a review of legal status and economic conditions of the Subject and an assessment of key assumptions, estimates, and representations made by the Company. All matters essential to the proper understanding of the Assessment are disclosed in this Report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition and performance of the Target Group;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business;
- Consideration and analysis on the micro and macro economy affecting the business of the Target Group; and
- Assessment of the liquidity of the business of the Target Group.

We have planned and performed our Assessment in order to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinions on assess the Estimated Value.

We would like to draw your attention that China Youzan Shares are, and Youzan Technology Shares will become, publicly traded securities. China Youzan Shares and the Youzan Technology Shares will be subject to the fluctuations of the capital market. Those market uncertainties and contingencies are difficult to predict and are beyond our control. Consequently, our view expressed in this Report is not necessarily indicative of the price at which China Youzan Shares or Youzan Technology Shares might actually trade in any public market as at the date of this Report or at any future date, or the amount which might be realised upon a sale of China Youzan Shares or Youzan Technology Shares to a third party. In addition, the Estimated Value as at any future date would be expected to fluctuate with changes in prevailing market conditions, the financial conditions and prospects of Youzan Technology and other factors which generally influence the economic value of Youzan Technology. As a result, there can be no assurance that the actual price of China Youzan Shares or Youzan Technology Shares will be higher or lower than that implied by the Estimated Value.

## **PRINCIPAL ASSUMPTIONS**

In the Assessment of the Estimated Value of the Subject, we make the following assumptions:

- The Proposal had been completed and the entire Youzan Technology Shares had been listed on the Main Board of the Stock Exchange;
- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For the purposes of this Report, we have assumed and China Youzan has confirmed to us that additional facilities and systems proposed are sufficient for future expansion and will be grown at the same speed with the market;
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements between Youzan Technology and any other party will be honored;
- We have assumed the accuracy of the financial and operational information provided to us by the Company and relied to a considerable extent on such information in arriving at our view; and
- We have assumed that there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management and etc.) associated with the subject valued that might adversely affect the reported value. Further, we are not aware of any material changes to the Subject between the Assessment Date and the Report Date and we shall endeavor to notify shareholders through the Company should there be any material changes throughout the offer period.

## ASSESSMENT METHODOLOGY

To select the most appropriate approach, we have considered the purpose of the Assessment, the basis of value, as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of this Subject. In our opinion, the cost approach is inappropriate for valuing the Subject, as it does not directly incorporate information about the economic benefits contributed by the Subject. The income approach is inappropriate as this approach requires detailed operational information and long-term financial projection of the Subject and income approach requires lots of assumptions and unobservable inputs.

In view of the above, we have adopted the market approach for the Assessment. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

There are three common methods under market approach, namely, prior transaction method, guideline public company method and guideline transaction method. The prior transaction method refers mostly to the recent transaction price of the calculation subject. The guideline public company method requires identifying suitably comparable companies and selection of appropriate trading multiples. The guideline transaction method takes reference to recent transactions of comparable private companies between unrelated parties and the multiple of transaction price to the Subject's financial metrics.

In this Report, the Estimated Value of the Subject was developed through the guideline transaction method under the Market Approach. This method requires identification of recent transactions of assets similar to the Subject. As China Youzan Shares is publicly traded and Youzan Technology accounts for the majority of the revenue of China Youzan (more than 80% for the year of 2019), it is considered that the quoted market price of China Youzan Shares to be a recent transaction price of a similar asset to Youzan Technology Shares. Furthermore, a cross check was performed using the guideline public company method under the Market Approach. This requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. The prior transaction method is not adopted due to lack of recent market transactions of the Subject.

## ASSESSMENT USING THE GUIDELINE TRANSACTION METHOD

IFRS 13 requires the use of valuation technique which requires maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The quoted market price of China Youzan Shares is considered as the most relevant observable input to the Assessment. China Youzan consists of Youzan Technology and Payment & Other Business; and as at the Assessment Date, China Youzan holds 51.9% of all issued shares in Youzan Technology. As such, the Estimated Value of 51.9% of all the issued shares in Youzan Technology can be calculated by deducting the market value of Payment & Other Business from the market capitalization of China Youzan, which is the product of the last quoted market price of shares of China Youzan as at the Assessment Date multiplied by the total number of shares of China Youzan in issue. For the evaluation of the market value of Payment & Other Business, please refer to our separate report also included in the Announcement.

The following table shows the calculation of the Estimated Value of Youzan Technology Share:

*Amounts in RMB'000 unless otherwise stated*

<b>Parameter</b>	<b>Input</b>
Last quoted market price of China Youzan Shares as at the Assessment Date (HKD per share)	2.05
Total number of shares of China Youzan in issue	17,248,604,617
Market Capitalisation of China Youzan (HKD'000)	35,359,637
Market Capitalisation of China Youzan at an exchange rate of RMB1 = HKD1.1784	30,006,774
Market Value of Payment & Other Business (Please refer to the valuation report on Payment & Other Business in the same Announcement)	1,948,000
Estimated Value of 51.90% of Youzan Technology	28,058,774
Estimated Value of 100% of Youzan Technology	54,063,149
Total number of Youzan Technology Shares in issue	1,513,127,641
Estimated Value of Youzan Technology Share (RMB)	35.73

\* *Note:* The total may not correspond with the sum of the individual figures due to rounding.

## CROSS-CHECK USING THE GUIDELINE PUBLIC COMPANY METHOD

We have considered the following commonly used benchmark multiples when we performed the cross-check on the Estimated Value using the guideline public company method:

- Price to earnings ratio (“**P/E**”) is not adopted as the differences in balance sheet positions cannot be fully incorporated into a P/E analysis. In particular, the Target Group did not generate any profit in the past 12 months. Therefore, the P/E multiple is not adopted under this perspective.
- Price to book ratio (“**P/B**”) is not adopted as P/B multiple is common for asset intensive industries which is not the case for the Target Group.
- It is considered that the suitable multiple in this Report is Enterprise Value to Sales ratio (“**EV/S**”), as EV/S can incorporate the differences in balance sheet positions between the Target Group and the comparable companies. In this Report, EV/S is calculated as enterprise value as at the Assessment Date divided by the Sales over the last twelve months from the Assessment Date, reflecting the Target Group’s latest financial performance.

In determining the price multiple, a list of comparable companies was identified. The selection criteria include the following:

- Companies are searchable in Bloomberg;
- Companies derive their revenues from the same industry of the Target Group, i.e., Software as a Service for commerce or e-commerce. The search was performed in Bloomberg using the key word “commerce<sup>1</sup>”. Companies which are not classified as “Application Software<sup>2</sup>” companies under the Bloomberg Industry Classification Standard and derive less than 50% of their revenues from ecommerce and Software as a Service for retail companies are excluded. These companies are operating on similar technology and business model as the Target Group and are considered as relevant even though they may not serve in the same geographical location;
- Companies with market capitalization higher than RMB10 billion as at the Assessment Date; and
- Sufficient and applicable data, including the EV/S Ratios as at the Assessment Date, of the companies are available.

<sup>1</sup> A non-specific key word “commercial” was used for the search so as to include as many potential comparable companies as possible. We have then investigated into the business scope of each of the companies to select the most comparable companies. It is confirmed that those are the most relevant key words and as such no other searches is necessary.

<sup>2</sup> It is considered that “Application Software” is the only applicable industry classification for Youzan Technology. It is also noted that China Youzan is currently classified as “Application Software”.



As sourced from Bloomberg, the market multiples of the comparable companies, excluding China Youzan, satisfying the above criteria are exhaustively listed in below table:

Ticker	Company	Exchange	Description	Market Capitalization as at the Assessment Date (RMB billion)	EV/S Ratio
SHOP US Equity	SHOIFY INC	New York Stock Exchange	Shopify Inc. provides a cloud-based commerce platform. The company offers a platform for merchants to create an omni-channel experience that helps showcase the merchant's brand.	864.12	51.28
2013 HK Equity	WEIMOB INC	Hong Kong Stock Exchange	Weimob Inc. is a China-based company which provides cloud-based commerce and marketing solutions. The company's products are categorized into three cloud service offerings, namely Commerce Cloud, Marketing Cloud, and Sales Cloud. Weimob conducts business in China.	20.40	11.47
BIGC US Equity	BigCommerce Holdings Inc	NASDAQ	BigCommerce Holdings, Inc. operates as a software company. The company offers SaaS platform for cross-channel commerce and cloud-based e-commerce solution that scales with business growth. BigCommerce Holdings serves customers worldwide.	36.70	41.84
688365 CH Equity	Hangzhou Raycloud Technology Co Ltd	Shanghai Stock Exchange	Hangzhou Raycloud Technology Co., Ltd. develops and sells software products. The company develops and markets electronic commerce software, express software, data analysis software, and other products. Hangzhou Raycloud Technology markets its products throughout China.	12.87	25.10

The median of the EV/S ratios of the comparable companies is 33.47x.

*Note 1:* Based on the 4 comparable companies listed above, we have not noted any obvious outlier. We have considered both average (at 32.42) and median (at 33.47) of the EV/S valuation multiples. It is noted that the EV/S multiples of the comparable companies are distributed evenly, and the average and the median yield similar results. As such, the median, which usually is the more common and preferred measurement, has been selected as the reference point.

*Note 2:* It is considered that the US and China (Hong Kong, Shenzhen and Shanghai) stock exchanges are the most active for technology companies. As there are only a very limited list of comparable companies which are in the same industry, with similar business model and at a similar size as the Target Company, it is considered that the list of comparable companies is the most relevant notwithstanding their differences in listing locations and geographical coverages. It is also considered that for a technology company, its business model and size have more impact on the value of the company than its listing location and geographic coverages. As such we have not made consider that it is not necessary to any adjustments adjust to the EV/S multiples of the comparable companies.

Under the cross-check, the calculation of the Estimated Value of Youzan Technology Share is shown as follows:

*Amounts in RMB'000 unless otherwise stated*

<b>Parameter</b>	<b>Input<sup>2</sup></b>
Median EV/S ratio of the Comparable Companies	33.47x
Unaudited Revenue of the Target Group from 1 December 2019 to 30 November 2020 (Trailing 12 months sales) <sup>1</sup>	1,563,344
Enterprise Value of the Subject as at the Assessment Date	52,320,549
Add: Unaudited Restricted bank balances of the Target Group as at the Assessment Date <sup>1</sup>	7,233
Add: Unaudited Bank and Cash balances of the Target Group as at the Assessment Date <sup>1</sup>	899,479
Add: Unaudited Loan to a director of the Target Group as at the Assessment Date <sup>1</sup>	2,650
Add: Unaudited Loans to fellow subsidiaries of the Target Group as at the Assessment Date <sup>1</sup>	19,655
Add: Unaudited Amount due from a related company of the Target Group as at the Assessment Date <sup>1</sup>	452
Add: Unaudited Financial assets at fair value through profit or loss (FVTPL) of the Target Group as at the Assessment Date <sup>1</sup>	528,630
Less: Unaudited Payable to merchant of the Target Group as at the Assessment Date <sup>1</sup>	114,420
Less: Unaudited Lease liabilities of the Target Group as at the Assessment Date <sup>1</sup>	260,046
Less: Unaudited Amount due to a fellow subsidiary of the Target Group as at the Assessment Date <sup>1</sup>	7,532
Estimated Value of all shareholding interest in the Target Group	53,396,649
Number of Shares ( <i>as at the Announcement Date</i> )	1,513,127,641
Per share Estimated Value of all shareholding interest in the Subject (RMB) <sup>3</sup>	35.29

*\*Note 1:* The unaudited financial figures of the Target Company listed in the above table are prepared by directors of the Target Group based on unaudited management accounts of Youzan Technology and its subsidiaries. The unaudited management accounts are prepared in accordance with Hong Kong Financial Reporting Standards and the accounting policies adopted by China Youzan as set out in China Youzan annual report for the year ended 31 December 2019.

*\*\*Note 2:* The total may not correspond with the sum of the individual figures due to rounding.

*\*\*\*Note 3:* As an additional information, if the average EV/S ratio of the Comparable Companies (at 32.42) were adopted, the per share Estimated Value would be RMB34.21.

## ASSESSMENT COMMENT

The conclusion in this Report is based on accepted procedures and practices that rely substantially on the use of assumptions which have been set out in this Report and the consideration, some of which may not be readily quantifiable. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Group, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuously prudent management of the Target Group that is reasonable and necessary to maintain the character and integrity of the assets valued.

This Report is issued subject to our Limiting Conditions as attached.

## CONCLUSION

The Estimated Value of each Youzan Technology Share is calculated at RMB35.73 using the guideline transaction method. This calculation is cross checked using the guideline public company method which concludes that the value of each Youzan Technology is RMB35.29 and such conclusion deviates from the Estimated Value of each Youzan Technology Share by approximately 1%.

Based on the results of our investigations and analyses, we are of the view that the Estimated Values of each Youzan Technology Share and all the issued shares in the Youzan Technology as at the Assessment Date are reasonably stated at the amount of RMB35.73 and RMB54,063,000,000 respectively.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle**  
**Corporate Appraisal and Advisory Limited**  
**Simon M.K. Chan**  
*Executive Director*

*Note:* Simon M.K. Chan is a Chartered Valuer and Appraiser, and a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA), CPA Australia as well as the Royal Institution of Chartered Surveyors (RICS). Simon has extensive experience in valuation and corporate advisory business, providing a wide range of valuation and advisory services to numerous listed and private companies in different industries in Asia Pacific region for over 20 years.

## **LIMITING CONDITIONS**

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any independent verification.
4. The management and the board of the Company/engagement parties have reviewed and agreed on this report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialized expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management and etc.) associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the offer period.
10. This report has been prepared solely for the use as stated in engagement letter. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is solely for the use by our client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Assessment/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by China Youzan/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.



## ANNEX II

### POB VALUATION REPORT

#### I. LETTER FROM THE FINANCIAL ADVISER ON THE VALUATION OF THE PAYMENT AND OTHER BUSINESS



MESSIS CAPITAL LIMITED  
Room 1606, 16/F  
Tower 2, Admiralty Centre  
18 Harcourt Road  
Hong Kong

26 February 2021

**The Sole Director**  
**BetaCafe Holdings Limited**  
Craigmuir Chambers,  
Road Town, Tortola,  
VG 1110, British Virgin Islands

**The Board of Directors**  
**China Youzan Limited**  
Victoria Place, 5th Floor,  
31 Victoria Street,  
Hamilton HM10, Bermuda

Dear Sirs,

#### **PRE-CONDITIONAL TAKE PRIVATE PROPOSAL FOR CHINA YOUZAN LIMITED BY BETACAFE HOLDINGS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT**

We refer to the joint announcement dated 26 February 2021 issued by BetaCafe Holdings Limited (the “**Offeror**”) and China Youzan Limited (“**China Youzan**”) in connection with the Proposal (the “**Rule 3.5 Announcement**”). Capitalised terms used in this letter will, unless otherwise stated, have the same meaning as defined in the Rule 3.5 Announcement.

Pursuant to the requirements of the Takeovers Code, the Offeror has engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Valuer**”) to undertake a valuation exercise to express an independent opinion on the market value of all shareholding interest in China Youzan excluding Youzan Technology Inc. and its subsidiaries (the businesses carried on by which referred to as the Payment & Other Business), contained in the letter dated 26 February 2021 addressed to you from the Valuer as set out in the Rule 3.5 Announcement (the “**POB Valuation**”). The responsible person of the Valuer is a Chartered Valuer and Appraiser, and a fellow member of Hong Kong Institute of Certified Public Accountants, CPA Australia as well as the Royal Institution of Chartered Surveyors, and who has over 20 years of experience in valuation and advisory business in different industries in Asia Pacific region.

Pursuant to the requirements of Rule 11.1(b) of the Takeovers Code, we, in our capacity as the financial adviser solely to the Offeror in connection with the Proposal, is required to report on the POB Valuation and the qualifications and experience of the Valuer.

## OUR REVIEW

For the purpose of providing this letter, we have conducted the following due diligence:

- (a) conducted reasonable checks to assess the relevant qualifications and experience of the Valuer, including reviewing the supporting documents on the qualifications of the Valuer and discussing with the Valuer on its qualifications and experience;
- (b) reviewed the POB Valuation, for which the Offeror and the Valuer are solely responsible; and
- (c) discussed, from the perspective of financial adviser, with the Valuer, the POB Valuation and the bases and assumptions underlying the POB Valuation.

Based on the information provided by the Valuer and the Offeror as of the date of this letter, without giving any other opinion or expressing any other view on the POB Valuation, for which the Valuer and the Offeror are solely responsible, we are satisfied that the POB Valuation has been made after due care and consideration. Based on the information provided by the Valuer, we are also satisfied that the Valuer is suitably qualified and experienced to prepare the POB Valuation.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Valuer and the Offeror. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of POB Valuation.

This letter has been provided to the sole director of the Offeror only and solely for the purposes of compliance with Rule 11.1(b) of the Takeovers Code. We do not accept any responsibility to any person(s), other than the Offeror, in respect of, arising out of, or in connection with this letter.

Yours faithfully  
For and on behalf of  
**Messis Capital Limited**  
**Erica Law**  
*Director*

## II. LETTER FROM THE VALUER ON THE VALUATION OF THE PAYMENT & OTHER BUSINESS



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
7/F One Taikoo Place 979 King's Road Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No.: C-030171

26 February 2021

The Board of Directors  
CHINA YOUZAN LIMITED  
Unit 2708, The Centre,  
99 Queen's Road Central,  
Hong Kong

Dear Sirs,

In accordance with the instructions received from China Youzan Limited (the “**Company**” or “**China Youzan**” and together with its subsidiaries, the “**China Youzan Group**”), we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion on the market value of all shareholding interest in “China Youzan Group excluding Youzan Technology Inc. (“**Youzan Technology**”, formerly known as Qima Holdings Ltd.) and its subsidiaries” (the “**Subject**”, the businesses carried on by which referred to as the “**Payment & Other Business**” and as elaborated in further detail below in this report) as at 30 November 2020 (the “**Valuation Date**”).

The purpose of this valuation is for inclusion in its public disclosure by the Company.

Our valuation was carried out on a market value basis. Market value is defined as “*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

### INTRODUCTION

#### China Youzan

China Youzan is a listed company on GEM of the Stock Exchange with stock code 8083. China Youzan and its subsidiaries mainly focuses on offering online and offline merchants suites of comprehensive solutions comprising third party payments and variety of SaaS (Software as a Service) products and comprehensive service through its e-commerce platform, like marketing and customer engagement tools to facilitate the process of transactions between merchants and their customers.

The operations of the China Youzan Group may be classified into two main groups of business operations. The first group of business operations consists of the business operations carried out by Youzan Technology, of which China Youzan holds approximately 51.9% of its total issued shares. Youzan Technology focuses on the provision of online and offline e-commerce platform with a variety of cloud-based commerce services in the PRC carried out through the Youzan Technology Group (the “**SaaS Business**”). The second group of business operations is the Subject of this report and is generally referred to as the “**Payment & Other Business**”.

## **The Subject**

The Payment & Other Business consists of the following three segments: (i) third party payment services segment which provides third party payment services and related consultancy services; (ii) the Onecomm segment which provides third party payment system solutions and the sales of integrated smart point of sales devices; and (iii) the general trading segment. The Company holds a 100% interest in the subsidiaries carrying on the Payment & Other Business.

## **The Proposal**

We are given to understand that China Youzan is making a joint announcement with BetaCafe Holdings Limited (the “**Offeror**”) pursuant to Rule 3.5 of the Takeovers Code on a proposal involving: (i) the Distribution of Youzan Technology Shares held by China Youzan to all China Youzan Shareholders as at a record date for determining entitlement thereto; and (ii) the taking private of China Youzan by way of a scheme of arrangement under section 99 of the Companies Act in consideration for the Scheme Consideration payable by the Offeror to the Scheme Shareholders in cash.

## **BASIS OF OPINION**

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic conditions of the Subject and an assessment of key assumptions, estimates, and representations made by the Company. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition and performance of the Subject;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business;
- Consideration and analysis on the micro and macro economy affecting the business of the Subject; and
- Assessment of the liquidity of the business of the Subject.

We have planned and performed our valuation in order to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinions on the Subject.

## VALUATION METHODOLOGY

To select the most appropriate approach, we have considered the purpose of the Valuation and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of this Subject. In our opinion, the cost approach is inappropriate for valuing the Subject, as it does not directly incorporate information about the economic benefits contributed by the Subject. The income approach is inappropriate as this approach requires detailed operational information and long-term financial projection of the Subject but such information is not available to us.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

There are three common methods under market approach, namely, prior transaction method, guideline public company method and guideline transaction method. Guideline transaction method refers mostly to the recent transaction price of the valuation subject. The guideline public company method requires identifying suitably comparable companies and selection of appropriate trading multiples. The guideline transaction method takes reference to recent transactions of comparable private companies between unrelated parties and the multiple of transaction price to the Subject's financial metrics.

In this report, the market value of all shareholding interest in the Subject was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of recent market transactions with similar nature as the Subject. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. In this report, we have considered the following commonly used benchmark multiples:

- Price to earnings ratio ("**P/E**") is not adopted as the differences in balance sheet positions cannot be fully incorporated into a P/E analysis. In particular, the Subject did not generate any profit in the past 12 months. Therefore, the P/E multiple is not adopted under this perspective.
- Price to book ratio ("**P/B**") is not adopted as P/B multiple is common for asset intensive industries which is not the case for the Subject.
- It is considered that the suitable multiple in this report is Enterprise Value to Sales ratio ("**EV/S**"), as EV/S can incorporate the differences in balance sheet positions between the Subject and the comparable companies. In this report, EV/S is calculated as enterprise value as at the Valuation Date divided by the Sales over the last twelve months from the Valuation Date, reflecting the Subject's latest financial performance.

## PRINCIPAL ASSUMPTIONS

In determining the market value of the equity interest in the Subject, we make the following assumptions:

- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For the purposes of this report, we have assumed and China Youzan has confirmed to us that additional facilities and systems proposed are sufficient for future expansion and will be grown at the same speed with the market;
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Subject;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements between China Youzan and any other party will be honored;
- We have assumed the accuracy of the financial and operational information provided to us by China Youzan and relied to a considerable extent on such information in arriving at our opinion of value;
- We have assumed that there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management and etc.) associated with the asset valued that might adversely affect the reported value. Further, we are not aware of any material changes to the Subject between the Assessment Date and the Report Date and we shall endeavor to notify shareholders through the Company should there be any material changes throughout the offer period.

## MARKET MULTIPLES

In determining the price multiple, a list of comparable companies was identified. The selection criteria include the following:

1. Companies are searchable in Bloomberg;
2. Companies derive their revenues from the same industry of the Subject, i.e., third party payment service. The search was performed in Bloomberg using the key word “payment service”<sup>1</sup>. Companies which derive less than 50% of their revenues from third party payment services are excluded;
3. Companies are publicly listed in the stock exchanges of Shanghai, Shenzhen and Hong Kong; and
4. Sufficient and applicable data, including the EV/S Ratios as at the Valuation Date, of the companies are available.

As sourced from Bloomberg, the market multiples of the comparable companies satisfying the above criteria are listed exhaustively in below table:

Bloomberg Ticker	Company Name	Exchange	Company Description	Market Capitalization (USD million)	EV/S Multiple
8325 HK Equity	China Smartpay Group Holdings Ltd	Hong Kong Stock Exchange	China Smartpay Group Holdings Limited is an integrated financial and payment services provider. The Company specializes in smart payment and internet finance.	42.42	4.41
1806 HK Equity	Huifu Payment Limited	Hong Kong Stock Exchange	Huifu Payment Limited provides third party payment services. The Company offers merchant payment solutions and fintech enabling services to Internet finance providers and commercial banks. Huifu Payment also offers related artificial intelligence, big data, and cloud services.	403.15	0.44
9923 HK Equity	Yeahka Limited	Hong Kong Stock Exchange	Yeahka Limited provides payment and business services to merchants and consumers. Yeahka Limited offers one-stop payment services, app-based payment services, and other services. Yeahka provides services in China.	2,251.29	6.36
300773 CH Equity	Lakala Payment Co., Ltd.	Shenzhen Stock Exchange	Lakala Payment Co., Ltd. operates as a third party payment company. The Company offers kala mini household type swipe card reader, kala shield personal computer reader, and phone card reader. Lakala Payment provides services in China.	4,055.49	4.50
				<b>Average</b>	<b>5.09</b>

<sup>1</sup> A non-specific key word “payment service” was used for the search so as to include as many potential comparable companies as possible. We have then investigated into the business scope of each of the companies to select the most comparable companies. It is confirmed that those are the most relevant key words and as such no other searches is necessary.



- \*Note 1:* Outliers are not included in the calculating the market multiple. The EV/S of 1806 HK is considered as an outlier because it is more than one standard deviation away from the average.
- \*\*Note 2:* It is considered that the stock exchanges in China (Hong Kong, Shenzhen and Shanghai) are the most active for Chinese payment service companies. It is also considered that the company's industry and its business model affect the value of the company more than its listing location. Further, it is considered that the multiple of the only Shenzhen listed comparable company does not deviate from the other comparable companies. Therefore, no adjustment is considered necessary to any of the comparable companies.
- \*\*\*Note 3:* The Target Company has only 3 comparable companies after removing the obvious outlier, 1806. HK. Due to the limited number of comparable companies, we have considered that the median value may not be relevant. Hence, we considered that the average is more relevant in this case and adopted it the average as the reference point for the valuation multiple.

## **ADDITIONAL CONSIDERATION**

### **Discount for Lack of Marketability ("DLOM")**

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. The DLOM is applicable to the Subject as it is proposed that the Subject will be privatized according to the Proposal.

We have assessed the DLOM of this interest using a put option method. The concept is that when comparing a public share and a private share, the holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event becomes shorter, the degree of the DLOM becomes smaller.

We have adopted the Black Scholes Option Pricing Model with the following parameters to estimate the DLOM.

<b>Parameter</b>	<b>Input</b>	<b>Source</b>	<b>Remark</b>
Spot Price (%)	100	Not Applicable	Assumed
Exercise Price (%)	100	Not Applicable	Assumed
Risk Free Rate (%)	2.895	Bloomberg L.P.	China Sovereign Curve
Maturity Period (year)	0.50	Not Applicable	The input of maturity period represents “how long does a holder need to transact the shares to another”. The transaction time is dependent mainly on the time for the potential buyer’s due diligence process. Given that the Subject is a group of business operations under a public company, the Subject has the systems and procedures to produce timely the documents required for a typical due diligence work. As such, the Valuer assumed that a maturity period of 0.5-year for this case. The longer (shorter) the maturity period, the higher (lower) will be the Implied DLOM, assuming everything else remains constant.
Volatility (%)	73.91	Bloomberg L.P.	Historical volatility of the Target Company
<b>Implied DLOM (%)</b>	<b>19.75</b>	<b>Not Applicable</b>	<b>Calculated</b>

### **Control Premium**

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

We have made reference to the Control Premium Study 3Q20 published by FactSet Mergerstat, LLC, which is a leading information provider publishing global merger and acquisition information, for an estimation of the control premium. The study has examined over one hundred transactions in which 50.01 percent or more of a company was acquired and the median control premium observed was 19.90%. Therefore, a control premium of 19.90% is adopted in arriving at the market value of the equity interest in Subject as at the Valuation Date.

## CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account the DLOM and control premium.

The calculation of the market value of all shareholding interest in the Subject as at the Valuation Date is as follows:

*Amounts in RMB'000 unless otherwise stated*

<b>Parameter</b>	<b>Input</b>
Weighted average EV/S ratio of the Comparable Companies (times)	5.09
Unaudited Revenue for the Payment & Other Business of the Subject from 1 December 2019 to 30 November 2020 (Gross Amount before elimination of intercompany transactions with Youzan Technology and its subsidiaries)	283,120
Enterprise Value of the Subject as at the Valuation Date	1,441,454
Add: Unaudited Restricted bank balances of the Subject as at the Valuation Date	37,049
Add: Unaudited Balances with central bank of the Subject as at the Valuation Date	5,749,351
Add: Unaudited Bank and Cash balances of Subject as at the Valuation Date	446,474
Add: Unaudited Amount due from a non-controlling shareholder of subsidiaries of the Subject as at the Valuation Date	246
Add: Unaudited Investments in associates of the Subject as at the Valuation Date	2,938
Add: Unaudited Financial assets at FVTOCI of the Subject as at the Valuation Date	120,459
Less: Unaudited Settlement obligations of the Subject as at the Valuation Date	5,758,869
Less: Unaudited Lease liabilities of Subject as at the Valuation Date	2,214
Less: Unaudited Amount due to a director of Subject as at the Valuation Date	3
Less: Unaudited Amount due to a fellow subsidiary	12,007
Subtotal before DLOM and Control Premium	2,024,879
DLOM (%)	19.75
Control Premium (%)	19.90
Market value of all shareholding interest in the Subject	1,948,214
Number of Shares ( <i>as at the Announcement Date</i> )	17,260,003,617
Per share Market value of all shareholding interest in the Subject (RMB)	0.1129

*\*Note:* The unaudited financial figures of the Subject listed in the above table are prepared by directors of the Subject based on unaudited management accounts of the subsidiaries of the Subject that carry on the “Payment & Other Business”. The unaudited management accounts are prepared in accordance with Hong Kong Financial Reporting Standards and the accounting policies adopted by China Youzan as set out in its annual report for the year ended 31 December 2019. The unaudited revenue presented above is before elimination of intercompany transactions with Youzan Technology and its subsidiaries.

## VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of assumptions which have been set out in this report and the consideration, some of which may not be readily quantifiable. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Subject, China Youzan and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuously prudent management of the Subject that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

## OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that:

The market value of all shareholding interest in the Subject as at the Valuation Date is reasonably stated at the amount of **RMB1,948,000,000**.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle**  
**Corporate Appraisal and Advisory Limited**  
**Simon M.K. Chan**  
*Executive Director*

*Note:* Simon M.K. Chan is a Chartered Valuer and Appraiser, and a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA), CPA Australia as well as the Royal Institution of Chartered Surveyors (RICS). Simon has extensive experience in valuation and corporate advisory business, providing a wide range of valuation and advisory services to numerous listed and private companies in different industries in Asia Pacific region for over 20 years.

## **LIMITING CONDITIONS**

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any independent verification.
4. The management and the board of the Company/engagement parties have reviewed and agreed on this report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialized expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
9. We assume that there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management and etc.) associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the offer period.

10. This report has been prepared solely for the use as stated in engagement letter. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and our client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is solely for the use by our client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.
15. This exercise is premised in part on the historical financial information provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by China Youzan/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.



## ANNEX III

### I. COMFORT LETTER ISSUED BY RED SUN CAPITAL

26 February 2021

The Board of Directors  
CHINA YOUZAN LIMITED  
Unit 2708, 27/F, The Center,  
99 Queen's Road Central, Hong Kong

Dear Sirs,

We refer to the joint announcement dated 26 February 2021 (the “**Announcement**”) issued by BetaCafe Holdings Limited (the “**Offeror**”) and China Youzan Limited (“**China Youzan**”, together with its subsidiaries, the “**China Youzan Group**”) pursuant to Rule 3.5 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless otherwise specified.

We refer to (i) the unaudited revenue of Youzan Technology Group for the period from 1 December 2019 to 30 November 2020; (ii) unaudited accounting balances of Youzan Technology Group as at 30 November 2020, including (a) loan to a director; (b) loans to fellow subsidiaries; (c) amount due from a related company; (d) financial assets at fair value through profit or loss; (e) restricted bank balances; (f) bank and cash balances; (g) amount due to fellow subsidiaries; (h) lease liabilities; and (i) payable to merchants; (iii) the unaudited revenue derived from China Youzan's Payment & Other Business for the period from 1 December 2019 to 30 November 2020; and (iv) unaudited accounting balances of China Youzan Group's (excluding Youzan Technology Group) as at 30 November 2020 including (a) investments in associates; (b) financial assets at fair value through other comprehensive income; (c) amount due from a non-controlling shareholder of subsidiaries; (d) restricted bank balances; (e) balances with central bank; (f) bank and cash balances; (g) amount due to a director; (h) amount due to a fellow subsidiary; (i) lease liabilities; and (j) settlement obligations set forth in Annex I and Annex II of the Announcement, respectively, (together, the “**Unaudited Financial Figures**”) and details of the Unaudited Financial Figures are also set out in the appendix of the letter issued by RSM Hong Kong. The Unaudited Financial Figures is regarded as a profit forecast under the Takeovers Code and therefore, is required to be reported on pursuant to Rule 10 of the Takeovers Code.

The Unaudited Financial Figures has been prepared by the Directors based on (i) Youzan Technology Group's unaudited management accounts; and (ii) the China Youzan Group's (excluding Youzan Technology Group) unaudited management accounts, both of which have not been confirmed, reviewed or audited by the Company's auditors or audit committee, and may be different from the figures to be disclosed in the audited or unaudited consolidated financial statements to be published by China Youzan on an annual or semi-annual or quarterly basis as applicable.

The letter is issued in compliance with the requirement under Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code. We have discussed with you the bases upon which the Unaudited Financial Figures was prepared. We have also considered the letter on the Unaudited Financial Figures dated 26 February 2021 issued by RSM Hong Kong, the auditors of China Youzan, to you, which stated that, so far as the accounting policies and calculations are concerned, the Unaudited Financial Figures has been properly compiled in accordance with the bases adopted by the Directors as set out in the appendix of the letter issued by RSM Hong Kong, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the China Youzan Group as set out in the audited consolidated financial statements of China Youzan Group for the year ended 31 December 2019.

Based on the above, we are satisfied that the Unaudited Financial Figures, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,  
For and on behalf of  
**RED SUN CAPITAL LIMITED**  
**Robert Siu**  
*Managing Director*

## II. COMFORT LETTER ISSUED BY RSM



29th Floor  
Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

26 February 2021

The Board of Directors  
CHINA YOUZAN LIMITED  
Unit 2708, 27/F, The Center,  
99 Queen's Road Central, Hong Kong

Dear Sirs,

We refer to the joint announcement dated 26 February 2021 (the “**Announcement**”) issued by China Youzan Limited (the “**Company**”) and BetaCafe Holdings Limited. We refer to (i) the unaudited revenue of Youzan Technology Group for the period from 1 December 2019 to 30 November 2020, (ii) unaudited accounting balances of Youzan Technology Group as at 30 November 2020 including (a) loan to a director; (b) loans to fellow subsidiaries; (c) amount due from a related company; (d) financial assets at fair value through profit or loss; (e) restricted bank balances; (f) bank and cash balances; (g) amount due to fellow subsidiaries; (h) lease liabilities; and (i) payable to merchants/settlement obligations; (iii) the unaudited revenue derived from China Youzan's Payment & Other Business for the period from 1 December 2019 to 30 November 2020; and (iv) unaudited accounting balances of China Youzan Group's (excluding Youzan Technology Group) as at 30 November 2020 including (a) investment in associates; (b) financial assets at fair value through other comprehensive income; (c) amount due from a non-controlling shareholder of subsidiaries; (d) restricted bank balances; (e) balances with central bank; (f) bank and cash balances; (g) amount due to a director; (h) amount due to a fellow subsidiary; (i) lease liabilities; (j) settlement obligation as set forth in Annex I and Annex II of the Announcement, respectively. The aforementioned unaudited figures being used in the preparation of valuation are regarded as profit forecasts under Rule 10 of the Takeovers Code and therefore, are required to be reported on pursuant to Rule 10 of the Takeovers Code.

Capitalised items used in this letter shall have the same meaning as defined in the Announcement unless otherwise specified.

## **Directors' Responsibilities**

The unaudited revenue of Youzan Technology Group and the unaudited revenue derived from Payment & Other Business for the period from 1 December 2019 to 30 November 2020, together with certain unaudited accounting balances as at 30 November 2020 has been prepared by the directors of the Company ("**Directors**") based on Youzan Technology Group's unaudited management accounts and the Group's (excluding Youzan Technology Group) unaudited management accounts (both of which have not been confirmed, reviewed or audited by us or audit committee of the Company). Details of the aforementioned unaudited revenue and accounting balances ("**Unaudited Financial Figures**") are set out in the Appendix of this report.

The Company's directors are solely responsible for the Unaudited Financial Figures as set out in the Appendix of this report.

## **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Unaudited Financial Figures set out in the Appendix, based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Unaudited Financial Figures in accordance with the bases adopted by the Directors and as to whether the Unaudited Financial Figures are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

## **Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Unaudited Financial Figures have been properly compiled in accordance with the bases adopted by the Directors as set out in the Appendix of this report and is presented on a basis consistent in all material respects with the accounting policies normally adopted by China Youzan Group as set out in the audited consolidated financial statements of China Youzan Limited for the year ended 31 December 2019.

## **Emphasis of Matter – Basis of Accounting**

We draw attention to the Appendix of the letter which describes the basis of accounting for Unaudited Financial Figures. The Unaudited Financial Figures were prepared by the Directors to assist the Valuer in the preparation of the Youzan Technology Share Value Assessment Report and the POB Valuation Report as of Valuation Reference Date. As a result, the Unaudited Financial Figures may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Yours faithfully,

**RSM Hong Kong**  
*Certified Public Accountants*  
Hong Kong

## APPENDIX

### UNAUDITED FINANCIAL FIGURES

#### Youzan Technology Group

The following unaudited financial figures are prepared by the directors of China Youzan Limited (the “**Company**”) based on unaudited management accounts of the entities comprising the Youzan Technology Group. The unaudited management accounts are prepared in accordance with Hong Kong Financial Reporting Standards and the accounting policies adopted by Company to prepare the unaudited management accounts are the same as set out in the Company’s audited consolidated financial statements for the year ended 31 December 2019.

*RMB’000*  
**Unaudited**

For the period from 1 December 2019 to 30 November 2020

Revenue 1,563,344

As at 30 November 2020

Loan to a director 2,650

Loans to fellow subsidiaries 19,655

Amount due from a related company 452

Financial assets at fair value through profit or loss (FVTPL) 528,630

Restricted bank balances 7,233

Bank and cash balances 899,479

Amount due to fellow subsidiaries (7,532)

Lease liabilities (260,046)

Payable to merchants / Settlement obligations (114,420)

## China Youzan Group Excluding Youzan Technology Group

The following unaudited financial figures are prepared by the directors of the Company based on unaudited management accounts of the entities comprising China Youzan Group excluding Youzan Technology Group. The unaudited management accounts are prepared in accordance with Hong Kong Financial Reporting Standards and the accounting policies adopted by Company to prepare the unaudited management accounts are the same as set out in the Company's audited consolidated financial statements for the year ended 31 December 2019.

*RMB'000*  
**Unaudited**

For the period from 1 December 2019 to 30 November 2020

Revenue (gross amount before elimination of intercompany transactions  
with Youzan Technology Group)

283,120

As at 30 November 2020

Investment in associates

2,938

Financial assets at fair value through other comprehensive income (FVTOCI)

120,459

Amount due from a non-controlling shareholder of subsidiaries

246

Restricted bank balances

37,049

Balances with central bank

5,749,351

Bank and cash balances

446,474

Amount due to a director

(3)

Amount due to a fellow subsidiary

(12,007)

Lease liabilities

(2,214)

Settlement obligations

(5,758,869)



## ANNEX IV

### INVESTOR PRESENTATION RELATING TO THE PROPOSAL

**BetaCafe Holdings Limited**  
*(incorporated in the British Virgin Islands with  
limited liability)*



**China Youzan Limited**

中國有贊有限公司

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8083)

# Investor presentation

**26 February 2021**

Reference is made to the announcement published by BetaCafe Holdings Limited and China Youzan Limited (“China Youzan”) dated 26 February 2021 pursuant to Takeovers Code in relation to the pre-conditional take private proposal for China Youzan by way of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda (as amended) (the “Announcement”). This presentation (the “Presentation”) sets out a brief summary of the Proposal as set out in further detail in the Announcement. Shareholders and potential investors of China Youzan are advised to read the Announcement in its entirety for further information relating to the Proposal. The Announcement is available on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk), and the website of China Youzan. Unless otherwise defined in this Presentation, capitalised terms used in this Presentation shall have the same meanings as those defined in the Announcement.

# Disclaimer

This Presentation is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of China Youzan, nor is it an invitation or offer to or a solicitation of any offer to acquire, purchase or subscribe for securities of China Youzan in any jurisdiction in which such invitation, offer, solicitation or sale would be unlawful absent the filing of a registration statement or the availability of an applicable exemption from registration or other waiver. This Presentation is not for release, publication or distribution in or into any other jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

**Shareholders and potential investors of China Youzan should be aware that the making of the Proposal is subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions. Even if the Proposal is made, the implementation of the Proposal (including the effectiveness of the Scheme), is subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of China Youzan should therefore exercise caution when dealing in the securities of China Youzan. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.**

The Proposal is being made to cancel the securities of a Bermuda company by means of a scheme of arrangement provided for under the laws of Bermuda and is subject to Hong Kong disclosure requirements which are different from those of the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the U.S. Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Bermuda and Hong Kong to schemes of arrangement which differ from the disclosure and procedural requirements applicable under the U.S. federal securities laws.

The receipt of cash pursuant to the Proposal by a U.S. holder of Scheme Shares as consideration for the cancellation of the Scheme Shares pursuant to the Scheme may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him.

It may be difficult for U.S. holders of Scheme Shares to enforce their rights and claims arising out of the U.S. federal securities laws, since the Offeror and China Youzan are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. U.S. holders of Scheme Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgement.

All statements, other than statements of historical facts included in the Announcement, are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as “seek”, “expect”, “envisage”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Offeror's or China Youzan's (as the case may be) current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties.

Accordingly, actual results may differ materially from those described in such forward-looking statements as a result of a number of factors, including, without limitation, (a) the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions; (b) the satisfaction or waiver (as applicable) of the Scheme Conditions; (c) any changes in the regulatory regime and significant policies for the industries in which China Youzan and/or Youzan Technology respectively operates, or any in the regulatory policies of the relevant government authorities of the PRC; (d) any changes in the effects of competition on the market demand and sale price of the products provided by China Youzan and Youzan Technology; and (e) any changes in political, economic, legal and social conditions in the PRC and other countries in which the Offeror, China Youzan and/or Youzan Technology operates.

Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. China Youzan Shareholders and investors should not place undue reliance on such forward-looking statements.

All written and oral forward-looking statements attributable to the Offeror and China Youzan or persons acting on behalf of either of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as at the Announcement Date. Subject to the requirements of the applicable laws, rules and regulations, including the Takeovers Code, neither the Offeror and China Youzan undertake any obligation to update publicly or revise any forward-looking statements contained in the Announcement.

**Scheme Shareholders, investors and potential investors of China Youzan and Youzan Technology should also note that the value of the Youzan Technology Shares estimated by the Valuer does not represent the trading price of Youzan Technology Shares immediately following completion of the Youzan Technology Listing or at any time. Upon the Youzan Technology Listing, the trading price of Youzan Technology Shares may fluctuate subject to prevailing market conditions and may materially differ from the value estimated by the Valuer. Accordingly, Scheme Shareholders, investors and potential investors of China Youzan and Youzan Technology should not rely on the Valuer's estimated value of Youzan Technology Shares as the basis for the trading price of the Youzan Technology Shares upon completion of the Youzan Technology Listing.**

# Overview of the Proposal

The Offeror and China Youzan jointly announce that, on 26 February 2021, the Offeror requested the Board to, subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions, put forward the Proposal which comprises (i) the Distribution of the Youzan Technology Shares held by China Youzan to all China Youzan Shareholders, such shares which are proposed to be listed on the Main Board of the Stock Exchange by way of introduction pursuant to the Youzan Technology Listing; and (ii) the taking private of China Youzan, after the completion of the Distribution.

## Upon completion of the Proposal:

<b>① Distribution</b>	<ul style="list-style-type: none"><li>• The China Youzan Shareholders whose names appear on the register of members of China Youzan as at the Record Date will become shareholders of Youzan Technology pursuant to the Distribution.</li></ul>
<b>② Youzan Technology Listing</b>	<ul style="list-style-type: none"><li>• The entire Youzan Technology Shares will become listed on the <b>Main Board</b> of the Stock Exchange by way of introduction.</li></ul>
<b>③ Take private and delisting of China Youzan</b>	<ul style="list-style-type: none"><li>• The listing of China Youzan Shares on <b>GEM</b> of the Stock Exchange will be withdrawn.</li></ul>

# Key terms of the Proposal

## ① Scheme Consideration in cash

- Upon the fulfilment or waiver (as applicable) of the Scheme Conditions and the Scheme becoming effective, all Scheme Shares (which excludes the Excluded Shares, being the China Youzan Shares held by the China Youzan Excluded Shareholders) will be cancelled. The Scheme Shareholders will receive from the Offeror HK\$0.1352 in cash for every Scheme Share cancelled.

## ② Distribution of Youzan Technology Shares

- Subject to the fulfillment of the Distribution Conditions which are not waivable, the China Youzan Shareholders whose names appear on the register of members of China Youzan as at the Record Date will receive their pro rata entitlement of all of the Youzan Technology Shares held by China Youzan by using the following formula:

*For illustration purposes only:*

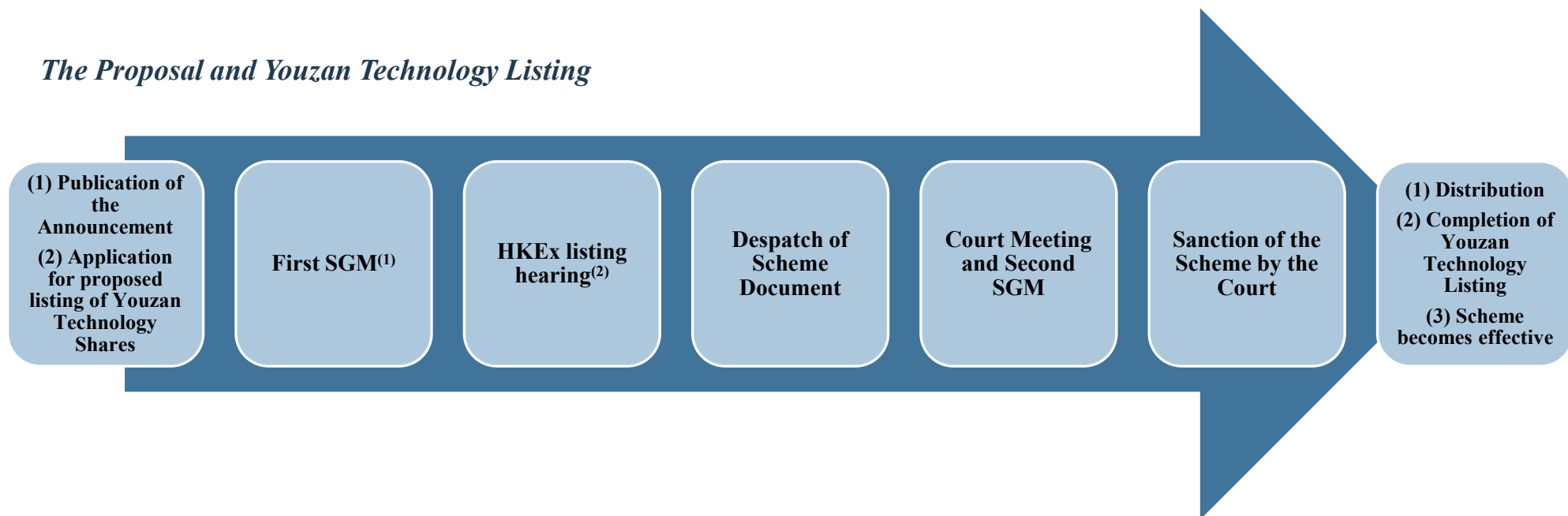
$$\frac{A}{B} = C \text{ where:}$$

A =	876,336,232 shares, being the total number of Youzan Technology Shares held by China Youzan as at the Record Date.
B =	17,260,003,617 shares, being the total number of China Youzan Shares in issue as at the Record Date.
C =	0.05077265 shares, the approximate number of Youzan Technology Shares entitled to be received by China Youzan Shareholders

Each China Youzan Shareholder will be entitled to receive 0.05077265 Youzan Technology Share for every China Youzan Share under the Distribution.

# Milestones and Approval Process

## *The Proposal and Youzan Technology Listing*



### Shareholders' approval:

**Court Meeting:** (i) the approval of the Scheme (by way of poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting; (ii) the approval of the Scheme (by way of poll) by Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting; and (iii) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders.

**Second SGM:** the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the China Youzan Shareholders present and voting, in person or by proxy, at the Second SGM to approve, among other things, (i) the reduction of the issued share capital of China Youzan by the cancellation of the Scheme Shares; (ii) the restoration of the issued share capital of China Youzan to the amount immediately prior to the cancellation of the Scheme Shares by the issuance to the Offeror such number of new China Youzan Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid at par; (iii) the reduction of the share premium of China Youzan by cancellation of the whole amount standing in the share premium account of China Youzan; (iv) the transfer of the credit arising from such share premium reduction to the contributed surplus account of China Youzan; and (v) the making of the Distribution.

*Note 1:* The First SGM will be convened by China Youzan to consider and approve the implementation of the Special Deal Arrangements, details of which please refer to the Announcement.

*Note 2:* The timing of passing the HKEx listing hearing shall be subject to the communication with regulators and the specific review procedures.

## Reasons and benefits of the Proposal

1

### • Objectives and reasons of the Proposal

- ◆ Youzan Technology plans to further develop the SaaS Business which is now in the stage of high-speed development, providing merchants with a one-stop solution in building up online stores to operate and manage their business on various media channel (such as WeChat, QQ, Weibo, Baidu and Kuaishou, etc.) and also enable them to digitalise their offline stores.
- ◆ The overall Proposal seeks to achieve two main objectives: (a) to achieve the primary listing of the Youzan Technology Shares on the Main Board of the Stock Exchange with the aim of unlocking value for the China Youzan Shareholders through unlocking the growth potential in the Youzan Technology Group and further developing the SaaS Business; and (b) to take private China Youzan which will hold the remaining assets in respect of the Payment & Other Business after the proposed Distribution and the proposed Youzan Technology Listing.

## Reasons and benefits of the Proposal

2

- Industry growth drivers of the SaaS Business and the unlocking of growth potential in the Youzan Technology Group

Leveraging Youzan Technology Group's first-mover advantage and continuous innovation in its SaaS Business, the Youzan Technology Group effectively addressed the pain points of merchants' online operations and bring success to their business with profound insights of the new retail model in China. As the leading player of the PRC cloud-based commerce service industry, it is believed that the Youzan Technology Group would be able to capitalise the following industry trends and help serve merchants to succeed:

- ① the increasing mobile internet penetration in China;
- ② the rapid development of the online retail market;
- ③ the strong consumption potential of Chinese residents;
- ④ the large potential merchant base and increasing demand for digitalisation; and
- ⑤ the development of the decentralised e-commerce market.

Youzan Technology Group also offers various value-added services through its merchant solutions so as to address merchants' online and/or offline operational needs, in order to build up a closed-loop ecosystem to help merchants succeed. Through this ecosystem, Youzan Technology Group can further enhance its market value and unlock the growth potential in the Youzan Technology Group.



## Reasons and benefits of the Proposal

### 3

#### • Strategic plans of the Youzan Technology Group

- Keep helping grow the merchants' sales

The Youzan Technology Group believes that its business value is commensurate with the continued success attained by its merchants and therefore the first growth strategy of the Youzan Technology Group is to keep helping grow its merchants' sales. The more sales a merchant could generate through subscription solutions and merchant solutions) provided by Youzan Technology Group, the greater the financial return the Youzan Technology Group would receive in exchange for the value it created for such merchants.

- Further increase the size of the merchant base

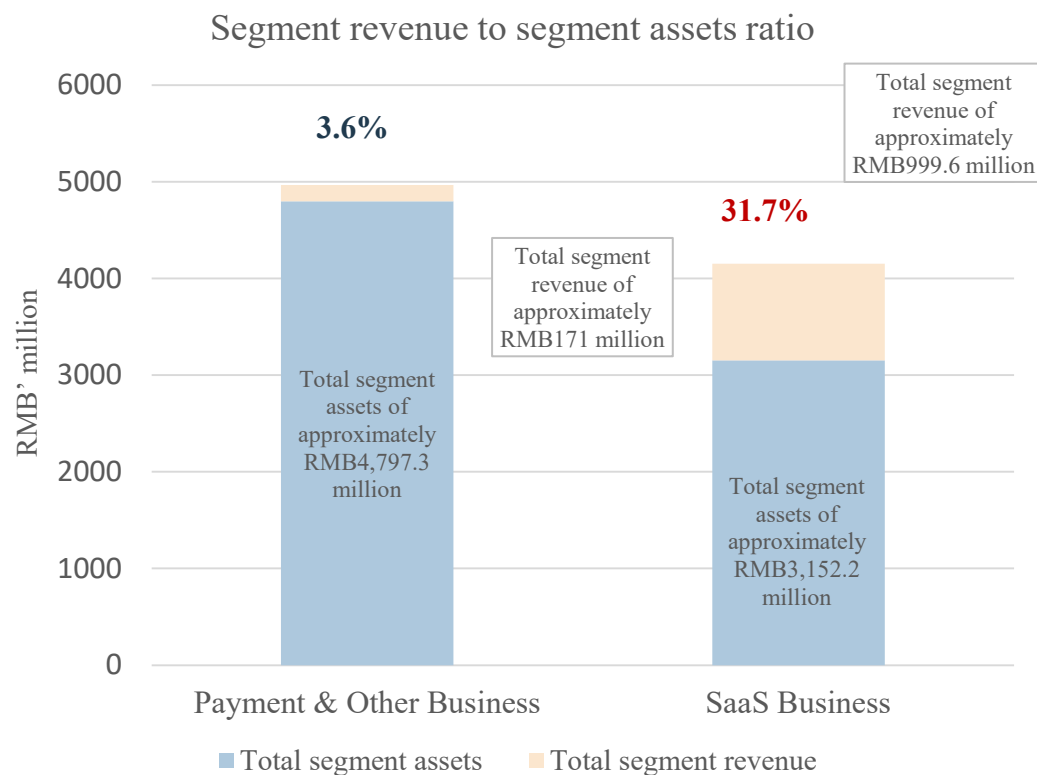
The Youzan Technology Group will further increase the size of its merchant base and it believes that it is well-positioned to capitalise the growth of the decentralised ecommerce market in China. Merchants of all sizes demand user-friendly and efficient management tools to digitalise their business operations, manage their online customer traffic as well as integrate their operations of online and offline business. The Youzan Technology Group intends to continuously design and launch new solutions and optimise its existing offerings to capitalise these industry trends.

With the completion of the Proposal, Youzan Technology Group will achieve structural optimisation and operation realignment enabling it to accelerate the implementation of its SaaS business strategies so that it can further strengthen its leadership in the PRC cloud-based commerce services industry.

## Reasons and benefits of the Proposal

4

- Ability to generate substantially more revenue with total assets of the SaaS Business than that of the Payment & Other Business



- As demonstrated in the chart, the China Youzan Group is able to generate substantially more revenue with the total segment assets of the SaaS Business as compared with the total segment assets of the Payment & Other Business.
- Accordingly, the China Youzan Group is able to manage the financial resources of the SaaS Business in a substantially more efficient and effective manner than that of the Payment & Other Business.

*Note:* The figures presented in the above are based on figures extracted from audited consolidated financial statements of China Youzan for the year ended 31 December 2019 as disclosed in its 2019 Annual Report.

## Reasons and benefits of the Proposal

### 5

#### • Benefits to the Scheme Shareholders

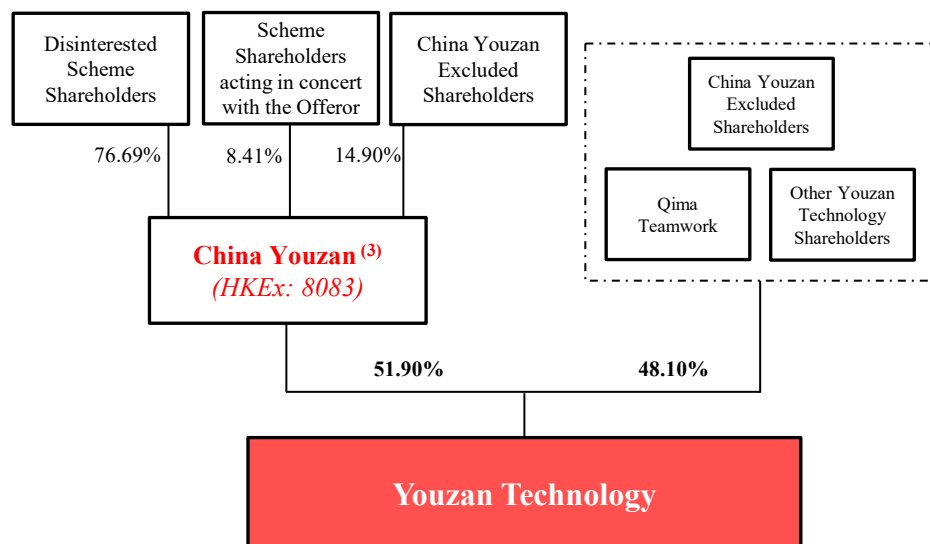
- The scale of the Payment & Other Business is relatively small compared with that of its peers (including other leading Chinese third-party payment service providers), while the SaaS Business has a leading market position and promising prospects in the PRC.

The taking private of China Youzan by way of the Scheme under the Proposal would allow the Scheme Shareholders to capitalise the value of the Payment & Other Business with a certain level of cash consideration and enables the Scheme Shareholders to achieve a certain level of return of capital from their investment.

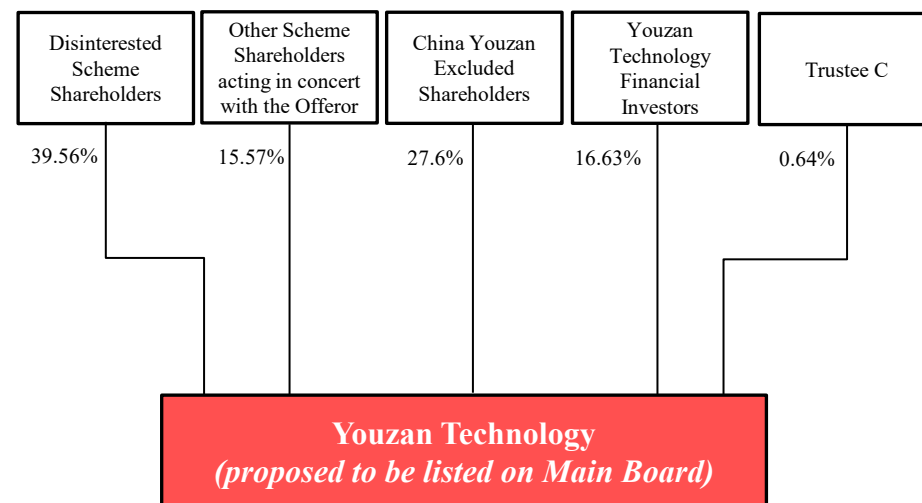
- Following the completion of the Proposal, not only will the Scheme Shareholders be able to continue to participate in the performance of Youzan Technology Group which has a number of competitive edges and is well positioned to enjoy the growth potential of the PRC cloud-based commerce service industry, the Scheme Shareholders will also be able to further unlock the potential value in their investment as a result of the Youzan Technology Listing.

# Appendix - Simplified shareholding structure

## Before the Proposal (1)



## Upon the completion of the Proposal (2)



### Notes:

1. A simplified shareholding structure of Youzan Technology as at the date of Announcement.
2. A simplified shareholding structure of Youzan Technology immediately upon completion of the Youzan Technology Listing and the Proposal (and the Scheme becoming effective).
3. The listing of China Youzan Shares on GEM of the Stock Exchange will be withdrawn upon the completion of the Proposal.