

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your China Youzan Shares, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, 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 circular 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 circular misleading.



## China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

**(1) ROLLOVER ARRANGEMENT,  
A SPECIAL DEAL ARRANGEMENT IN CONNECTION WITH THE PROPOSAL  
(2) PROPOSED ADOPTION BY YOUZAN TECHNOLOGY OF:  
(A) YOUZAN TECHNOLOGY SHARE AWARD PLAN A,  
A CONNECTED TRANSACTION AND A SPECIAL DEAL ARRANGEMENT  
IN CONNECTION WITH THE PROPOSAL  
(B) YOUZAN TECHNOLOGY SHARE AWARD PLAN B,  
A CONNECTED TRANSACTION  
(C) YOUZAN TECHNOLOGY RSU PLAN C,  
A SPECIAL DEAL ARRANGEMENT IN CONNECTION WITH THE PROPOSAL  
AND  
(3) NOTICE OF THE SPECIAL GENERAL MEETING**

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



紅日資本有限公司  
RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 14 to 57 of this circular and a letter from the Independent Board Committee is set out on pages 58 to 59 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 60 to 107 of this circular.

A notice convening the First SGM to be held at 24/F, Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong at 10:30 a.m. on Thursday, 6 May 2021 (or so soon thereafter as the AGM has concluded or adjourned) is set out on pages 122 to 124 of this circular. A form of proxy for use by the China Youzan Shareholders at the First SGM (or any adjournment thereof) is also enclosed. Whether or not you are able to attend the First SGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and deposit the same at Computershare Hong Kong Investor Services Limited, the branch share registrar of China Youzan in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the First SGM.

Completion and return of the proxy form will not preclude you from attending and voting in person at the First SGM (or any adjournment thereof) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked by operation of law.

This circular will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on China Youzan's website at [www.chinayouzan.com](http://www.chinayouzan.com).

Taking into account the recent development of the epidemic caused by the coronavirus disease (COVID-19), China Youzan will implement the following prevention and control measures at the First SGM to protect the China Youzan Shareholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted for every attending China Youzan Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (ii) every attending China Youzan Shareholder or proxy is required to wear a surgical mask throughout the First SGM;
- (iii) no refreshments will be served at the First SGM; and
- (iv) no entry will be allowed to any person who is subject to mandatory quarantine order imposed by the Hong Kong Government (as the case may be) and any person who does not comply with the precautionary measures may be denied entry into the meeting venue.

Those being refused entry at the meeting venue would still be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue. Furthermore, China Youzan wishes to advise all of the China Youzan Shareholders, particularly any China Youzan Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the First SGM as a proxy to attend and vote on any of the resolutions, instead of attending the First SGM in person.

China Youzan will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the First SGM.

20 April 2021

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## CHARACTERISTICS OF THE GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*Accompanying: Form of proxy for the First SGM*

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following specific terms and expressions have the following meanings:*

|                                   |                                                                                                                                                                                                                                    |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “2019 Annual Report”              | the annual report of China Youzan for the financial year ended 31 December 2019                                                                                                                                                    |
| “2020 Annual Report”              | the annual report of China Youzan for the financial year ended 31 December 2020                                                                                                                                                    |
| “A1 Announcement”                 | the announcement dated 26 February 2021 issued by China Youzan in relation to an application made to the Stock Exchange for the listing of Youzan Technology Shares on the Main Board of the Stock Exchange by way of introduction |
| “acting in concert”               | has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” shall be construed accordingly                                                                                                               |
| “AGM”                             | the annual general meeting of China Youzan to be held at 10:00 a.m. on Thursday, 6 May 2021                                                                                                                                        |
| “Anti-Dilution Issue”             | has the meaning ascribed to it in the paragraph headed “YOUZAN TECHNOLOGY SHARE AWARD PLAN B – CONNECTED TRANSACTION – Anti-Dilution Issue of new Youzan Technology Shares to China Youzan” in this circular                       |
| “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 Joint Announcement Date                                             |
| “associate”                       | has the meaning ascribed to it under the GEM Listing Rules                                                                                                                                                                         |
| “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                                                                                                                                                      |

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## DEFINITIONS

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| “China Youzan 2018 Share Award Plan”          | the share award plan of China Youzan adopted by China Youzan on 31 May 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| “China Youzan 2018 Share Award Plan Trust”    | the trust of the China Youzan 2018 Share Award Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “China Youzan 2019 Option Scheme”             | the share option scheme of China Youzan adopted by China Youzan on 12 June 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| “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 “YOUZAN TECHNOLOGY RSU PLAN C – SPECIAL DEAL ARRANGEMENT – China Youzan Options Conversion Proposal and adoption of the Youzan Technology RSU Plan C” of this circular                                                                                                                                                                                                                                                                                                                                    |
| “China Youzan Share(s)”                       | share(s) of HK\$0.01 each in the share capital of China Youzan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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## DEFINITIONS

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| “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                                                                                                                                                                                                                                                                                         |
| “Companies Act”                       | the Companies Act 1981 of Bermuda (as amended)                                                                                                                                                                                                                                                                                                                                            |
| “connected person(s)”                 | has the meaning ascribed to this term under the GEM Listing Rules                                                                                                                                                                                                                                                                                                                         |
| “Connected Transactions”              | (i) the adoption of the Youzan Technology Share Award Plan A and (ii) the adoption of the Youzan Technology Share Award Plan B (including the Anti-Dilution Issue in connection with the adoption of the Youzan Technology Share Award Plan B), each requiring the approval of the Independent Shareholders under Chapter 20 of the GEM Listing Rules, and each a “Connected Transaction” |
| “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, the China Youzan Excluded Shareholders Entities, Qima Teamwork Inc., the Youzan Technology Financial Investors and the Directors                                  |

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## DEFINITIONS

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| “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 and/or the China Youzan Excluded Shareholders Entities) whose names appear on the register of members of China Youzan as at the Record Date, as described in the paragraph headed “THE DISTRIBUTION” of this circular                                                                                                                                                        |
| “Distribution Conditions”      | the conditions to the Distribution, as described in the paragraph headed “THE DISTRIBUTION – Distribution Conditions” of this circular                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| “Excluded Shares”              | has the meaning given to in the paragraph headed “ROLLOVER ARRANGEMENT – SPECIAL DEAL ARRANGEMENT” of this circular                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| “Executive”                    | the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| “First SGM”                    | the special general meeting of the China Youzan Shareholders convened for the purposes of considering and if thought fit, approving, among other things, the necessary resolutions for the implementation of the Special Deal Arrangements and the Connected Transactions to be held at 24/F, Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong at 10:30 a.m. on Thursday, 6 May 2021 (or so soon thereafter as the AGM has concluded or adjourned), the notice for convening such meeting is contained in this circular (namely, the Notice of First SGM), or any adjournment thereof |
| “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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| “Incentive Plans Announcement” | the announcement dated 1 April 2021 issued by China Youzan in relation to, amongst others, the proposed adoption by Youzan Technology of the Youzan Technology Share Incentive Plans and the proposed discloseable transactions and connected transactions in connection with the Youzan Technology Share Incentive Plans                                                                                                                                                                                                                                                                       |

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## DEFINITIONS

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| “Independent Board Committee”                        | the independent board committee of China Youzan established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal (including the Scheme), the Special Deal Arrangements and the Connected Transactions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| “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 (including the Scheme), the Special Deal Arrangements and the Connected Transactions, appointed by the Board with the approval of the Independent Board Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “Independent Shareholders”                           | <p>means (as applicable):</p> <ul style="list-style-type: none"><li>(i) in respect of the Rollover Arrangement, the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements);</li><li>(ii) in respect of the adoption of the Youzan Technology Share Award Plan A, the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements and the Plan A Connected Grantees and their respective associates);</li><li>(iii) in respect of the adoption of the Youzan Technology Share Award Plan B (including the Anti-Dilution Issue in connection with the adoption of the Youzan Technology Share Award Plan B), all the China Youzan Shareholders other than Mr. Zhu Ning, Whitecrow and their respective associates under the GEM Listing Rules; and</li><li>(iv) in respect of the China Youzan Option Conversion Proposal (which includes the adoption of the Youzan Technology RSU Plan C), the Disinterested Scheme Shareholders (other than those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements)</li></ul> |



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## DEFINITIONS

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| “Joint Announcement”      | the joint announcement dated 26 February 2021 issued by the Offeror and China Youzan in relation to the Proposal pursuant to Rule 3.5 of the Takeovers Code        |
| “Joint Announcement Date” | 26 February 2021, being the date of Joint Announcement                                                                                                             |
| “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 Joint Announcement Date                    |
| “Latest Practicable Date” | 16 April 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein       |
| “MB Listing Rules”        | the Rules Governing the Listing of Securities on the Main Board of Stock Exchange                                                                                  |
| “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. Hong Bo”             | Mr. Hong Bo, an individual who is a third party independent of China Youzan and its connected persons and the Offeror                                              |
| “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 |

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## DEFINITIONS

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| “Ms. Ying Hangyan”                      | Ms. Ying Hangyan, an executive Director and the chief service officer of China Youzan                                                                                                                                                                                                                                                                                                                                    |
| “Notice of First SGM”                   | the notice to China Youzan Shareholders set out in this circular regarding the convening of the First SGM and setting out therein the Proposed Resolutions                                                                                                                                                                                                                                                               |
| “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 “SCHEME PRE-CONDITIONS” of this circular                                                                                                                                                                                                                                                                                                                             |
| “Plan A Connected Grantees”             | has the meaning given to it in the paragraph headed “YOUZAN TECHNOLOGY SHARE AWARD PLAN A – SPECIAL DEAL ARRANGEMENT AND CONNECTED TRANSACTION – GEM Listing Rules Implication for the purpose of this Circular” of this circular                                                                                                                                                                                        |
| “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 “YOUZAN TECHNOLOGY SHARE AWARD PLAN A – SPECIAL DEAL ARRANGEMENT AND CONNECTED TRANSACTION – Conditionality – Plan A Effectiveness Conditions” of this circular |
| “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 to China Youzan, as described in the paragraph headed “YOUZAN TECHNOLOGY SHARE AWARD PLAN B – CONNECTED TRANSACTION – Conditionality – Plan B Effectiveness Conditions” of this circular                                                                                            |
| “Plan C Connected Grantees”             | has the meaning given to it in the paragraph headed “YOUZAN TECHNOLOGY RSU PLAN C – SPECIAL DEAL ARRANGEMENT – GEM Listing Rules Implications for the purpose of this Circular” of this circular                                                                                                                                                                                                                         |

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| “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 “YOUZAN TECHNOLOGY RSU PLAN C – SPECIAL DEAL ARRANGEMENT – Conditionality – Plan C Effectiveness Conditions” of this circular                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| “Plan C RSU(s)”                   | the RSU(s) to be issued under Youzan Technology RSU Plan C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| “Plan C See Through Entitlements” | has the meaning given to it in the paragraph headed “YOUZAN TECHNOLOGY RSU PLAN C – SPECIAL DEAL ARRANGEMENT – General Information” of this circular                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “PRC”                             | the People’s Republic of China                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| “Proposal”                        | the proposal comprising the take private by the Offeror of China Youzan by way of the Scheme, the Distribution, and the withdrawal of listing of the China Youzan Shares, on the terms and subject to the conditions as set out in the Joint Announcement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “Proposed Resolutions”            | <p>the proposed ordinary resolutions of the relevant Independent Shareholders), as set out in the Notice of First SGM, to approve:</p> <ul style="list-style-type: none"><li>(i) the Rollover Arrangement and transactions contemplated or arising thereunder;</li><li>(ii) the adoption of the Youzan Technology Share Award Plan A (and its amendment and substitution of the Youzan Technology 2019 Share Award Plan) and the grant of share awards thereunder and transactions contemplated or arising thereunder;</li><li>(iii) the adoption of the Youzan Technology Share Award Plan B and the grant of share award thereunder in favour of Mr. Zhu Ning (or Whitecrow), the Anti-Dilution Issue to China Youzan and transactions contemplated or arising thereunder;</li></ul> |

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## DEFINITIONS

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|                                                 | <p>(iv) the implementation of the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C and the grant of Plan C RSUs thereunder, and transactions contemplated or arising thereunder; and</p> <p>(v) the general authorisation to the Directors to approve and implement each of the Special Deal Arrangements and Connected Transactions.</p> |
| “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 currently owned as to 100% by Mr. Hong Bo                                                                                              |
| “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                                                                                                                                        |
| “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 and/or the China Youzan Excluded Shareholders Entities (as the case may be) from the Scheme, as more particularly described in the paragraph headed “ROLLOVER ARRANGEMENT – SPECIAL DEAL ARRANGEMENT” of this circular                                |
| “Rollover Arrangement Effectiveness Conditions” | has the meaning given to in the paragraph headed “ROLLOVER ARRANGEMENT – SPECIAL DEAL ARRANGEMENT” of this circular                                                                                                                                                                                                                                                                    |
| “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 the Joint Announcement                                                                                                                                                                                                                      |

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## DEFINITIONS

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| “Scheme”                             | a scheme of arrangement under Section 99 of the Companies Act between China Youzan and the Scheme Shareholders, 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 “2.7 Scheme Conditions” of the Joint 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 “2.6 Scheme Pre-Conditions” of the Joint 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

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## DEFINITIONS

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| “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 (including the Scheme 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, which is intended to be a professional trustee and yet to be appointed by Youzan Technology as of the Latest Practicable Date                                                                                              |
| “Trustee C”                   | the trustee of Youzan Technology RSU Plan C, which is intended to be a professional trustee and is yet to be appointed by Youzan Technology as of the Latest Practicable Date                                                                                                   |
| “U.S.” or “United States”     | the United States of America                                                                                                                                                                                                                                                    |
| “Unaudited Financial Figures” | has the meaning given to it in the paragraph headed “INFORMATION ON YOUZAN TECHNOLOGY – Financial Information of Youzan Technology” of this circular                                                                                                                            |
| “Whitecrow”                   | Whitecrow Investment Ltd., a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Zhu Ning                                                                                                                           |

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## DEFINITIONS

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| “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 date of this circular                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “Youzan Technology 2018 Share Award Plan” | the share award plan of Youzan Technology adopted by Youzan Technology on 16 May 2018, which involved 78,314,984 Youzan Technology Shares currently held by Qima Teamwork and which was terminated upon the adoption of Youzan Technology 2019 Share Award Plan                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| “Youzan Technology 2019 Share Award Plan” | the share award plan of Youzan Technology adopted by Youzan Technology on 2 August 2019, which involved 106,428,391 Youzan Technology Shares currently held by Qima Teamwork                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| “Youzan Technology Financial Investors”   | <p>the shareholders of Youzan Technology as at the Latest Practicable 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></ul> |

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## DEFINITIONS

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|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                           | viii. Happy Zan Holdings Limited;                                                                                                                                                                                                                                                                                              |
|                                           | ix. Tembusu HZ II Limited;                                                                                                                                                                                                                                                                                                     |
|                                           | x. Matrix Partners China III, L.P.;                                                                                                                                                                                                                                                                                            |
|                                           | xi. Matrix Partners China III-A, L.P.;                                                                                                                                                                                                                                                                                         |
|                                           | xii. GCYZ Holdings Limited; and                                                                                                                                                                                                                                                                                                |
|                                           | xiii. GCQM Holdings Limited                                                                                                                                                                                                                                                                                                    |
| “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 RSU Plan C”            | the RSU plan proposed to be adopted by Youzan Technology, as described in the paragraph headed “YOUZAN TECHNOLOGY RSU PLAN C – SPECIAL DEAL ARRANGEMENT – General Information” of this circular                                                                                                                                |
| “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 “YOUZAN TECHNOLOGY SHARE AWARD PLAN A – SPECIAL DEAL ARRANGEMENT AND CONNECTED TRANSACTION – General Information” of this circular |
| “Youzan Technology Share Award Plan B”    | the share award plan proposed to be adopted by Youzan Technology, as described in the paragraph headed “YOUZAN TECHNOLOGY SHARE AWARD PLAN B – CONNECTED TRANSACTION – General Information” of this circular                                                                                                                   |
| “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 Shares”                | ordinary share(s) of a par value of US\$0.00001 each in the share capital of Youzan Technology                                                                                                                                                                                                                                 |



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## LETTER FROM THE BOARD

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### China Youzan Limited

中國有贊有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8083)**

*Executive Directors:*

Cao Chunmeng  
Yan Xiaotian  
Zhu Ning  
Cui Yusong  
Yu Tao  
Ying Hangyan

*Independent Non-Executive Directors:*

Fong Chi Wah  
Gu Jiawang  
Xu Yanqing  
Deng Tao

*Registered office:*

31 Victoria Street  
5th Floor Hamilton, HM 10  
Bermuda

*Principal place of business and  
head office in Hong Kong:*

Unit 2708, 27/F  
The Center  
99 Queen's Road Central  
Hong Kong

20 April 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) ROLLOVER ARRANGEMENT,  
A SPECIAL DEAL ARRANGEMENT IN CONNECTION WITH THE PROPOSAL  
(2) PROPOSED ADOPTION BY YOUZAN TECHNOLOGY OF:  
(A) YOUZAN TECHNOLOGY SHARE AWARD PLAN A,  
A CONNECTED TRANSACTION AND A SPECIAL DEAL ARRANGEMENT  
IN CONNECTION WITH THE PROPOSAL  
(B) YOUZAN TECHNOLOGY SHARE AWARD PLAN B,  
A CONNECTED TRANSACTION  
(C) YOUZAN TECHNOLOGY RSU PLAN C,  
A SPECIAL DEAL ARRANGEMENT IN CONNECTION WITH THE PROPOSAL  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

#### **INTRODUCTION**

Reference is made to (i) the Joint Announcement dated 26 February 2021 made by the Offeror and China Youzan regarding the Proposal, (ii) the A1 Announcement dated 26 February 2021 made by China Youzan regarding the Youzan Technology Listing, and (iii) the Incentive Plans Announcement dated 1 April 2021 made by China Youzan.

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## LETTER FROM THE BOARD

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Pursuant to the Joint Announcement, the Offeror and China Youzan jointly announced that the Offeror had requested the Board to, subject to the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions, put forward the Proposal which comprises (a) 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 are proposed to be listed on the Main Board of the Stock Exchange by way of introduction pursuant to the Youzan Technology Listing; and (b) the taking private of China Youzan by the Offeror, after completion of the Distribution, by way of a scheme of arrangement under section 99 of the Companies Act between China Youzan and the Scheme Shareholders by cancellation of the Scheme Shares in consideration for the Scheme Consideration of HK\$0.1352 per Scheme Share in cash, payable by the Offeror to the Scheme Shareholders whose names appear on the register of members of China Youzan as at the Record Date. As announced by China Youzan pursuant to the A1 Announcement, an application has been made to the Stock Exchange for the Youzan Technology Listing and the listing application is in progress.

In addition, pursuant to the Joint Announcement and the Incentive Plans Announcement, China Youzan also announced, among other things, the following proposed arrangements:

- (i) the Rollover Arrangement;
- (ii) the proposed adoption of Youzan Technology Share Award Plan A (and its amendment and substitution of the Youzan Technology 2019 Share Award Plan) and the grant of share awards thereunder;
- (iii) the proposed adoption of Youzan Technology Share Award Plan B, and the grant of a share award thereunder to Mr. Zhu Ning (or Whitecrow), and the Anti-Dilution Issue to China Youzan by Youzan Technology; and
- (iv) the China Youzan Options Conversion Proposal (which includes the adoption of the Youzan Technology RSU Plan C and the grant of Plan C RSUs thereunder).

Each of the Special Deal Arrangements (namely, (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)) is not capable of being extended to all Scheme Shareholders, and therefore, constitutes a special deal under Rule 25 of the Takeovers Code which is subject to the consent of the Executive. An application has been made to the Executive for consent to proceed with the Special Deal Arrangements under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating in its opinion that the terms of the relevant Special Deal Arrangements are fair and reasonable, and (ii) the passing of an ordinary resolution by the relevant Independent Shareholders by way of poll at the First SGM approving the relevant Special Deal Arrangements. Further particulars of the Special Deal Arrangements are set out below. The Youzan Technology Share Award Plan B does not constitute a special deal under Rule 25 of the Takeovers Code as it is a proposed arrangement between Youzan Technology and the Offeror.

## LETTER FROM THE BOARD

Each of the Youzan Technology Share Incentive Plans and the transactions contemplated or arising thereunder are also connected transactions under Chapter 20 of the GEM Listing Rules and the relevant compliance requirements under the GEM Listing Rules are set out below (for the sake of completeness, the compliance requirements under both Chapters 19 and 20 of the GEM Listing Rules are included).

| <b>Youzan Technology Incentive Plan</b>                                                                                                                                                                                                                                       | <b>Reason it is a connected transaction of China Youzan under Chapter 20 of the GEM Listing Rules</b>                                                                                                                                                                                                                                                             | <b>Highest applicable percentage ratio under Rule 19.07 of the GEM Listing Rules</b> | <b>Compliance requirements under Chapter 19 and/or 20 of the GEM Listing Rules</b>                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Adoption of the Youzan Technology Share Award Plan A and the proposed grants of share awards thereunder                                                                                                                                                                       | The proposed grants of share awards by Youzan Technology under the Youzan Technology Share Award Plan A to the proposed grantees concern a total of 106,428,391 existing Youzan Technology Shares, amongst which share awards for 44,000,000 existing Youzan Technology Shares will be granted to the Plan A Connected Grantees                                   | Exceeds 5% but is lower than 25%                                                     | Announcement and reporting requirements under Chapters 19 and 20 of the GEM Listing Rules.<br><br>Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. |
| (i) Adoption of the Youzan Technology Share Award Plan B and the proposed grant of share award to Mr. Zhu Ning (or Whitecrow) thereunder, and<br><br>(ii) the Anti-Dilution Issue to China Youzan in connection with the adoption of the Youzan Technology Share Award Plan B | (i) The proposed grant of a share award under the Youzan Technology Share Award Plan B to Mr. Zhu Ning (or Whitecrow), a connected person, concerns 84,432,360 new Youzan Technology Shares<br><br>(ii) The Anti-Dilution Issue to China Youzan involves the subscription by China Youzan for 91,087,206 new Youzan Technology Shares in its connected subsidiary | When aggregated, exceeds 5% but is lower than 25%                                    | Announcement and reporting requirements under Chapters 19 and 20 of the GEM Listing Rules.<br><br>Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. |
| Adoption of the Youzan Technology RSU Plan C and the proposed grants of Plan C RSUs thereunder                                                                                                                                                                                | Proposed grants of Plan C RSUs by Youzan Technology under Youzan Technology RSU Plan C involve a total of 10,815,887 new Youzan Technology Shares, amongst which Plan C RSUs corresponding to 5,736,252 new Youzan Technology Shares are proposed to be granted to the Plan C Connected Grantees                                                                  | Exceeds 0.1% but is lower than 5%                                                    | Announcement and reporting requirements under Chapter 20 of the GEM Listing Rules.<br><br>Independent Shareholders' approval under Chapter 20 of the GEM Listing Rules is not required.      |

The purpose of this circular is to provide you with, among other things, (i) further details of the Special Deal Arrangements and the Connected Transactions for your consideration and, if thought fit, approval; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders as to (a) in respect of the Special Deal Arrangements, whether the terms of each of the Special Deal Arrangements are fair and reasonable and in the interests of the Independent Shareholders; and (b) in respect of the Connected Transactions, whether the terms of each of the Connected Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the China Youzan Group and in the interests of China Youzan and its shareholders as a whole, and the voting action that the Independent Board Committee would recommend taking into account the recommendations of the Independent

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## LETTER FROM THE BOARD

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Financial Adviser; and (iii) a letter from the Independent Financial Adviser to both the Independent Board Committee and the Independent Shareholders as to (a) in respect of the Special Deal Arrangements, whether the terms of each of the Special Deal Arrangements are fair and reasonable and in the interests of the Independent Shareholders; and (b) in respect of the Connected Transactions, whether the terms of each of the Connected Transactions is fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the China Youzan Group and in the interests of China Youzan and its shareholders as a whole, and the voting action that the Independent Financial Adviser would recommend; and (iv) the Notice of the First SGM.

This letter from the Board contains views and opinions of China Youzan as approved by the Board at a Board meeting held. The views of the Independent Board Committee, are set out in the letter from the Independent Board Committee to the Independent Shareholders and states (i) in respect of the Special Deal Arrangements, whether the terms of each of the Special Deal Arrangements are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the Connected Transactions, whether the terms of each of the Connected Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the China Youzan Group and in the interests of China Youzan and its shareholders as a whole, and the voting action that the Independent Board Committee would recommend taking into account the recommendations of the Independent Financial Adviser.

**Whilst this circular also contains certain details of the Proposal (including the Distribution and the Scheme), shareholders and potential investors of China Youzan should refer to the Joint Announcement and the Scheme Document to be issued for further details of the Proposal and shall not solely rely on the information contained in this circular for understanding the full details of the Proposal.**

### THE PROPOSAL

Pursuant to the Joint Announcement, the Offeror and China Youzan jointly announced that 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 satisfaction or waiver (as applicable) of the Scheme Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders whose names appear on the register of members of China Youzan as at the Record Date will receive from the Offeror:

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

In addition to the Scheme Consideration, under the Proposal, subject to the fulfilment of the Distribution Conditions, China Youzan will make the Distribution 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 and/or the China Youzan Excluded Shareholders Entities) 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. On the date of the A1 Announcement, an application has been made to the Stock Exchange in respect of the Youzan Technology Listing and the listing application is in progress.

**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.**

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## LETTER FROM THE BOARD

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

### SCHEME PRE-CONDITIONS

The making of the Proposal by the Offeror is subject to the satisfaction or waiver of the 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; and
- (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.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Scheme Pre-Condition (e) has been satisfied and none of the other Scheme Pre-Conditions has been satisfied or waived. Further announcement(s) will be made as soon as practicable after the other 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.

### 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 Scheme Conditions as set out in the paragraph headed "2.7 SCHEME CONDITIONS" of the Joint Announcement.

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.

As at the Latest Practicable Date, none of the Scheme Conditions has been satisfied or waived.

### 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 and/or the China Youzan Excluded Shareholders Entities) as at the Record Date.

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

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## LETTER FROM THE BOARD

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Excluded Shareholders and/or the China Youzan Excluded Shareholders Entities) 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 Latest Practicable Date; (b) 785,249,026 Youzan Technology Shares held by China Youzan as at the Latest Practicable Date plus 91,087,206 Youzan Technology Shares proposed to be issued to China Youzan pursuant to the Youzan Technology Share Award Plan B and the Anti-Dilution Issue, 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, but prior to the dilution impact resulting from the proposed issuance of new Youzan Technology Shares under the Youzan Technology RSU Plan C as detailed below); and (c) none of the outstanding China Youzan Options will be exercised or lapsed from the Latest Practicable 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 Latest Practicable 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.

### *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;



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## LETTER FROM THE BOARD

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- (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. As at the Latest Practicable Date, none of the Distribution Conditions has been satisfied.

For more details of the Proposal, please refer to the Joint Announcement. The Scheme Document, which will be despatched to the Scheme Shareholders in due course, will also set out further details of the Proposal and 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.

**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 and the making of the Distribution), is subject to the satisfaction or waiver (as applicable) of the Scheme Conditions and the Distribution Conditions, and therefore the Proposal may or may not be implemented, the Scheme may or may not become effective and the Distribution may or may not be made. 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.**

### INFORMATION OF 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.



# LETTER FROM THE BOARD

## INFORMATION ON CHINA YOUZAN

### 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.

### Shareholding Information of China Youzan

As at the Latest Practicable 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 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 Latest Practicable Date and the Scheme Effective Date, the table below sets out the shareholding structure of China Youzan as at the Latest Practicable Date and immediately upon completion of the Youzan Technology Listing and the Proposal (and the Scheme becoming effective):

| Shareholders                                  | As at the Latest Practicable 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                                                      |

## LETTER FROM THE BOARD

| Shareholders                                                                                                                      | As at the Latest Practicable 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 |
|                                                                                                                                   |                                   |                                                           |                                                                                                                                                                                         |                                                           |
| <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                                                      | –                                                                                                                                                                                       | –                                                         |
| Mr. Zhu Kun (Note 10)                                                                                                             | 9,207,528                         | 0.05                                                      | –                                                                                                                                                                                       | –                                                         |
| <b>Parties acting in concert with the Offeror subject to the Scheme</b>                                                           | <b>1,457,999,534</b>              | <b>8.46</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>4,029,960,465</b>              | <b>23.36</b>                                              | <b>17,260,003,617</b>                                                                                                                                                                   | <b>100.00</b>                                             |
| China Youzan Trustee (Note 7)                                                                                                     | 149,572,600                       | 0.87                                                      | –                                                                                                                                                                                       | –                                                         |
| Other Disinterested Scheme Shareholders                                                                                           | 13,080,470,552                    | 75.77                                                     | –                                                                                                                                                                                       | –                                                         |
| <b>Total number of Scheme Shares held by the Disinterested Scheme Shareholders</b>                                                | <b>13,230,043,152</b>             | <b>76.64</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:*

- Each a Director.
- A company beneficially wholly-owned by Mr. Zhu Ning, a Director and the sole beneficial owner of the Offeror.
- A company beneficially wholly-owned by Mr. Guan Guisen, a former Director.
- A company beneficially wholly-owned by Mr. Cui Yusong, a Director.
- 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.
- A company beneficially wholly-owned by Mr. Huang Rongrong, a former director of Youzan Technology.

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## LETTER FROM THE BOARD

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7. The China Youzan Shares held by the China Youzan Trustee are held on trust for the China Youzan 2018 Share Award Plan. The China Youzan 2018 Share Award Plan was adopted by China Youzan on 31 May 2018 for the purpose of recognising the contributions by eligible persons of the China Youzan 2018 Share Award Plan and providing them with incentives in order to retain them for continuing operation and development of the China Youzan Group, and attracting suitable personnel for further development of the China Youzan Group.

As at the Latest Practicable Date, the China Youzan Trustee holds a total of 149,572,600 China Youzan Shares as trustee under the China Youzan 2018 Share Award Plan, comprising:

- (i) a total of 115,916,400 China Youzan Shares held as China Youzan Awarded Shares granted but yet to be vested with the relevant grantees;
- (ii) a total of 1,111,000 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 32,545,200 China Youzan Shares held as a reserve for future awards under the China Youzan 2018 Share Award Plan (the “**Reserve**”).

Out of the 149,572,600 China Youzan Shares held by the China Youzan Trustee as trustee under the China Youzan 2018 Share Award Plan, 17,600,000 China Youzan Shares are held as China Youzan Awarded Shares granted but yet to be vested with Mr. Huan Fang, who is one of the China Youzan Excluded Shareholders and a party acting or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code. It is expected that such unvested 17,600,000 China Youzan Awarded Shares will not vest with Mr. Huan Fang during the offer period in respect of the Proposal. None of the other China Youzan Awarded Shares held by the China Youzan Trustee as trustee are granted to or are vested with the Offeror or parties acting or presumed to be acting in concert with the Offeror.

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 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 Joint 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 First SGM, the Court Meeting 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, none of whom are or will be parties acting or presumed to be acting in concert with Offeror).

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).

## LETTER FROM THE BOARD

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. The brother of Mr. Zhu Ning, who is a party presumed to be acting in concert with the Offeror under class (2) of the presumptions in the definition of acting in concert under the Takeovers Code.
11. As confirmed by Messis Capital Limited, as at the Latest Practicable 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 Joint Announcement Date up to the Latest Practicable Date.
12. 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 “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 up to the Scheme Effective Date or the date on which the Scheme lapses.

### Financial Information of China Youzan

Set out below is a summary of certain audited financial information of the China Youzan Group extracted from the annual reports of China Youzan for the three years ended 31 December 2018, 2019 and 2020 respectively:

|                   | <b>Year ended<br/>31 December 2020<br/>(audited)<br/>(RMB'000)</b> | <b>Year ended<br/>31 December 2019<br/>(audited)<br/>(Re-presented)<br/>(Note 1)<br/>(RMB'000)</b> | <b>Year ended<br/>31 December 2018<br/>(audited)<br/>(Restated)<br/>(Note 2)<br/>(RMB'000)</b> |
|-------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Revenue           | 1,820,723                                                          | 1,168,857                                                                                          | 586,287                                                                                        |
| Gross profit      | 1,082,084                                                          | 593,402                                                                                            | 198,211                                                                                        |
| Loss for the year | (545,653)                                                          | (915,569)                                                                                          | (725,907)                                                                                      |

|                   | <b>As at<br/>31 December 2020<br/>(audited)<br/>(RMB'000)</b> | <b>As at<br/>31 December 2019<br/>(audited)<br/>(Re-presented)<br/>(Note 1)<br/>(RMB'000)</b> | <b>As at<br/>31 December 2018<br/>(audited)<br/>(Restated)<br/>(Note 2)<br/>(RMB'000)</b> |
|-------------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Total assets      | 12,212,480                                                    | 10,498,860                                                                                    | 6,683,935                                                                                 |
| Total liabilities | 7,582,381                                                     | 6,599,813                                                                                     | 2,799,469                                                                                 |
| Net assets        | 4,630,099                                                     | 3,899,047                                                                                     | 3,884,466                                                                                 |

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## LETTER FROM THE BOARD

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*Note:*

- (1) As previously disclosed by China Youzan in the 2020 Annual Report, China Youzan Group re-presented certain comparative figures for the year ended 31 December 2019 to conform to the presentation for the year ended 31 December 2020. The new classification of the accounting items is considered to provide a more appropriate presentation of the state of affairs of the China Youzan Group and provide more relevant information to reflect the China Youzan Group's nature of assets, liabilities, income and expenses.
- (2) As previously disclosed by China Youzan in the 2019 Annual Report, 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.

### INFORMATION ON YOUZAN TECHNOLOGY

#### 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.

#### Shareholding Information of Youzan Technology

As at the Latest Practicable 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 Latest Practicable 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 Joint Announcement Date and the Scheme Effective Date, the table below sets out the shareholding structure of Youzan Technology (i) as at the Latest Practicable 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):

# LETTER FROM THE BOARD

| Shareholders                                                                          | As at the                                   |                                                           | As at the Record Date (Note 1)              |                                                       | Immediately upon completion of<br>the Proposal and the Youzan<br>Technology Listing (and the<br>Scheme becoming effective)<br>(assuming none of the outstanding<br>China Youzan Options are exercised)<br>(Note 2) |                                                       |
|---------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------|---------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
|                                                                                       | Latest Practicable Date                     |                                                           |                                             |                                                       |                                                                                                                                                                                                                    |                                                       |
|                                                                                       | Approximate %                               |                                                           | Approximate %                               |                                                       | Approximate %                                                                                                                                                                                                      |                                                       |
|                                                                                       | Number of<br>Youzan<br>Technology<br>Shares | of the issued<br>share capital of<br>Youzan<br>Technology | Number of<br>Youzan<br>Technology<br>Shares | of issued share<br>capital of<br>Youzan<br>Technology | Number of<br>Youzan<br>Technology<br>Shares                                                                                                                                                                        | of issued share<br>capital of<br>Youzan<br>Technology |
| China Youzan                                                                          | 785,249,026                                 | 51.90                                                     | 876,336,232                                 | 51.90                                                 | 245 (Note 5)                                                                                                                                                                                                       | 0.00                                                  |
| Whitecrow (Note 3)                                                                    | 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                                                  |
| Hangzhou San Ren Yan Xing<br>Investment Partnership (LLP)<br>(杭州三仁焱興投資合夥企業<br>(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 4)                                                                    | –                                           | –                                                         | –                                           | –                                                     | 10,815,887                                                                                                                                                                                                         | 0.64                                                  |
| Other China Youzan Shareholders                                                       | –                                           | –                                                         | –                                           | –                                                     | 697,768,736                                                                                                                                                                                                        | 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:

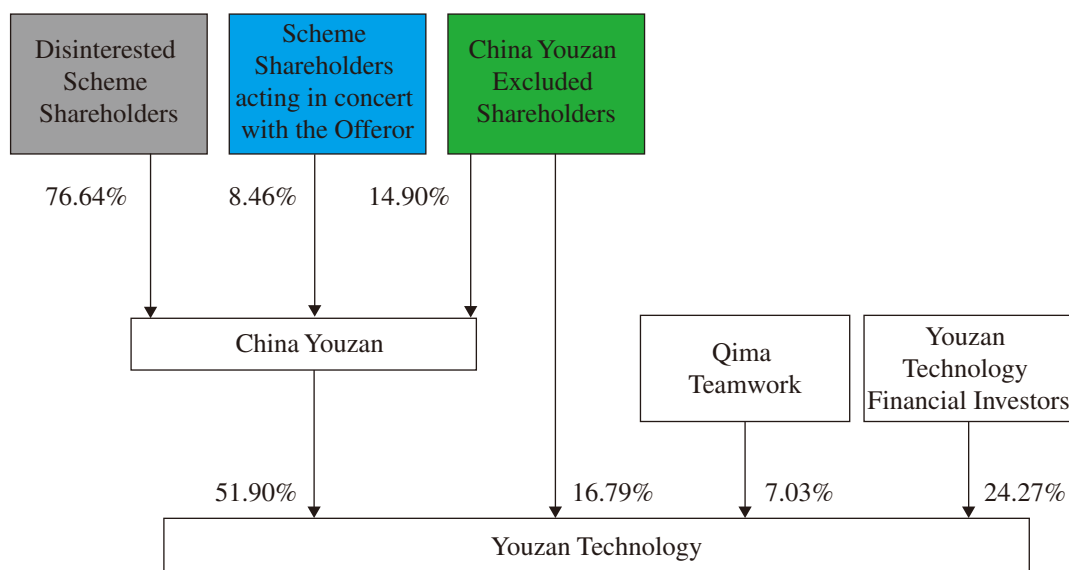
- (1) Assuming each of (a) the proposed transfer of Youzan Technology Shares from Qima Teamwork Inc. to Trustee A pursuant to the Youzan Technology Share Award Plan A; and (b) the proposed issue of new Youzan Technology Shares pursuant to Youzan Technology Share Award Plan B and the Anti-Dilution Issue has been completed prior to the Record Date.

## LETTER FROM THE BOARD

- (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) The shareholding figures of Whitecrow (a) as at the Record Date and (b) immediately upon completion of the Proposal and the Youzan Technology Listing (and the Scheme becoming effective) assumes that the new Youzan Technology Shares are issued to Whitecrow pursuant to Youzan Technology Share Award Plan B. Pursuant to the terms of Youzan Technology Share Award Plan B, the grant of the share award may be made to Mr. Zhu Ning (or Whitecrow).
- (4) 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.
- (5) 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 Latest Practicable 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.
- (6) 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.

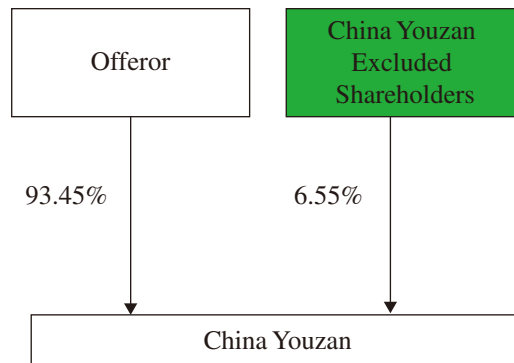
On the assumption that (a) there is no other change in the number of China Youzan Shares in issue and the shareholding in China Youzan between the Latest Practicable Date and the Scheme Effective Date; (b) 51.90% of the total issued share capital of Youzan Technology held by China Youzan shall be distributed 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 Joint 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 Latest Practicable Date:*

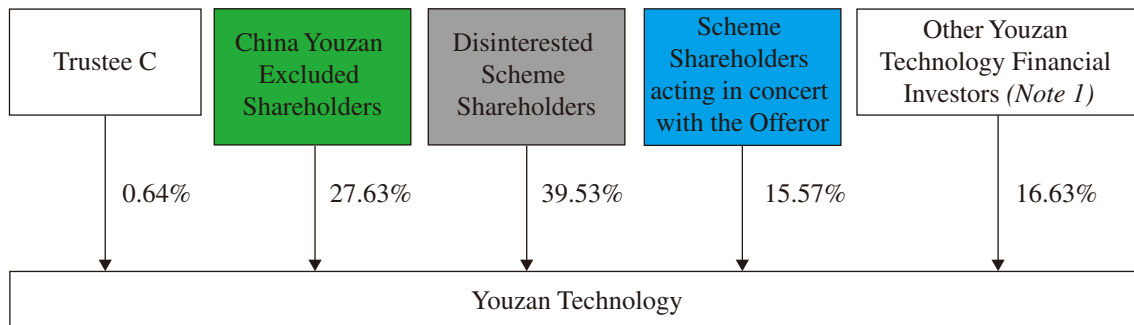


## LETTER FROM THE BOARD

- (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 Proposal and the Youzan Technology Listing (and the Scheme becoming effective):*



*Note:*

- (1) The other Youzan Technology Financial Investors comprise the Youzan Technology Financial Investors excluding Aves Capital, LLC, Franchise Fund LP, Tembusu HZ II Limited, Matrix Partners China III, L.P., Matrix Partners China III-A, L.P. and GCYZ Holdings Limited, which are Scheme Shareholders acting in concert with the Offeror.
- (2) 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.



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## LETTER FROM THE BOARD

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### *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<br/>months ended<br/>30 September 2020<br/>(unaudited)<br/>(RMB'000)</b> | <b>For the year ended<br/>31 December 2019<br/>(unaudited)<br/>(RMB'000)</b> | <b>For the year ended<br/>31 December 2018<br/>(unaudited)<br/>(RMB'000)</b> |
|-----------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Loss before tax             | 235,533                                                                                  | 569,811                                                                      | 803,400                                                                      |
| Loss for the<br>period/year | 219,295                                                                                  | 503,484                                                                      | 714,072                                                                      |

Youzan Technology Group's (i) unaudited loss before tax, and (ii) unaudited loss for the period/year for the nine months ended 30 September 2020 and for each of the years ended 31 December 2019 and 2018 as set out in the Application Proof (the “**Unaudited Financial Figures**”) constituted 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.

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 to the 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 for the year ended 31 December 2020.

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 20 April 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 to the comfort letter issued by RSM, and are 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 for the year ended 31 December 2020. 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 Appendix II to this circular.

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## LETTER FROM THE BOARD

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### ROLLOVER ARRANGEMENT – SPECIAL DEAL ARRANGEMENT

The Offeror would like to have each of the China Youzan Excluded Shareholders excluded from the Scheme, such that the China Youzan Shares held by him/her/it and the China Youzan Excluded Shareholders Entities owned or controlled by him/her/it (if relevant) (the “**Excluded Shares**”) will be excluded from the Scheme and which will not form part of the Scheme Shares. The China Youzan Excluded Shareholders also indicated that if the Scheme is approved at the Court Meeting, they would exercise or procure the exercise of all voting rights attached to the Excluded Shares held by him/her/it and the China Youzan Excluded Shareholders Entities owned or controlled by him/her/it (where relevant) at the Second SGM in favour of all the resolutions which are necessary to implement or otherwise relate to the Proposal.

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 (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. As at the Latest Practicable Date, the Excluded Shares in aggregate comprise a total of 2,571,960,931 China Youzan Shares, representing 14.90% of the issued share capital of China Youzan.

The Offeror is of the view that the Offeror can benefit from excluding the China Youzan Excluded Shareholders and/or the China Youzan Excluded Shareholders Entities from the Scheme in terms of reducing the burden of the cash resources required for paying the Scheme Consideration under the Scheme, while China Youzan can benefit from the continuing contributions of the China Youzan Excluded Shareholders as shareholders of China Youzan after completion of the Scheme.

However, for the avoidance of doubt, the China Youzan Excluded Shareholders and/or the China Youzan Excluded Shareholders Entities 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.

As the Rollover Arrangement is only in respect of the China Youzan Excluded Shareholders and/or the China Youzan Excluded Shareholders Entities (as the case may be), 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 has made an application for the consent from the Executive to proceed with 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

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## LETTER FROM THE BOARD

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- (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 as a special deal under Rule 25 of the Takeovers Code (which is a non-waivable Scheme Pre-Condition).

### **YOUZAN TECHNOLOGY SHARE AWARD PLAN A – SPECIAL DEAL ARRANGEMENT AND CONNECTED TRANSACTION**

#### **Reasons for the adoption of the Youzan Technology Share Award Plan A**

On 16 May 2018, the board of Youzan Technology resolved to adopt the Youzan Technology 2018 Share Award Plan, and in connection with the implementation of such plan, each of Qima Teamwork (for the purpose of attracting, retaining and providing additional incentives to employees and consultants of Youzan Technology) and China Youzan (for the purpose of anti-dilution) were allotted and issued with 78,314,984 and 81,511,508 Youzan Technology Shares respectively, in each case for nominal consideration. Upon the completion of such allotment and issuance, Qima Teamwork and China Youzan held 5.69% and 51.0% of the then total issued share capital of Youzan Technology as enlarged by such allotment and issuance, respectively.

On 2 August 2019, the board of Youzan Technology resolved to adopt the Youzan Technology 2019 Share Award Plan to replace the Youzan Technology 2018 Share Award Plan, following which the Youzan Technology 2018 Share Award Plan was terminated. In connection with the implementation of the Youzan Technology 2019 Share Award Plan, a further 28,113,407 Youzan Technology Shares were allotted and issued to Qima Teamwork for nominal consideration. Upon such allotment and issuance, Qima Teamwork held 7.42% of the then total issued share capital of Youzan Technology as enlarged by such allotment and issuance.

As at the Latest Practicable Date, Qima Teamwork held, and the Youzan Technology 2019 Share Award Plan 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 Latest Practicable Date).

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. Since the adoption of the Youzan Technology 2018 Share Award Plan and Youzan Technology 2019 Share Award Plan, no grant of share awards has been made by Youzan Technology thereunder. In view of the Proposal, Youzan Technology does not intend to grant any share awards under the Youzan Technology 2019 Share Award Plan up to the earlier of the Scheme Effective Date or the date on which the Scheme lapses. However, as further elaborated below in this circular, if the proposed Youzan Technology Share Award Plan A becomes effective, it is intended that prior to the Record Date (which will be prior to the Scheme becoming effective and the Youzan Technology Listing), grants of share awards under the proposed Youzan Technology Share Award Plan A will be made to the proposed grantees thereunder.

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## LETTER FROM THE BOARD

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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, 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. Pursuant to such proposal, Qima Teamwork shall transfer all of the 106,428,391 Youzan Technology Shares (representing approximately 7.03% of the total issued share capital of Youzan Technology as at the Latest Practicable Date) currently held by it to the Trustee A and grants of share awards will be made to the proposed grantees thereunder.

### General Information

The principal terms of the Youzan Technology Share Award Plan A are set out below:

|                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term:                                                          | The Youzan Technology Share Award Plan A shall become effective upon the fulfilment of the Plan A Effectiveness Conditions, and shall terminate prior to (and regardless of) the Youzan Technology Listing after all of the share awards under the Youzan Technology Share Award Plan A have been fully granted and vested with the relevant grantees thereunder.                                                                                                                                                                                                                                       |
| Proposed grantees of the Youzan Technology Share Award Plan A: | 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. Amongst these approximate 520 proposed grantees, four of them are connected persons of China Youzan and the total grants to them are proposed to involve 44,000,000 existing Youzan Technology Shares.                                                                                                                                                                                                  |
| Number of Youzan Technology Shares involved:                   | 106,428,391 existing Youzan Technology Shares (representing approximately 7.03% of the total issued share capital of Youzan Technology as at the Latest Practicable Date) currently held by Qima Teamwork which will be transferred to Trustee A for the granting of share awards to the proposed grantees. Such transfer of Youzan Technology Shares currently held by Qima Teamwork to Trustee A will not result in any dilution impact in the current shareholding interest of China Youzan in Youzan Technology or the enlargement of the existing total issued share capital of Youzan Technology. |
| Nature of rights upon grant:                                   | Share award.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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## LETTER FROM THE BOARD

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|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nature of rights upon vesting:                       | Existing Youzan Technology Shares.                                                                                                                                                                                                                                                                                                                                                                                                              |
| Proposed timing of grant:                            | Subject to the satisfaction of the Plan A Effectiveness Conditions, all grants are intended to be made prior to (and regardless of) the Youzan Technology Listing and prior to the Record Date.                                                                                                                                                                                                                                                 |
| Proposed timing of vesting:                          | Immediately upon grant.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Vesting conditions:                                  | None.                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Holder of the Youzan Technology Shares upon vesting: | Trustee A, being a professional independent trustee to be appointed by Youzan Technology. Notwithstanding the termination of the Youzan Technology Share Award Plan A upon the granting and vesting of all of the share awards thereunder, Trustee A will continue to hold the Youzan Technology Shares on trust for and for the benefit of the grantees thereunder until all Youzan Technology Shares held by Trustee A have been disposed of. |
| Subscription price:                                  | None. Given that the plan concerns existing Youzan Technology Shares, there will be no subscription price or exercise price upon the granting and vesting of share awards.                                                                                                                                                                                                                                                                      |

### **Conditionality – Plan A Effectiveness Conditions**

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 are conditional upon the fulfilment of the following 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 relevant Independent Shareholders 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) of the Plan A Effectiveness Conditions set out above is a waivable Scheme Pre-Condition.

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## LETTER FROM THE BOARD

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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 Latest Practicable 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, since 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. Accordingly, the adoption of and grants of share awards made under the Youzan Technology Share Award Plan A will not have any dilution impact on the current shareholding interest held by China Youzan in Youzan Technology (which is approximately 51.90% as at the Latest Practicable Date).

It is expected that grants of share awards under the Youzan Technology Share Award Plan A will occur regardless of whether the Youzan Technology Listing is completed.

### **Takeovers Code Implications**

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 proposed adoption of the Youzan Technology Share Award Plan A with grants of share awards to grantees who are also Scheme Shareholders constitutes a special deal under Rule 25 of the Takeovers Code.

The Offeror has made an application for the consent from the Executive to the adoption of the Youzan Technology Share Award Plan A and the granting of share awards thereunder, conditional on: (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 connected transaction under Chapter 20 of the GEM Listing Rules and a special deal under Rule 25 of the Takeovers Code.

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## LETTER FROM THE BOARD

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### GEM Listing Rules Implications for the purpose of this Circular

Conditional upon the effectiveness of the amendment and substitution of the Youzan Technology 2019 Share Award Plan by the Youzan Technology Share Award Plan A, 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. Amongst these approximate 520 proposed grantees, four of them are connected persons of China Youzan and the total grants to them are proposed to involve 44,000,000 existing Youzan Technology Shares. The identity and proposed respective entitlements of such connected persons (the “**Plan A Connected Grantees**”) are as follows:

| <b>Identity of the Plan A Connected Grantees</b> |                | <b>Proposed number<br/>of share awards of<br/>existing Youzan<br/>Technology<br/>Shares to be<br/>granted</b> |
|--------------------------------------------------|----------------|---------------------------------------------------------------------------------------------------------------|
| 1.                                               | Huang Rongrong | 16,300,000                                                                                                    |
| 2.                                               | Cui Yusong     | 16,700,000                                                                                                    |
| 3.                                               | Yu Tao         | 5,500,000                                                                                                     |
| 4.                                               | Ying Hangyan   | 5,500,000                                                                                                     |
| Total:                                           |                | <u>44,000,000</u>                                                                                             |

As the highest applicable percentage ratio in respect of the adoption of the Youzan Technology Share Award Plan A and the proposed grants of share awards thereunder exceed 5% but is lower than 25%, the adoption of the Youzan Technology Share Award Plan A and the proposed grants thereunder constitute connected transactions of China Youzan which require the compliance with the announcement, reporting and the independent China Youzan Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### YOUZAN TECHNOLOGY SHARE AWARD PLAN B – CONNECTED TRANSACTION

It is proposed 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 be made thereunder to Mr. Zhu Ning (or 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 to incentivise Mr. Zhu Ning to stay with Youzan Technology to continue to promote the future development of Youzan Technology's business.



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## LETTER FROM THE BOARD

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It is proposed that, conditional upon the fulfilment of the Plan B Effectiveness Conditions, 84,432,360 new Youzan Technology Shares (representing approximately 5.58% of the total issued share capital of Youzan Technology as at the Latest Practicable 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 a share award to Mr. Zhu Ning or Whitecrow (being a company 100% beneficially owned by Mr. Zhu Ning) prior to the completion of the Youzan Technology Listing.

China Youzan understands from Mr. Zhu Ning and Whitecrow that, should they be 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 the Youzan Technology Group. As at the Latest Practicable Date, no such incentive plan has been established and no possible or potential grantees has been identified.

### General Information

The principal terms of the Youzan Technology Share Award Plan B are set out below:

|                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term:                                                         | The Youzan Technology Share Award Plan B shall become effective upon the fulfilment of the Plan B Effectiveness Conditions, and shall terminate immediately prior to the date of the Youzan Technology Listing upon completion of the grant and vesting of a share award thereunder to and with Mr. Zhu Ning (or Whitecrow).                                                                                                                                                                                    |
| Proposed grantee of the Youzan Technology Share Award Plan B: | Mr. Zhu Ning (or Whitecrow).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Total number of Youzan Technology Shares involved:            | 84,432,360 Youzan Technology Shares (representing approximately 5.58% of the total issued share capital of Youzan Technology as at the Latest Practicable Date, and approximately 5.00% of the total issued share capital of Youzan Technology as enlarged by the issuance of the 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). |



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## LETTER FROM THE BOARD

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|                                                      |                                                                                                                                                   |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Nature of rights upon grant:                         | Share award.                                                                                                                                      |
| Nature of rights upon vesting:                       | New Youzan Technology Shares.                                                                                                                     |
| Proposed timing of grant:                            | Subject to the satisfaction of the Plan B Effectiveness Conditions, prior to the Record Date and the completion of the Youzan Technology Listing. |
| Proposed timing of vesting:                          | Immediately upon grant.                                                                                                                           |
| Vesting conditions:                                  | None.                                                                                                                                             |
| Holder of the Youzan Technology Shares upon vesting: | Mr. Zhu Ning (or Whitecrow).                                                                                                                      |
| Subscription price:                                  | Nominal subscription price of US\$0.00001 per Youzan Technology Share shall be payable by Youzan Technology upon the vesting of the share award.  |

### **Anti-Dilution Issue of new Youzan Technology Shares to China Youzan**

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 to Mr. Zhu Ning (or Whitecrow) thereunder, it is proposed that, concurrent with the issue of 84,432,360 new Youzan Technology Shares to Mr. Zhu Ning (or Whitecrow) thereunder which is conditional upon the fulfilment of the Plan B Effectiveness Conditions, China Youzan will 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 Latest Practicable 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 proposed issuance of new Youzan Technology Shares under the Youzan Technology RSU Plan C), such that the percentage of China Youzan's current shareholding in Youzan Technology (being approximately 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**"). As a result, China Youzan will continue to hold approximately 51.90% of the total issued share capital of Youzan Technology as enlarged by the proposed issue of new Youzan Technology Shares under the Youzan Technology Share Award Plan B and the Anti-Dilution Issue (but prior to the dilution impact resulting from the proposed issuance of new Youzan Technology Shares under the Youzan Technology RSU Plan C as detailed below).

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## LETTER FROM THE BOARD

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### Conditionality – Plan B Effectiveness Conditions

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 are conditional upon the fulfilment of the following Plan B Effectiveness Conditions:

- (a) the passing of an ordinary resolution by the relevant Independent Shareholders to approve the adoption of the Youzan Technology Share Award Plan B and the grant of share award 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) of the Plan B Effectiveness Conditions set out above is a non-waivable Scheme Pre-Condition.

The effectiveness 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 Stock Exchange having granted in-principle approval for the Youzan Technology Listing, but will **not** be conditional upon the Scheme becoming effective.

### GEM Listing Rules Implications for the purpose of this Circular

The proposed grantee of share award under the Youzan Technology Share Award Plan B is Mr. Zhu Ning, an executive Director of China Youzan, (or Whitecrow, being a company 100% beneficially owned by Mr. Zhu Ning). It is expected that 84,432,360 Youzan Technology Shares (representing approximately 5.58% of the total issued share capital of Youzan Technology as at the Latest Practicable 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 a share award to Mr. Zhu Ning (or Whitecrow) prior to the completion of the Youzan Technology Listing. Mr. Zhu Ning and Whitecrow (an associate of Mr. Zhu Ning) are connected persons of China Youzan under Chapter 20 of the GEM Listing Rules.

Under the Anti-Dilution Issue, China Youzan will 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 Latest Practicable Date, and approximately 5.39% of the total issued share capital of Youzan Technology as enlarged by the proposed issuance of new Youzan Technology

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## LETTER FROM THE BOARD

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Shares under the Youzan Technology Share Award Plan B and the Anti-Dilution Issue but prior to the impact of the issuance of new Youzan Technology Shares under the Youzan Technology RSU Plan C). Youzan Technology is a connected subsidiary of China Youzan and hence a connected person of China Youzan under Chapter 20 of the GEM Listing Rules.

Whilst the issuance of new Youzan Technology Shares to Mr. Zhu Ning (or Whitecrow) under the Youzan Technology Share Award Plan B will by itself constitute a deemed disposal of China Youzan's interest in Youzan Technology, the subscription of new Youzan Technology Shares by China Youzan under the Anti-Dilution (which will occur on an inter-conditional basis with the issuance of new Youzan Technology Shares to Mr. Zhu Ning and Whitecrow) will maintain China Youzan's interest in Youzan Technology at 51.90%. As the highest applicable percentage ratios in respect of such grant of share award and the subscription by China Youzan under the Anti-Dilution Issue in aggregate exceeds 5% but is lower than 25%, the adoption of the Youzan Technology Share Award Plan B and the proposed grant of share award thereunder to Mr. Zhu Ning (or Whitecrow) and the Anti-Dilution Issue constitute connected transactions of China Youzan which require the compliance with the announcement, reporting and independent China Youzan Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. For sake of completeness, as mentioned above under the section headed "INTRODUCTION", the adoption of the Youzan Technology Share Award Plan B and the Anti-Dilution Issue constituted, on an aggregate basis, a discloseable transaction under Chapter 19 of the GEM Listing Rules.

### **YOUZAN TECHNOLOGY RSU PLAN C – SPECIAL DEAL ARRANGEMENT**

#### **China Youzan Options**

As at the Latest Practicable Date, 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 optionholder 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 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 (a Senior Vice President of Youzan Technology and a non-connected person of China Youzan); (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. Among these outstanding China Youzan Options, 161,252,000 China Youzan Options were granted to and are held by connected persons of China Youzan, and 131,552,000 China Youzan Options were granted to and are held by non-connected persons of China Youzan.

As disclosed in the Joint Announcement and the Incentive Plans Announcement, China Youzan does not intend to grant any further China Youzan Options under the China Youzan 2019 Option Scheme from the Joint Announcement Date up to the earlier of the Scheme Effective Date or the date of which the Scheme otherwise lapses. **Under the terms of the China Youzan 2019 Option Scheme, upon the Scheme becoming effective, all outstanding (and unexercised) China Youzan Options will automatically lapse.**

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## LETTER FROM THE BOARD

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As at the Latest Practicable 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 relevant China Youzan Optionholders; and
- (b) a total of 244,500,000 outstanding China Youzan Options remain unvested, a portion of which 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 at the Latest Practicable Date, the Offeror and China Youzan have obtained the Optionholder Irrevocable Undertakings from all China Youzan Optionholders as of the Joint Announcement Date, and Scheme Pre-Condition (e) has been satisfied. Therefore, it is expected that there will not be any further exercise of the 292,804,000 outstanding China Youzan Options (whether or not vested) by the China Youzan Optionholders up to the Scheme Effective Date or the date on which the Scheme lapses.

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. Instead, it is proposed that the China Youzan Options Conversion Proposal be implemented.

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 the Scheme becomes effective, the China Youzan Options will lapse automatically upon the Scheme becoming effective.

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

In view that the vast majority of the outstanding China Youzan Options are unvested at the time of the Joint Announcement and in order to provide a 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 proposed that the following arrangements 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 are fully vested and exercised (by the payment of the relevant exercise price) with the vesting of such 'see through' entitlements under the new Youzan Technology RSU Plan C being in accordance with the original vesting schedule under the China Youzan 2019 Option Scheme:

- (a) each of the China Youzan Optionholders will provide an Optionholder Irrevocable Undertaking to the Offeror and China Youzan;
- (b) each of the Board and the board of Youzan Technology resolves to adopt the Youzan Technology RSU Plan C, the effectiveness of which is subject to the satisfaction of the Plan C Effectiveness Conditions; and

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## LETTER FROM THE BOARD

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- (c) each of the China Youzan Optionholders will receive grants of Plan C RSUs under the Youzan Technology RSU Plan C which will entitle him/her to receive new Youzan Technology Shares corresponding to their respective Plan C See Through Entitlements, with the vesting of such grants under the new Youzan Technology RSU Plan C being in accordance with the original vesting schedule under the China Youzan 2019 Option Scheme,

(together, the “**China Youzan Options Conversion Proposal**”).

Accordingly, upon the effectiveness of the Youzan Technology RSU Plan C, all the outstanding China Youzan Options will lapse and the entitlements of the China Youzan Optionholders under the China Youzan 2019 Option Scheme will be substituted by the Plan C See Through Entitlements of such China Youzan Optionholders under the Youzan Technology RSU Plan C.

### General Information

The principal terms of the Youzan Technology RSU Plan C are set out below:

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term:                                                  | The proposed 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.                                                                                                                                                                                                                                                           |
| Proposed grantees of the Youzan Technology RSU Plan C: | <p>Initially, all of the existing China Youzan Optionholders.</p> <p>Please refer to Appendix III of this circular for a list of the proposed initial grantees under the Youzan Technology RSU Plan C (and the information contained in Appendix III assumes that no China Youzan Option held by the China Youzan Optionholders would lapse from the Latest Practicable Date to the Record Date).</p> |

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## LETTER FROM THE BOARD

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Number of Plan C RSUs  
to be granted to each  
China Youzan  
Optionholder:

The number of Plan C 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, being the “**Plan C See Through Entitlements**”:

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

where:

A = the number of Plan C RSUs 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 (being the last trading day prior to the Joint Announcement Date) and the relevant exercise price of the China Youzan Option held by such China Youzan Optionholder

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

E = the total number of Youzan Technology Shares held by China Youzan as at the Record Date (which shall include, 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 at the Joint Announcement Date had not lapsed and had been fully vested and exercised,

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## LETTER FROM THE BOARD

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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.

Please refer to Appendix III of this circular for a list of the entitlements of the proposed initial grantees under the Youzan Technology RSU Plan C based on the outstanding China Youzan Options as at the Joint Announcement Date.

|                                                    |                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Total number of Youzan Technology Shares involved: | 10,815,887 new Youzan Technology Shares, as determined by reference to the total outstanding China Youzan Options as at the Joint Announcement Date and applying the above formula with the Record Date being the Joint Announcement Date, and this number of new Youzan Technology Shares will not be reduced. |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Given that China Youzan and Youzan Technology will not be in a position to estimate the number of China Youzan Options which may lapse between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme, the number of new Youzan Technology Shares to be issued in connection with the Youzan Technology RSU Plan C has been determined as 10,815,887 by applying the above formula with the Record Date being the Joint Announcement Date, notwithstanding that some China Youzan Options may lapse between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme. 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 Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme or the Plan C RSUs not becoming vested in accordance with the terms of Youzan Technology RSU Plan C, the board of Youzan Technology shall be entitled to make further grants of the Plan C RSUs after the Youzan Technology Listing for the purpose of attracting, retaining and providing incentives to employees.

|                              |                                                                                      |
|------------------------------|--------------------------------------------------------------------------------------|
| Nature of rights upon grant: | RSUs, each entitling the grantee to obtain one Youzan Technology Share upon vesting. |
|------------------------------|--------------------------------------------------------------------------------------|

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## LETTER FROM THE BOARD

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|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nature of rights upon vesting: | Conditional upon the fulfilment of the Plan C Effectiveness Conditions, new Youzan Technology Shares will be issued and allotted to Trustee C immediately after the Scheme becoming effective but prior to the Youzan Technology Listing. Grantees will be entitled to existing Youzan Technology Shares then held by Trustee C upon the vesting of the relevant Plan C RSUs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Proposed timing of grant:      | <p>Subject to the satisfaction of the Plan C Effectiveness Conditions, initial grants of the Plan C RSUs to all the existing China Youzan Optionholders will be made immediately after the Scheme becoming effective but prior to the Youzan Technology Listing.</p> <p>The board of Youzan Technology shall be entitled to determine, in its absolute discretion, the timing or terms of any further grants of the Plan C RSUs to the extent that there is any Youzan Technology Shares remaining in the Youzan Technology RSU Plan C as a result of the lapse of China Youzan Options between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme or the Plan C RSUs not becoming vested in accordance with the terms of Youzan Technology RSU Plan C.</p> <p>Please refer to Appendix III of this circular for the vesting schedule of the Plan C RSUs of the proposed initial grantees under the Youzan Technology RSU Plan C.</p> |
| Proposed timing of vesting:    | In respect of the initial grants of the Plan C RSUs to all the existing China Youzan Optionholders, same vesting schedule as that under the China Youzan 2019 Option Scheme, namely (i) to the extent the China Youzan Options have been or will be vested prior to the timing of grant mentioned under “Proposed timing of grant” above, the Plan C RSUs that correspond to such vested China Youzan Options would be immediately vested upon grant; and (ii) to the extent the China Youzan Options have not become vested prior to the timing of grant mentioned under “Proposed timing of grant” above, the vesting of the Plan C RSUs that correspond to such unvested China Youzan Options would be in accordance with the original remaining vesting schedule under the China Youzan 2019 Option Scheme.                                                                                                                                                                                        |



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## LETTER FROM THE BOARD

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The board of Youzan Technology shall be entitled to determine, in its absolute discretion, the timing or terms of any further vesting of the Plan C RSUs to the extent that there is any Youzan Technology Shares remaining in the Youzan Technology RSU Plan C as a result of the lapse of China Youzan Options between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme or the Plan C RSUs not becoming vested in accordance with the terms of Youzan Technology RSU Plan C.

Holder of the Youzan  
Technology Shares:

Trustee C, being a professional independent trustee to be appointed by Youzan Technology, shall hold the new Youzan Technology Shares upon issuance on trust for the benefit of the grantees of the Plan C RSUs under the Youzan Technology RSU Plan C and (in case of any Youzan Technology Shares remaining in the Youzan Technology RSU Plan C as a result of the lapse of China Youzan Options between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme or any Plan C RSUs not becoming vested in accordance with the terms of Youzan Technology RSU Plan C) for the benefit of the plan, and shall assist with the administration of, and the granting and vesting of the Plan C RSUs.

Subscription price:

Nominal subscription price of US\$0.00001 per Youzan Technology Share shall be payable by Youzan Technology upon the issuance of the relevant new Youzan Technology Shares to Trustee C.

### **Conditionality – Plan C Effectiveness Conditions**

The effectiveness of the Youzan Technology RSU Plan C is conditional upon the fulfilment of the following Plan C Effectiveness Conditions:

- (a) the obtaining of the Optionholder Irrevocable Undertaking from each of the China Youzan Optionholders as at the Joint Announcement Date;
- (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 RSU Plan C are fair and reasonable;
- (c) the passing of an ordinary resolution by the relevant Independent Shareholders 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;

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## LETTER FROM THE BOARD

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- (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.

As at the Latest Practicable Date, the Offeror and China Youzan have obtained the Optionholder Irrevocable Undertakings from all China Youzan Optionholders as of the Joint Announcement Date. Accordingly, Scheme Pre-Condition (e) and the Plan C Effectiveness Condition set out in paragraph (a) above has been satisfied. None of the other Plan C Effectiveness Conditions has been fulfilled.

***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) of the Plan C Effectiveness Conditions set out above 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.

Conditional upon the fulfilment of the Plan C Effectiveness Conditions, 10,815,887 new Youzan Technology Shares (representing approximately 0.71% of the total issued share capital of Youzan Technology as at the Latest Practicable Date, and approximately 0.64% 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, the Anti-Dilution Issue and the Youzan Technology RSU Plan C) will be issued and allotted by Youzan Technology to Trustee C immediately after the Scheme becoming effective but prior to the Youzan Technology Listing. Accordingly, if the Youzan Technology RSU Plan C is adopted and becomes effective, the aggregate shareholding interest to be held by all of the China Youzan Shareholders in Youzan Technology (after the Distribution) will be marginally diluted from 51.90% to 51.57% (assuming that the proposed issue of new Youzan Technology Shares pursuant to the Youzan Technology Share Award Plan B and the Anti-Dilution Issue have been approved and completed and the Distribution has been made).

### **Takeovers Code Implications**

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.

## LETTER FROM THE BOARD

The Offeror has made an application for the consent from the Executive to the China Youzan Options Conversion Proposal (which includes the proposed adoption of the Youzan Technology RSU Plan C), conditional on (i) the Independent Financial Adviser to the Independent Board Committee stating in its opinion that the China Youzan Options Conversion Proposal and the terms of the Youzan Technology RSU Plan C are fair and reasonable as 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 as a special deal under Rule 25 of the Takeovers Code.

### GEM Listing Rules Implications for the purpose of this Circular

Conditional upon the effectiveness of the Youzan Technology RSU Plan C, the board of directors of Youzan Technology proposes to grant the Plan C RSUs thereunder to a total of 30 grantees (who are currently the China Youzan Optionholders), 5 of whom are connected persons of China Youzan (the “**Plan C Connected Grantees**”). The total Plan C RSUs would entitle the grantees to receive a total of 10,815,887 new Youzan Technology Shares, amongst which the Plan C Connected Grantees would be entitled to receive a total of 5,736,252 new Youzan Technology Shares. The identity of, the China Youzan Options held by, and the proposed respective grants of Plan C RSUs under the Youzan Technology RSU Plan C to, the Plan C Connected Grantees are as follows:

|    | <b>Identity of the Plan C<br/>Connected Grantees</b> | <b>Number of China<br/>Youzan Options<br/>held as of the Joint<br/>Announcement<br/>Date</b> | <b>Proposed number<br/>of Plan C RSUs<br/>(hence new Youzan<br/>Technology Shares)<br/>to be granted</b> |
|----|------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| 1. | Zhu Ning                                             | 100,000,000                                                                                  | 3,484,240                                                                                                |
| 2. | Cui Yusong                                           | 20,000,000                                                                                   | 727,014                                                                                                  |
| 3. | Yu Tao                                               | 15,000,000                                                                                   | 545,261                                                                                                  |
| 4. | Ying Hangyan                                         | 15,000,000                                                                                   | 545,261                                                                                                  |
| 5. | Huan Fang                                            | 11,252,000                                                                                   | 434,476                                                                                                  |
|    | <b>Total:</b>                                        | <b>161,252,000</b>                                                                           | <b>5,736,252</b>                                                                                         |

As the highest applicable percentage ratio in respect of the proposed grants of Plan C RSUs under the Youzan Technology RSU Plan C exceeds 0.1% but is lower than 5%, the proposed adoption of the Youzan Technology RSU Plan C and the proposed grants of Plan C RSUs thereunder constitute connected transactions of China Youzan which only require the compliance with the announcement and reporting requirements under Chapter 20 of the GEM Listing Rules but is exempt from the independent shareholders’ approval requirement under Chapter 20 of the GEM Listing Rules. Accordingly, the Proposed Resolutions concerning the adoption of the Youzan Technology RSU Plan C will not relate to any requirement under Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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It is expected that grants of Plan C RSUs under the Youzan Technology RSU Plan C will occur after the Stock Exchange has granted the formal approval for the Youzan Technology Listing and the Scheme has become effective, but prior to the completion of the Youzan Technology Listing.

### BOARD MEETING APPROVAL

At each of the Board meetings held to approve each of the Special Deal Arrangements and the Connected Transactions respectively, all Directors attended such Board meeting. As Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan are China Youzan Excluded Shareholders and are also the proposed grantees under one or more of the Youzan Technology Share Incentive Plans, each of Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan has abstained from voting on the relevant board resolutions approving the Rollover Arrangements, the Youzan Technology Share Award Plan A, the Youzan Technology Share Award Plan B (including the Anti-Dilution Issue in connection with the adoption of the Youzan Technology Share Award Plan B) and the China Youzan Options Conversion Proposal (which includes the adoption of the Youzan Technology RSU Plan C).

The Board considers that (i) in respect of the Special Deal Arrangements, the terms of each of the Special Deal Arrangements are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the Connected Transactions, the terms of each of the Connected Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the China Youzan Group and in the interests of China Youzan and its shareholders as a whole.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The 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 Independent Shareholders as to: (i) in respect of the Special Deal Arrangements, whether the terms of each of the Special Deal Arrangements are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the Connected Transactions, whether the terms of each of the Connected Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the China Youzan Group and in the interests of China Youzan and its shareholders as a whole; and (iii) whether to vote in favour of the resolutions for the approval of each of the Special Deal Arrangements and the Connected Transactions at the First SGM.

Your attention is drawn to the letter from the Independent Financial Adviser set out on pages 60 to 107 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as to (i) in respect of the Special Deal Arrangements, whether the terms of each of the Special Deal Arrangements are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the Connected Transactions, whether the terms of each of the Connected Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the China Youzan Group and in the interests of China Youzan and its shareholders as a whole, and the voting action that the Independent Financial Adviser would recommend at the First SGM.

## LETTER FROM THE BOARD

### CLOSURE OF REGISTER OF MEMBERS

China Youzan Shareholders whose names appear on China Youzan's register of members on 6 May 2021, will be eligible to attend and vote at the First SGM. China Youzan's register of members will be closed from 3 May 2021 to 6 May 2021 (both days inclusive) during which period no transfer of China Youzan Shares will be registered. In order to attend and vote at the First SGM, all transfer forms accompanied by the relevant share certificates must be lodged with China Youzan's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 30 April 2021.

### The First SGM

The First SGM will be held at 24/F, Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong, on Thursday, 6 May 2021 at 10:30 a.m. (or so soon thereafter as the AGM has concluded or adjourned) for the purpose of considering and, if thought fit, passing the Proposed Resolutions. The Notice of the First SGM is set out on pages 122 to 124 of this circular.

### CHINA YOUZAN SHAREHOLDERS WHO ARE REQUIRED TO ABSTAIN FROM VOTING AT THE FIRST SGM UNDER THE TAKEOVERS CODE AND THE GEM LISTING RULES

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed in the following paragraph, no China Youzan Shareholder is involved or interested in or has a material interest in the Proposed Resolutions and is required to abstain under the Takeovers Code and/or the GEM Listing Rules at the First SGM:

| Shareholder                        | Interest in China Youzan Shares as at the Latest Practicable Date | Approximate percentage in the total issued share capital of China Youzan (%) | Proposed Resolutions in respect of which he/she/it is required to abstain under the Takeovers Code ( <i>only applicable to (i) Rollover Arrangement; (ii) Youzan Technology Share Award Plan A; and (iii) Youzan Technology RSU Plan C</i> ) | Proposed Resolutions in respect of which he/she/it is required to abstain under the GEM Listing Rules ( <i>only applicable to (i) Youzan Technology Share Award Plan A and (ii) Youzan Technology Share Award Plan B</i> ) |
|------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    |                                                                   |                                                                              |                                                                                                                                                                                                                                              |                                                                                                                                                                                                                            |
| Whitecrow ( <i>Notes 2 and 7</i> ) | 1,440,601,703                                                     | 8.35%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                             | Proposed Resolution relating to:<br>(i) Youzan Technology Share Award Plan B                                                                                                                                               |

## LETTER FROM THE BOARD

| Shareholder                                             | Interest in China Youzan Shares as at the Latest Practicable Date | Approximate percentage in the total issued share capital of China Youzan (%) | Proposed Resolutions in respect of which he/she/it is required to abstain under the Takeovers Code (only applicable to (i) Rollover Arrangement; (ii) Youzan Technology Share Award Plan A; and (iii) Youzan Technology RSU Plan C) | Proposed Resolutions in respect of which he/she/it is required to abstain under the GEM Listing Rules (only applicable to (i) Youzan Technology Share Award Plan A and (ii) Youzan Technology Share Award Plan B) |
|---------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. Cao Chunmeng<br>(Notes 1 and 7)                     | 53,420,000                                                        | 0.31%                                                                        | Proposed Resolutions relating to:<br>(ii) Rollover Arrangement<br>(iii) Youzan Technology Share Award Plan A<br>(iv) Youzan Technology RSU Plan C                                                                                   | N/A                                                                                                                                                                                                               |
| Mr. Yan Xiaotian<br>(Notes 1 and 7)                     | 21,640,000                                                        | 0.13%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |
| Ms. Ying Hangyan<br>(Notes 1 and 7)                     | 852,000                                                           | 0.00%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | Proposed Resolution relating to:<br>(i) Youzan Technology Share Award Plan A                                                                                                                                      |
| Mighty Advantage Enterprises Limited<br>(Notes 3 and 7) | 411,592,000                                                       | 2.38%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |
| V5. Cui Investment Ltd<br>(Notes 4 and 7)               | 241,885,127                                                       | 1.40%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | Proposed Resolution relating to:<br>(i) Youzan Technology Share Award Plan A                                                                                                                                      |

## LETTER FROM THE BOARD

| Shareholder                                | Interest in China Youzan Shares as at the Latest Practicable Date | Approximate percentage in the total issued share capital of China Youzan (%) | Proposed Resolutions in respect of which he/she/it is required to abstain under the Takeovers Code (only applicable to (i) Rollover Arrangement; (ii) Youzan Technology Share Award Plan A; and (iii) Youzan Technology RSU Plan C) | Proposed Resolutions in respect of which he/she/it is required to abstain under the GEM Listing Rules (only applicable to (i) Youzan Technology Share Award Plan A and (ii) Youzan Technology Share Award Plan B) |
|--------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Youzan Teamwork<br>(Note 5 and 7)          | 363,170,101                                                       | 2.10%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | Proposed Resolution relating to:<br>(i) Youzan Technology Share Award Plan B                                                                                                                                      |
| Rory Huang Investment Ltd. (Notes 6 and 7) | 25,800,000                                                        | 0.15%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | Proposed Resolution relating to:<br>(i) Youzan Technology Share Award Plan A                                                                                                                                      |
| Mr. Huan Fang (Note 7)                     | 3,000,000                                                         | 0.02%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | Proposed Resolution relating to:<br>(i) Youzan Technology Share Award Plan A                                                                                                                                      |
| Mr. Zhou Kai (Note 7)                      | 10,000,000                                                        | 0.06%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | Proposed Resolution relating to:<br>(i) Youzan Technology Share Award Plan A                                                                                                                                      |
| Aves Capital, LLC<br>(Note 9)              | 201,123,478                                                       | 1.17%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |

## LETTER FROM THE BOARD

| Shareholder                                                     | Interest in China Youzan Shares as at the Latest Practicable Date | Approximate percentage in the total issued share capital of China Youzan (%) | Proposed Resolutions in respect of which he/she/it is required to abstain under the Takeovers Code (only applicable to (i) Rollover Arrangement; (ii) Youzan Technology Share Award Plan A; and (iii) Youzan Technology RSU Plan C) | Proposed Resolutions in respect of which he/she/it is required to abstain under the GEM Listing Rules (only applicable to (i) Youzan Technology Share Award Plan A and (ii) Youzan Technology Share Award Plan B) |
|-----------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Franchise Fund LP<br>(Note 9)                                   | 686,680,679                                                       | 3.98%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |
| Tembusu HZ II Limited<br>(Note 9)                               | 100,000,000                                                       | 0.58%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |
| Matrix Partners China III, L.P. (Note 9)                        | 180,000,000                                                       | 1.04%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |
| Matrix Partners China Matrix Partners China III-A, L.P.(Note 9) | 20,000,000                                                        | 0.12%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |
| GCYZ Holdings Limited<br>(Note 9)                               | 257,735,849                                                       | 1.49%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |



## LETTER FROM THE BOARD

| Shareholder                                                | Interest in China Youzan Shares as at the Latest Practicable Date | Approximate percentage in the total issued share capital of China Youzan (%) | Proposed Resolutions in respect of which he/she/it is required to abstain under the Takeovers Code (only applicable to (i) Rollover Arrangement; (ii) Youzan Technology Share Award Plan A; and (iii) Youzan Technology RSU Plan C) | Proposed Resolutions in respect of which he/she/it is required to abstain under the GEM Listing Rules (only applicable to (i) Youzan Technology Share Award Plan A and (ii) Youzan Technology Share Award Plan B) |
|------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Haitong International Securities Company Limited (Note 10) | 1,252,000                                                         | 0.01%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |
| Dr. Fong Chi Wah (Note 1)                                  | 1,000,000                                                         | 0.01%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |
| Mr. Gu Jiawang (Note 1)                                    | 1,000,000                                                         | 0.01%                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | N/A                                                                                                                                                                                                               |
| Mr. Zhu Kun (Note 11)                                      | 9,207,528                                                         | 0.05                                                                         | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share Award Plan A<br>(iii) Youzan Technology RSU Plan C                                                                                    | Proposed Resolutions relating to Youzan Technology Share Award Plan B                                                                                                                                             |
| China Youzan Trustee (Note 8)                              | 149,572,600                                                       | 0.87                                                                         | All Proposed Resolutions                                                                                                                                                                                                            | All Proposed Resolutions                                                                                                                                                                                          |

## LETTER FROM THE BOARD

| Shareholder                                                                     | Interest in<br>China Youzan<br>Shares as at the<br>Latest<br>Practicable Date | Approximate<br>percentage in<br>the total issued<br>share capital of<br>China Youzan<br>(%) | Proposed Resolutions in respect<br>of which he/she/it is required to<br>abstain under the Takeovers<br>Code ( <i>only applicable to (i)<br/>Rollover Arrangement; (ii)<br/>Youzan Technology Share Award<br/>Plan A; and (iii) Youzan<br/>Technology RSU Plan C</i> ) | Proposed Resolutions in respect<br>of which he/she/it is required to<br>abstain under the GEM Listing<br>Rules ( <i>only applicable to (i)<br/>Youzan Technology Share Award<br/>Plan A and (ii) Youzan<br/>Technology Share Award Plan B</i> ) |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                 |                                                                               |                                                                                             |                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                 |
| Other proposed<br>grantees under the<br>Youzan Technology<br>Share Award Plan A | 165,086,908                                                                   | 0.96                                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share<br>Award Plan A<br>(iii) Youzan Technology RSU<br>Plan C                                                                                                                | Proposed Resolution relating to:<br>(i) Youzan Technology Share<br>Award Plan A                                                                                                                                                                 |
| Other China Youzan<br>Optionholders                                             | 70,135,306                                                                    | 0.41                                                                                        | Proposed Resolutions relating to:<br>(i) Rollover Arrangement<br>(ii) Youzan Technology Share<br>Award Plan A<br>(iii) Youzan Technology RSU<br>Plan C                                                                                                                | N/A                                                                                                                                                                                                                                             |

*Notes:*

- Each a Director.
- A company beneficially wholly-owned by Mr. Zhu Ning, a Director and the sole beneficial owner of the Offeror.
- A company beneficially wholly-owned by Mr. Guan Guisen, a former Director.
- A company beneficially wholly-owned by Mr. Cui Yusong, a Director.
- 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.
- A company beneficially wholly-owned by Mr. Huang Rongrong, a former director of Youzan Technology.
- Each a China Youzan Excluded Shareholder and/or China Youzan Excluded Shareholders Entities (as the case may be), and a party acting or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code.
- 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 in respect of all Proposed Resolutions (other than on behalf of selected participants under the China Youzan 2018 Share Award Plan in respect of their vested China Youzan Awarded Shares, none of whom are or will be parties acting or presumed to be acting in concert with the Offeror).

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## LETTER FROM THE BOARD

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9. 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).
10. 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.
11. The brother of Mr. Zhu Ning, who is a party presumed to be acting in concert with the Offeror under class (2) of the presumptions in the definition of acting in concert under the Takeovers Code, and who is a proposed grantee under Youzan Technology Share Award Plan C.
12. 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.

A form of proxy for use by the China Youzan Shareholders at the First SGM (or any adjournment thereof) is also enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and deposit the same at Computershare Hong Kong Investor Services Limited, the branch share registrar of China Youzan in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish and in such event, the instrument appointment a proxy shall be deemed to be revoked by operation of law.

**WARNING: Shareholders and potential investors of China Youzan should note that each of the Special Deal Arrangements and the Connected Transactions are subject to, among others, shareholders' approval by the relevant Independent Shareholders at the First SGM, and may or may not materialise.**

**In addition, the approval by the relevant Independent Shareholders of each of the Rollover Arrangement and the adoption of the Youzan Technology Share Award Plan B is a non-waivable Scheme Pre-Condition, and the approval by the relevant Independent Shareholders of the adoption of the Youzan Technology Share Award Plan A, the implementation of the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C are waivable Scheme Pre-Conditions (which can be waived at the discretion of the Offeror). Accordingly, (i) if the approval by the relevant Independent Shareholders in respect of the Rollover Arrangement or the adoption of the Youzan Technology Share Award Plan B is not obtained, the Proposal will not be made; and (ii) if the approval by the relevant Independent Shareholders in respect of the adoption of the Youzan Technology Share Award Plan A or the implementation of the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C is not obtained, the Proposal may or may not be made.**

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## LETTER FROM THE BOARD

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Even if the Proposal is made, the implementation of the Proposal (including the effectiveness of the Scheme and the making of the Distribution) is subject to the satisfaction or waiver (as applicable) of the Scheme Conditions and the Distribution Conditions, and therefore the Proposal may or may not be implemented, the Scheme may or may not become effective and the Distribution may or may not be made.

Shareholders and potential investors of China Youzan are reminded to exercise caution when dealing in the securities of China Youzan.

### RECOMMENDATION

For the reasons set out in this letter, the Board recommends China Youzan Shareholders to vote in favour of the Proposed Resolutions at the First SGM.

Your attention is drawn to the additional information set out in the Letter from the Independent Board Committee, Letter from the Independent Financial Adviser and the Appendices to this circular and the Notice of First SGM.

Yours faithfully,  
For and on behalf of the Board of  
**China Youzan Limited**  
**Yu Tao**  
*Director*



China Youzan Limited

中國有贊有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8083)**

20 April 2021

*To the Independent Shareholders*

Dear Sirs or Madam,

**(1) ROLLOVER ARRANGEMENT,  
A SPECIAL DEAL ARRANGEMENT IN CONNECTION WITH THE PROPOSAL  
(2) PROPOSED ADOPTION BY YOUZAN TECHNOLOGY OF:  
(A) YOUZAN TECHNOLOGY SHARE AWARD PLAN A,  
A CONNECTED TRANSACTION AND A SPECIAL DEAL ARRANGEMENT  
IN CONNECTION WITH THE PROPOSAL  
(B) YOUZAN TECHNOLOGY SHARE AWARD PLAN B,  
A CONNECTED TRANSACTION  
(C) YOUZAN TECHNOLOGY RSU PLAN C,  
A SPECIAL DEAL ARRANGEMENT IN CONNECTION WITH THE PROPOSAL  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of China Youzan dated 20 April 2021 (the “**Circular**”) to the China Youzan Shareholders, of which this letter forms part. Unless otherwise indicated herein or the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the section headed “Definitions” of the Circular.

We have been appointed by the Board to consider the terms of each of the Special Deal Arrangements and the Connected Transactions and to advise the Independent Shareholders as to (i) in respect of the Special Deal Arrangements, whether the terms of each of the Special Deal Arrangements are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the Connected Transactions, whether the terms of each of the Connected Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the China Youzan Group and in the interests of China Youzan and its shareholders as a whole.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to (i) in respect of the Special Deal Arrangements, whether the terms of each of the Special Deal Arrangements are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the Connected Transactions, whether the terms of each of the Connected Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the China Youzan Group and in the interests of China Youzan and its shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board set out on pages 14 to 57 of the Circular and the letter of advice from the Independent Financial Adviser as set out on pages 60 to 107 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that (i) in respect of the Special Deal Arrangements, the terms of each of the Special Deal Arrangements are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the Connected Transactions, the terms of each of the Connected Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the China Youzan Group and in the interests of China Youzan and its shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the Proposed Resolutions, particulars of which are set out in the Notice of First SGM set out on pages 122 to 124 of the Circular.

Yours faithfully,  
**Independent Board Committee**

**Dr. Fong Chi Wah**  
*Independent Non-Executive Director*

**Mr. Gu Jiawang**  
*Independent Non-Executive Director*

**Mr. Xu Yanqing**  
*Independent Non-Executive Director*

**Mr. Deng Tao**  
*Independent Non-Executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the full text of the letter from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of Special Deal Arrangements (including the Connected Transactions) for the purpose of inclusion in the Circular.*



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

Unit 3303, 33/F, West Tower,  
Shun Tak Centre,  
168-200 Connaught Road Central,  
Hong Kong

20 April 2021

*To: The independent board committee and the independent shareholders of  
China Youzan Limited*

Dear Sirs

### **(1) ROLLOVER ARRANGEMENT, A SPECIAL DEAL ARRANGEMENT IN CONNECTION WITH THE PROPOSAL**

### **(2) PROPOSED ADOPTION BY YOUZAN TECHNOLOGY OF: (A) YOUZAN TECHNOLOGY SHARE AWARD PLAN A, A DISCLOSEABLE AND CONNECTED TRANSACTION, AND A SPECIAL DEAL ARRANGEMENT IN CONNECTION WITH THE PROPOSAL (B) YOUZAN TECHNOLOGY SHARE AWARD PLAN B, A DISCLOSEABLE AND CONNECTED TRANSACTION (C) YOUZAN TECHNOLOGY RSU PLAN C, A CONNECTED TRANSACTION AND A SPECIAL DEAL ARRANGEMENT IN CONNECTION WITH THE PROPOSAL**

#### **I. INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Special Deal Arrangements (including the Connected Transactions), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 20 April 2021 issued by China Youzan to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

#### **Rollover Arrangement**

The Offeror would like to have each of the China Youzan Excluded Shareholders excluded from the Scheme, such that the China Youzan Shares held by him/her/it and the China Youzan Excluded Shareholders Entities owned or controlled by him/her/it (if relevant) (the “**Excluded Shares**”) will be excluded from the Scheme and will not form part

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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of the Scheme Shares. The China Youzan Excluded Shareholders also indicated that if the Scheme is approved at the Court Meeting, they would exercise or procure the exercise of all voting rights attached to the Excluded Shares held by him/her/it and the China Youzan Excluded Shareholders Entities owned or controlled by him/her/it (where relevant) at the Second SGM in favour of all the resolutions which are necessary to implement or otherwise relate to the Proposal.

### ***Takeovers Code Implications relating to the Rollover Arrangement***

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.

### **Youzan Technology Share Award Plan A, Youzan Technology Share Award Plan B And The China Youzan Options Conversion Proposal (Which Includes The Adoption Of The Youzan Technology Rsu Plan C)**

Pursuant to the Joint Announcement and the Incentive Plans Announcement, China Youzan announced, among other things, the following proposed arrangements:

#### ***(A) Adoption of the Youzan Technology Share Award Plan A:***

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 and grants of share awards will be made thereunder. Pursuant to such proposal, Qima Teamwork shall transfer all of the 106,428,391 Youzan Technology Shares (representing approximately 7.03% of the total issued share capital of Youzan Technology as of the Latest Practicable Date) currently held by it to the Trustee A and grants of share awards will be made to the proposed grantees thereunder.

#### ***(B) Adoption of the Youzan Technology Share Award Plan B:***

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 be made thereunder) 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 to incentivise Mr. Zhu Ning to stay with Youzan Technology to continue to promote the future development of Youzan Technology's business.

#### ***(C) Implementation of the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C:***

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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Implications under the GEM Listing Rules*

In so far as the requirements of Chapters 19 and 20 of the GEM Listing Rules relating to the following connected transactions of China Youzan are concerned:

- (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 ratios in respect of the adoption of the Youzan Technology Share Award Plan A and the proposed grants thereunder exceeds 5% but is lower than 25%, the adoption of the Youzan Technology Share Award Plan A and the proposed grants thereunder constitute discloseable transactions and connected transactions of China Youzan which require the compliance with the announcement, reporting requirement under Chapters 19 and 20 of the GEM Listing Rules and the independent China Youzan Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules;
- (b) whilst the issuance of new Youzan Technology Shares to Mr. Zhu Ning (or Whitecrow) under the Youzan Technology Share Award Plan B will by itself constitute a deemed disposal of China Youzan's interest in Youzan Technology, the subscription of new Youzan Technology Shares by China Youzan under the Anti-Dilution (which will occur on an inter-conditional basis with the issuance of new Youzan Technology Shares to Mr. Zhu Ning and Whitecrow) will maintain China Youzan's interest in Youzan Technology at 51.90%. As (i) the highest applicable percentage ratios in respect of such grant of share award and the subscription by China Youzan under the Anti-Dilution Issue in aggregate exceeds 5% but is lower than 25% and (ii) all applicable percentage ratios in respect of the deemed disposal for China Youzan of its interest in Youzan Technology resulting from the grant of share award of new Youzan Technology Shares to Mr. Zhu Ning (or Whitecrow) is lower than 5%, the adoption of the Youzan Technology Share Award Plan B and the proposed grant of share award thereunder to Mr. Zhu Ning (or Whitecrow) and the Anti-Dilution Issue constitute connected transactions of China Youzan which require the compliance with the announcement, reporting and independent China Youzan Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. For sake of completeness, as mentioned under the section headed "INTRODUCTION" in the Letter from the Board, the adoption of the Youzan Technology Share Award Plan B and the Anti-Dilution Issue constituted, on an aggregate basis, a discloseable transaction under Chapter 19 of the GEM Listing Rules; and
- (c) the adoption of the Youzan Technology RSU Plan C involves the proposed grants of Plan C RSUs by Youzan Technology corresponding to a total of 10,815,887 new Youzan Technology Shares, amongst which Plan C RSUs corresponding to 5,736,252 new Youzan Technology Shares are proposed to be granted to the Plan C Connected Grantees, and as the highest applicable percentage ratios in respect of the proposed grants of Plan C RSUs under the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Youzan Technology RSU Plan C exceeds 0.1% but is lower than 5%, the proposed adoption of the Youzan Technology RSU Plan C and the proposed grants of Plan C RSUs thereunder constitute connected transactions of China Youzan which only require the compliance with the announcement and reporting requirements under Chapter 20 of the GEM Listing Rules but is exempt from the independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

### ***Takeovers Code Implications 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 proposed 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 with grants of share awards to grantees who are also Scheme Shareholders constitute a Special Deal Arrangement under Rule 25 of the Takeovers Code.

The Offeror has made an application for the consent from the Executive to the adoption of the Youzan Technology Share Award Plan A and the granting of share awards thereunder, conditional on: (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 connected transaction under Chapter 20 of the GEM Listing Rules and a special deal under Rule 25 of the Takeovers Code.

### ***Takeovers Code Implications relating to the China Youzan Options Conversion Proposal***

As certain proposed 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 has made an application for the consent from the Executive to the China Youzan Options Conversion Proposal (which includes the proposed adoption of the Youzan Technology RSU Plan C), conditional on (i) the Independent Financial Adviser to the Independent Board Committee stating in its opinion that the China Youzan Options Conversion Proposal and the terms of the Youzan Technology RSU Plan C are fair and reasonable as 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 as a special deal under Rule 25 of the Takeovers Code.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### II. THE INDEPENDENT BOARD COMMITTEE

The Board comprises six executive Directors, namely, Mr. Cao Chunmeng, Mr. Yan Xiaotian, Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan; and four independent non-executive Directors, namely, Dr. Fong Chi Wah, Mr. Gu Jiawang, Mr. Xu Yanqing and Mr. Deng Tao.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Gu Jiawang, Mr. Xu Yanqing and Mr. Deng Tao, has been established by the Board to advise the Independent Shareholders in respect of the Special Deal Arrangements (including the Connected Transactions) and whether the terms of the Special Deal Arrangements (including the Connected Transactions) are fair and reasonable, whether the Connected Transactions are in the interests of China Youzan and its shareholders as a whole.

Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

### III. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or interest in China Youzan, Youzan Technology, Whitecrow, Mr. Zhu Ning, Plan A Connected Grantees or Plan C Connected Grantees that could reasonably be regarded as relevant in assessing our independence. Save for our appointment as the Independent Financial Adviser, Red Sun Capital did not act as an independent financial adviser to China Youzan under the Listing Rules in the past two years.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from China Youzan or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### IV. BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the China Youzan Group, the Issuer and their respective shareholders and management contained in the Circular and the information and representations provided to us by the China Youzan Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by China Youzan Group, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. The Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the China Youzan Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the China Youzan Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from China Youzan Group and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and China Youzan has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the China Youzan Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of China Youzan, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the Special Deal Arrangements (including the Connected Transactions), and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **V. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Special Deal Arrangements (including the Connected Transactions), we have taken into consideration the following principal factors and reasons:

#### **1. Information of the China Youzan Group**

##### ***1.1. Background information of the China Youzan Group***

As set out in the Letter from the Board, 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 (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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following sets out the financial information of China Youzan Group as extracted and summarised from (i) the published annual results announcement for the year ended 31 December 2020 (the “**2020 Annual Results Announcement**”); and (ii) the published annual report of China Youzan for the year ended 31 December 2019 (the “**2019 Annual Report**”):

*Table A: Summary of China Youzan Group’s consolidated financial performance*

|                                                          | <b>For the year ended 31 December</b> |                |                |
|----------------------------------------------------------|---------------------------------------|----------------|----------------|
|                                                          | <b>2020</b>                           | <b>2019</b>    | <b>2018</b>    |
|                                                          | <i>RMB’000</i>                        | <i>RMB’000</i> | <i>RMB’000</i> |
|                                                          | (audited)                             | (audited)      | (audited)      |
|                                                          |                                       | (Re-presented) | (Restated)     |
| Revenue                                                  |                                       |                |                |
| – Merchant services                                      | 1,575,797                             | 997,771        | 432,486        |
| – Third party payment services                           | 243,441                               | 169,592        | 130,416        |
| – General trading                                        | 595                                   | 1,064          | 23,371         |
| – Onecomm                                                | 286                                   | 430            | 14             |
| – Others                                                 | 604                                   | –              | –              |
| Total                                                    | 1,820,723                             | 1,168,857      | 586,287        |
| Gross profit                                             | 1,082,084                             | 593,402        | 198,211        |
| Loss for the year                                        | (545,653)                             | (915,569)      | (725,907)      |
| Loss for the year attributable to owners of China Youzan | (294,671)                             | (591,874)      | (431,459)      |

For the year ended 31 December 2020

The revenue of China Youzan Group increased by approximately RMB651.8 million or 55.8%, from approximately RMB1,168.9 million for the year ended 31 December 2019 to approximately RMB1,820.7 million for the year ended 31 December 2020. Such increase was mainly attributable to the increase in revenue derived from merchant services.

For the year ended 31 December 2020, China Youzan Group’s income derived from merchant services was approximately RMB1,575.8 million, representing an increase of approximately RMB578.0 million or 57.9% from approximately RMB997.8 million for the year ended 31 December 2019. As disclosed in the 2020 Annual Results Announcement, the increase in revenue derived from merchant services was mainly attributable to (i) the increase in number of paying merchants from 82,343 as at 31 December 2019 to 97,158 as at 31 December 2020 who purchased SaaS products; and (ii) the increase in average revenue per merchant of subscription solutions from approximately RMB7,208.4 for the year ended 31 December 2019 to approximately RMB10,786.0 for the year ended 31 December 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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China Youzan Group's gross profit increased from approximately RMB593.4 million for the year ended 31 December 2019 to approximately RMB1,082.1 million for the year ended 31 December 2020, representing an increase of approximately RMB488.7 million or 82.4%. Its gross profit margin, on the other hand, improved from approximately 50.8% for the year ended 31 December 2019 to 59.4% for the year ended 31 December 2020. Such increase in gross profit margin is primarily attributable to the increase in total revenue and the proportion of subscription solutions that have high gross profit margin.

China Youzan Group recorded a loss for the year ended 31 December 2020 of approximately RMB545.4 million, representing a decrease in loss of approximately RMB369.9 million from loss for the year ended 31 December 2019 of approximately RMB915.6 million. Such decrease in loss was mainly attributable to the increase in gross profit for the year ended 31 December 2020 as discussed above. Loss attributable to owners of China Youzan, on the other hand, was amounted to approximately RMB294.7 million for the year ended 31 December 2020.

For the year ended 31 December 2019

The revenue of China Youzan Group increased by approximately RMB582.6 million or 99.4%, from approximately RMB586.3 million for the year ended 31 December 2018 to approximately RMB1,168.9 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in revenue derived from merchant services.

For the year ended 31 December 2019, China Youzan Group's income derived from merchant services was approximately RMB997.8 million, representing an increase of approximately RMB565.3 million or 130.7% from approximately RMB432.5 million for the year ended 31 December 2018. As disclosed from the 2019 Annual Report, the increase in revenue derived from SaaS was mainly attributable to (i) the increase in the number of paying merchants from 58,981 as at 31 December 2018 to 82,343 as at 31 December 2019; and (ii) the increase in average revenue per merchant. Revenue derived from extended services, on the other hand, increased from approximately RMB70.9 million for the year ended 31 December 2018 to approximately RMB150.5 million for the year ended 31 December 2019, representing an increase of approximately RMB79.6 million or 112.3%, which was primarily attributable to the increase in gross merchandise volume and the increased number of merchants using extended services.

The China Youzan Group's gross profit increased from approximately RMB198.2 million for the year ended 31 December 2018 to approximately RMB593.4 million for the year ended 31 December 2019, representing an increase of approximately RMB395.2 million or 199.4%. Its gross profit margin, on the other hand, improved from approximately 33.8% for the year ended 31 December 2018 to 50.8% for the year ended 31 December 2019. Such increase in gross profit margin is primarily attributable to the increase in the proportion of SaaS and extended services business that have high gross profit margin.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The China Youzan Group recorded a loss for the year ended 31 December 2019 of approximately RMB915.6 million, representing an increase in loss of approximately RMB189.7 million from loss for the year ended 31 December 2018 of approximately RMB725.9 million. Such increase in loss was mainly attributable to (i) the increase in selling expenses of approximately RMB349.8 million or 1.9 times as the increase in sales personnel which led to the increase in sales staff costs and travelling expenses, and an increase in channel commission expenses; (ii) the increase in other operating expenses of approximately RMB151.2 million or 79.7% as the increase in cash expenditure of research and development; (iii) the increase in administrative expenses of approximately RMB46.7 million or 24.6% as the increase in staff costs and leasing costs because of business expansion, and partially offset by the increase in gross profit of approximately RMB409.4 million as discussed above. Loss attributable to owners of the China Youzan Group, on the other hand, was amounted to approximately RMB591.9 million for the year ended 31 December 2019.

*Table B: Summary of China Youzan Group's financial position*

|                                        | <b>As at 31 December</b> |                |
|----------------------------------------|--------------------------|----------------|
|                                        | <b>2020</b>              | <b>2019</b>    |
|                                        | <i>RMB'000</i>           | <i>RMB'000</i> |
|                                        | (audited)                | (audited)      |
| Total assets                           | 12,212,480               | 10,498,860     |
| Total liabilities                      | 7,582,381                | 6,599,813      |
| Net assets                             | 4,630,099                | 3,899,047      |
| Equity attributable to owners of China |                          |                |
| Youzan                                 | 3,858,795                | 3,658,468      |

As at 31 December 2020, China Youzan Group recorded total assets of approximately RMB12,212.5 million, representing an increase of approximately RMB1,713.6 million or 16.3% from approximately RMB10,498.9 million recorded as at 31 December 2019. Such increase was mainly attributable to increase in (i) balances with central bank of approximately RMB808.6 million; and (ii) bank and cash balances of approximately RMB980.9 million.

Total liabilities of approximately RMB7,582.4 million was recorded as at 31 December 2020, representing an increase of approximately RMB982.6 million or 14.9% from approximately RMB6,599.8 million recorded as at 31 December 2019. Such increase was mainly attributable to (i) the increase in settlement obligations of approximately RMB732.4 million; (ii) the increase in accruals and other payables of approximately RMB237.3 million; and (iii) the increase in contract liabilities of approximately RMB204.5 million, and partially offset by the decrease in other loan of approximately RMB201.3 million.



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As at 31 December 2020, China Youzan Group recorded net assets of approximately RMB4,630.1 million and equity attributable to owners of China Youzan of approximately RMB3,858.8 million.

### *1.2. Background 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.

## **2. The Special Deal Arrangements (including the Connected Transactions)**

### *2.1. The Rollover Arrangement*

The Offeror would like to have each of the China Youzan Excluded Shareholders excluded from the Scheme, such that the China Youzan Shares held by him/her/it and the China Youzan Excluded Shareholders Entities owned or controlled by him/her/it (if relevant) (the “**Excluded Shares**”) will be excluded from the Scheme and will not form part of the Scheme Shares. The China Youzan Excluded Shareholders also indicated that if the Scheme is approved at the Court Meeting, they would exercise or procure the exercise of all voting rights attached to the Excluded Shares held by him/her/it and the China Youzan Excluded Shareholders Entities owned or controlled by him/her/it (where relevant) at the Second SGM in favour of all the resolutions which are necessary to implement or otherwise relate to the Proposal.

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 (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. As at the Latest Practicable Date, the Excluded Shares in aggregate comprise a total of 2,571,960,931 China Youzan Shares, representing 14.90% of the issued share capital of China Youzan.

As the Rollover Arrangement is only in respect of the China Youzan Excluded Shareholders and/or the China Youzan Excluded Shareholders Entities (as the case may be), the Rollover Arrangement is not offered to all China Youzan Shareholders.

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The Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application for the consent from the Executive to proceed with 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 as a special deal under Rule 25 of the Takeovers Code (which is a non-waivable Scheme Pre-Condition).

### *Our assessments*

In the case where the Independent Shareholders were given the opportunity to retain interests in China Youzan, subsequent to the Scheme had become effective and the withdrawal of listing of the China Youzan Shares, their interests would no longer be safeguarded by regulations relating to minority protection applicable to listed companies on the Stock Exchange, and in particular, the existing protections under the Chapter 19 and Chapter 20 of the GEM Listing Rules regarding notifiable transactions and connected transactions respectively that are currently applicable to China Youzan as a listed company. In relation to dilution of shareholdings, under the Listing Rules, general mandate for issuing new shares is limited to a maximum of 20% of the issued share capital and specific shareholders’ approval is required if such limit is exceeded. In addition, the Takeovers Code would only remain applicable to China Youzan as long as China Youzan remains a public company in Hong Kong. In the event that China Youzan ceases to be a public company, for example due to having less than 50 members, it would no longer be subject to the Takeovers Code. In that case, the interests of the Independent Shareholders would only be safeguarded primarily by the constitutional documents of China Youzan and provisions regarding minority shareholders’ interest protection under the Bermuda Companies Act, which do not necessarily provide the same level of minority protections that would be available had the Listing Rules and the Takeovers Code continued to apply.

In addition, these Independent Shareholders might find it difficult to realise their shareholdings as no public trading in the China Youzan Shares would be available.

As stated in the Letter from the Board, the Offeror is of the view that the Offeror can benefit from excluding the China Youzan Excluded Shareholders and/or the China Youzan Excluded Shareholders Entities from the Scheme in

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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terms of reducing the burden of the cash resources required for paying the Scheme Consideration under the Scheme while China Youzan can benefit from the continuing contributions of the China Youzan Excluded Shareholders as shareholders of China Youzan after completion of the Scheme.

Taking into account that (i) the Independent Shareholders' interests in China Youzan would no longer be safeguarded by regulatory mechanisms applicable to listed companies on the Stock Exchange subsequent to the withdrawal of listing of the China Youzan Shares in the case where the Independent Shareholders were given the opportunity to retain the China Youzan Shares; (ii) the Independent Shareholders might find it difficult to realise their shareholdings as no public trading in the China Youzan Shares would be available; (iii) the Independent Shareholders have been afforded the opportunity to realise their holdings at the Scheme Consideration of HK\$0.1352 per Scheme Share, which is not available to the Excluded Shareholders; (iv) the approval of the Rollover Arrangement being one of the Scheme Pre-Conditions; (v) those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements will be required to abstain from voting on the relevant resolution(s); and (vi) all Independent Shareholders are entitled to vote for or against the resolutions in respect of the Special Deal Arrangement at the First SGM, we are of the view that the Special Deal Arrangement in respect of the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

### ***2.2. Proposed adoption of the Youzan Technology Share Award Plan A***

Information on the key terms of the Youzan Technology Share Award Plan A is set out below:

|                                                                |                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term:                                                          | The Youzan Technology Share Award Plan A shall become effective upon the fulfilment of the Plan A Effectiveness Conditions, and shall terminate prior to (and regardless of) the Youzan Technology Listing after all of the share awards under the Youzan Technology Share Award Plan A have been fully granted and vested with the relevant grantees thereunder.                                      |
| Proposed grantees of the Youzan Technology Share Award Plan A: | 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. Amongst these approximate 520 proposed grantees, four of them are connected persons of China Youzan and the total grants to them are proposed to involve 44,000,000 existing Youzan Technology Shares. |

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|                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of Youzan Technology Shares involved:         | 106,428,391 existing Youzan Technology Shares (representing approximately 7.03% of the total issued share capital of Youzan Technology as at the Joint Announcement Date) currently held by Qima Teamwork which will be transferred to Trustee A for the granting of share awards to the proposed grantees. Such transfer of Youzan Technology Shares currently held by Qima Teamwork to Trustee A will not result in any dilution impact in the current shareholding interest of China Youzan in Youzan Technology or the enlargement of the existing total issued share capital of Youzan Technology. |
| Nature of rights upon grant:                         | Share award.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Nature of rights upon vesting:                       | Existing Youzan Technology Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Proposed timing of grant:                            | Subject to the satisfaction of the Plan A Effectiveness Conditions, all grants are intended to be made prior to (and regardless of) the Youzan Technology Listing and prior to the Record Date.                                                                                                                                                                                                                                                                                                                                                                                                         |
| Proposed timing of vesting:                          | Immediately upon grant.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Vesting conditions:                                  | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Holder of the Youzan Technology Shares upon vesting: | Trustee A, being a professional independent trustee to be appointed by Youzan Technology. Notwithstanding the termination of the Youzan Technology Share Award Plan A upon the granting and vesting of all of the share awards thereunder, Trustee A will continue to hold the Youzan Technology Shares on trust for and for the benefit of the grantees thereunder until all Youzan Technology Shares held by Trustee A have been disposed of.                                                                                                                                                         |
| Subscription price:                                  | None. Given that the plan concerns existing Youzan Technology Shares, there will be no subscription price or exercise price upon the granting and vesting of share awards.                                                                                                                                                                                                                                                                                                                                                                                                                              |

For the conditionality of the Youzan Technology Share Award Plan A, please refer to the paragraph headed “Conditionality – Plan A Effectiveness Conditions” set out in the Letter from the Board.

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The identity and proposed respective entitlements of the Plan A Connected Grantees are as follows:

| <b>Identity of the Plan A Connected Grantees</b> | <b>Proposed number of share awards of new Youzan Technology Shares to be granted</b> |
|--------------------------------------------------|--------------------------------------------------------------------------------------|
| 1. Huang Rongrong                                | 16,300,000                                                                           |
| 2. Cui Yusong                                    | 16,700,000                                                                           |
| 3. Yu Tao                                        | 5,500,000                                                                            |
| 4. Ying Hangyan                                  | 5,500,000                                                                            |
| Total:                                           | <u>44,000,000</u>                                                                    |

### *Reasons for the Youzan Technology Share Award Plan A*

On 16 May 2018, the board of Youzan Technology resolved to adopt the Youzan Technology 2018 Share Award Plan, and in connection with the implementation of such plan, each of Qima Teamwork (a special vehicle 100% beneficially owned by Mr. Hong Bo, an Independent Third Party, for the purpose of attracting, retaining and providing additional incentives to employees and consultants of Youzan Technology) and China Youzan (for the purpose of anti-dilution) were allotted and issued with 78,314,984 and 81,511,508 Youzan Technology Shares respectively, in each case for nominal consideration. Upon the completion of such allotment and issuance, Qima Teamwork and China Youzan held 5.69% and 51.0% of the then total issued Youzan Technology Shares as enlarged by such allotment and issuance, respectively.

On 2 August 2019, the board of Youzan Technology resolved to adopt the Youzan Technology 2019 Share Award Plan to replace the Youzan Technology 2018 Share Award Plan, following which the Youzan Technology 2018 Share Award Plan was terminated. In connection with the implementation of the 2019 Share Award Scheme, a further 28,113,407 Youzan Technology Shares were allotted and issued to Qima Teamwork for nominal consideration. Upon such allotment and issuance, Qima Teamwork held 7.42% of the then total issued Youzan Technology Shares as enlarged by such allotment and issuance.

As at the Latest Practicable Date, Qima Teamwork held, and the Youzan Technology 2019 Share Award Plan 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 of the Latest Practicable Date).

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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. Since the adoption of the Youzan Technology 2018 Share Award Plan and Youzan Technology 2019 Share Award Plan, no grant of share awards has been made by Youzan Technology thereunder. In view of the Proposal, Youzan Technology does not intend to grant any share awards under the Youzan Technology 2019 Share Award Plan from the Joint Announcement Date up to the earlier of the Scheme Effective Date or the date on which the Scheme lapses. However, prior to the Scheme Effective Date, grants will be made under the proposed Youzan Technology Share Award Plan A should it become effective.

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, 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. Pursuant to such proposal, Qima Teamwork shall transfer all of the 106,428,391 Youzan Technology Shares (representing approximately 7.03% of the total issued share capital of Youzan Technology as of the Latest Practicable Date) currently held by it to the Trustee A and grants of share awards will be made to the proposed grantees thereunder.

### *Background of the Plan A Connected Grantees*

Mr. Huang Rongrong joined China Youzan in April 2018. Mr. Huang Rongrong is one of the founders and a former director of Youzan Technology. Mr. Huang Rongrong was appointed as an executive vice president and responsible for the management of Youzan Technology's administrative affairs. Before establishing Youzan Technology, Mr. Huang Rongrong was served as technical architect in various companies.

Mr. Cui Yusong joined China Youzan in April 2018 and was appointed as an executive Director and the chief technology officer of China Youzan in May 2018. Mr. Cui is the co-founder and the chief technology officer of China Youzan Group as well as the chief executive officer of Youzan Cloud. Mr. Cui Yusong is responsible for technology reserve, artificial intelligence and product strategic planning as well as management of the research and development ("R&D") team of China Youzan Group. Prior to joining China Youzan Group, Mr. Cui Yusong served in a number of R&D or R&D management positions in Alipay, Alibaba Cloud and Taobao. Mr. Cui Yusong graduated from Shaoxing University with a bachelor degree in management. He is also the technology officer of China Prepay Group Limited, an indirect wholly-owned subsidiary of China Youzan.

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Mr. Yu Tao joined China Youzan in April 2018 and was appointed as an executive Director and the chief financial officer of China Youzan in May 2018. Mr. Yu Tao graduated from Nankai University with a bachelor degree in management and is a member of each of Chartered Professional Accountants of Canada and Certified General Accountants Association of Canada. Mr. Yu Tao joined Youzan Technology in 2014 as the chief financial officer and is responsible for financial planning and management, business data analysis, research on users, investment and investor's relations of China Youzan Group. Prior to joining China Youzan Group, he worked in Ernst & Young, Shantui Equipment Southern Africa (Pty) Ltd. and Alipay. Mr. Yu Tao is also the financial officer of China Prepay Group Limited, an indirect wholly-owned subsidiary of China Youzan.

Ms. Ying Hangyan joined China Youzan in April 2018 and was appointed as an executive Director and the chief service officer of China Youzan in May 2018. Ms. Ying Hangyan graduated from Beijing Technology and Business University with a bachelor degree in economics and a master degree in engineering, majoring in science management and engineering. Ms. Ying Hangyan joined Youzan Technology in 2014 as chief service officer and is responsible for the management of client services and contract compliance of China Youzan Group. Ms. Ying Hangyan is also the service officer of China Prepay Group Limited, an indirect wholly-owned subsidiary of China Youzan. Prior to joining China Youzan Group, Ms. Ying Hangyan worked in Lexmark Printers (Shenzhen) Co., Ltd.(利盟打印機(深圳)有限公司), Huarun Sun Hung Kei Real Estate (Hangzhou) Co. Ltd. (華潤新鴻基房地產(杭州)有限公司) and Tang Shuo Education (唐碩教育).

### *Comparison with share award schemes of other companies*

In order to assess the fairness and reasonableness of the terms of the allotment of existing Youzan Technology Shares, e.g. the vesting schedule in particular, we have identified 39 comparable companies which are listed on the Stock Exchange and had announced the grant of restricted or awarded shares under share award schemes to their respective employees and/or directors which include connected persons in the period from 1 January 2020 to the Joint Announcement Date (the “**Comparable Grants**”). Shareholders should note that the business, operations and financial performance of the companies offering the Comparable Grants are not the same as China Youzan and we have not conducted any in-depth investigation into the businesses and operations of the companies offering the Comparable Grants. However, we consider that the Comparable Grants could provide the Independent Shareholders a general reference for the recent market practice of companies in setting the vesting period for granting awarded shares at the time the shares were granted and the



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length of the aforesaid sampling period covers sufficient number of comparable companies which we consider to be fair and representative. Set out below is the list of the Comparable Grants which is exhaustive:

| Date of announcement | Company name<br>(Stock code)                       | Grantee(s)                                  | Approximate percentage of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement<br>(A) | Approximate percentage per grantee of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement | Approximate percentage of total number of awarded shares to person(s) to total number of shares in issue on the date of the announcement<br>(B) | Approximate percentage per connected grantee of total number of awarded shares to person(s) to total number of shares in issue on the date of the announcement | Ratio of number of awarded shares to connected grantee(s) to total number of awarded shares<br>(times)<br>(B)/(A) | Vesting period<br>(approximate) |
|----------------------|----------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|---------------------------------|
| 8/1/2020             | China Modern Dairy Holdings Ltd. (1117)            | 58 grantees, including 2 connected persons  | 0.31000%                                                                                                                                                                                                           | 0.00534%                                                                                                                                                                                                                | 0.04340%                                                                                                                                        | 0.02170%                                                                                                                                                       | 0.140                                                                                                             | Not disclosed                   |
| 13/1/2020            | NetDragon Websoft Holdings Limited (777)           | 1 grantee, who is a connected person        | 0.02000%                                                                                                                                                                                                           | 0.02000%                                                                                                                                                                                                                | 0.02000%                                                                                                                                        | 0.02000%                                                                                                                                                       | 1.000                                                                                                             | Vest immediately                |
| 21/1/2020            | Edvantage Group Holdings Limited (382)             | 17 grantees, including 9 connected persons  | 0.18000%                                                                                                                                                                                                           | 0.01059%                                                                                                                                                                                                                | 0.11070%                                                                                                                                        | 0.01230%                                                                                                                                                       | 0.615                                                                                                             | Not disclosed                   |
| 22/1/2020            | Oshidori International Holdings Limited (622)      | 10 grantees, including 1 connected person   | 1.63000%                                                                                                                                                                                                           | 0.16300%                                                                                                                                                                                                                | 0.17158%                                                                                                                                        | 0.17158%                                                                                                                                                       | 0.105                                                                                                             | 4 years                         |
| 31/1/2020            | CStone Pharmaceuticals (2616)                      | 101 grantees, including 1 connected person  | 2.42163%                                                                                                                                                                                                           | 0.02398%                                                                                                                                                                                                                | 0.98400%                                                                                                                                        | 0.98400%                                                                                                                                                       | 0.406                                                                                                             | 4 years                         |
| 28/2/2020            | SmarTone Telecommunications Holdings Limited (315) | 319 grantees, including 5 connected persons | 0.14000%                                                                                                                                                                                                           | 0.00044%                                                                                                                                                                                                                | 0.00839%                                                                                                                                        | 0.00168%                                                                                                                                                       | 0.060                                                                                                             | 3 years                         |
| 16/3/2020            | Chong Hing Bank Limited (1111)                     | 54 grantees, including 3 connected persons  | 0.16460%                                                                                                                                                                                                           | 0.00305%                                                                                                                                                                                                                | 0.02630%                                                                                                                                        | 0.00877%                                                                                                                                                       | 0.160                                                                                                             | 4 years                         |



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| Date of announcement | Company name (Stock code)                          | Grantee(s)                                                     | Approximate percentage of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (A) | Approximate percentage per grantee of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement | Approximate percentage of total number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (B) | Approximate percentage per grantee of total number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement | Ratio of number of awarded shares to connected grantee(s) to total number of awarded shares (times) (B)/(A) | Vesting period (approximate) |
|----------------------|----------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------|
| 20/3/2020            | SITC International Holdings Company Limited (1308) | 604 grantees, including 9 connected persons                    | 0.25000%                                                                                                                                                                                                        | 0.00041%                                                                                                                                                                                                                | 0.03575%                                                                                                                                                   | 0.00397%                                                                                                                                                           | 0.143                                                                                                       | 3 years                      |
| 27/3/2020            | China Modern Dairy Holdings Ltd. (1117)            | 56 grantees, including 2 connected persons                     | 0.31000%                                                                                                                                                                                                        | 0.00554%                                                                                                                                                                                                                | 0.04061%                                                                                                                                                   | 0.02031%                                                                                                                                                           | 0.131                                                                                                       | Vest immediately             |
| 30/3/2020            | CIFI Holdings Limited (884)                        | 1 grantee, who is a connected person                           | 0.06000%                                                                                                                                                                                                        | 0.06000%                                                                                                                                                                                                                | 0.06000%                                                                                                                                                   | 0.06000%                                                                                                                                                           | 1.000                                                                                                       | On or after 31 March 2020    |
| 1/4/2020             | Fosun International Limited (656)                  | 83 grantees, including 12 connected persons                    | 0.09987%                                                                                                                                                                                                        | 0.00120%                                                                                                                                                                                                                | 0.05484%                                                                                                                                                   | 0.00457%                                                                                                                                                           | 0.549                                                                                                       | 3 years                      |
| 1/4/2020             | Razer Inc. (1337)                                  | total grantees not disclosed, but included 8 connected persons | 1.05000%                                                                                                                                                                                                        | N/A                                                                                                                                                                                                                     | 1.02952%                                                                                                                                                   | 0.12869%                                                                                                                                                           | 0.980                                                                                                       | 4 years                      |
| 2/4/2020             | Redsun Properties Group Limited (1996)             | total grantees not disclosed, but included 3 connected persons | 0.39000%                                                                                                                                                                                                        | N/A                                                                                                                                                                                                                     | 0.14750%                                                                                                                                                   | 0.04917%                                                                                                                                                           | 0.378                                                                                                       | Not disclosed                |
| 14/4/2020            | KWG Group Holdings Limited (1813)                  | 36 grantees, including 8 connected persons                     | 0.06000%                                                                                                                                                                                                        | 0.00167%                                                                                                                                                                                                                | 0.01825%                                                                                                                                                   | 0.00228%                                                                                                                                                           | 0.304                                                                                                       | 3 years                      |
| 23/4/2020            | Bosideng International Holdings Limited (3998)     | 7 grantees, all are connected persons                          | 0.81000%                                                                                                                                                                                                        | 0.11571%                                                                                                                                                                                                                | 0.81000%                                                                                                                                                   | 0.11571%                                                                                                                                                           | 1.000                                                                                                       | 4 years                      |

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| Date of announcement | Company name (Stock code)                                           | Grantee(s)                                  | Approximate percentage of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (A) | Approximate percentage per grantee of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement | Approximate percentage of total number of awarded shares to person(s) to total number of shares in issue on the date of the announcement (B) | Approximate percentage per grantee of total number of awarded shares to person(s) to total number of shares in issue on the date of the announcement | Ratio of number of awarded shares to connected grantee(s) to total number of awarded shares (times) B)/(A) | Vesting period (approximate) |
|----------------------|---------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|------------------------------|
| 15/5/2020            | Tang Palace (China) Holdings Limited (1181)                         | 1 grantee, who is a connected person        | 0.28600%                                                                                                                                                                                                        | 0.28600%                                                                                                                                                                                                                | 0.28600%                                                                                                                                     | 0.28600%                                                                                                                                             | 1.000                                                                                                      | Not disclosed                |
| 22/5/2020            | AGTech Holdings Limited (8279)                                      | 93 grantees, including 7 connected persons  | 0.45000%                                                                                                                                                                                                        | 0.00484%                                                                                                                                                                                                                | 0.12016%                                                                                                                                     | 0.01717%                                                                                                                                             | 0.267                                                                                                      | 4 years                      |
| 5/6/2020             | Alibaba Pictures Group Limited (1060)                               | 338 grantees, including 3 connected persons | 0.47454%                                                                                                                                                                                                        | 0.00140%                                                                                                                                                                                                                | 0.03281%                                                                                                                                     | 0.01094%                                                                                                                                             | 0.069                                                                                                      | Not disclosed                |
| 12/6/2020            | China ZhengTong Auto Services Holdings Limited (1728)               | 40 grantees, including 3 connected persons  | 1.92168%                                                                                                                                                                                                        | 0.04804%                                                                                                                                                                                                                | 0.46512%                                                                                                                                     | 0.15504%                                                                                                                                             | 0.242                                                                                                      | 4 years                      |
| 22/6/2020            | China Kepei Education Group Limited (1890)                          | 21 grantees, including 14 connected persons | 0.72000%                                                                                                                                                                                                        | 0.03429%                                                                                                                                                                                                                | 0.55728%                                                                                                                                     | 0.03981%                                                                                                                                             | 0.774                                                                                                      | Not disclosed                |
| 26/6/2020            | Altus Holdings Limited (8149)                                       | 12 grantees, including 1 connected person   | 0.47875%                                                                                                                                                                                                        | 0.03990%                                                                                                                                                                                                                | 0.20000%                                                                                                                                     | 0.20000%                                                                                                                                             | 0.418                                                                                                      | 2 years                      |
| 29/6/2020            | Hao Tian International Construction Investment Group Limited (1341) | 4 grantees, all are connected persons       | 1.30000%                                                                                                                                                                                                        | 0.32500%                                                                                                                                                                                                                | 1.30000%                                                                                                                                     | 0.32500%                                                                                                                                             | 1.000                                                                                                      | 3 years                      |

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| Date of announcement | Company name (Stock code)                            | Grantee(s)                                                     | Approximate percentage of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (A) | Approximate percentage per grantee of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement | Approximate percentage of total number of awarded shares to person(s) to total number of shares in issue on the date of the announcement (B) | Approximate percentage per connected grantee of total number of awarded shares to person(s) to total number of shares in issue on the date of the announcement | Ratio of number of awarded shares to connected grantee(s) to total number of awarded shares (times) (B)/(A) | Vesting period (approximate)                                   |
|----------------------|------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| 25/8/2020            | PuraPharm Corporation Limited (1498)                 | 1 grantee, who is a connected person                           | 0.25323%                                                                                                                                                                                                        | 0.25323%                                                                                                                                                                                                                | 0.25323%                                                                                                                                     | 0.25323%                                                                                                                                                       | 1.000                                                                                                       | 1.5 years                                                      |
| 7/9/2020             | 3SBio Inc. (1530)                                    | 1 grantee, who is a connected person                           | 0.39000%                                                                                                                                                                                                        | 0.39000%                                                                                                                                                                                                                | 0.39000%                                                                                                                                     | 0.39000%                                                                                                                                                       | 1.000                                                                                                       | As soon as practicable upon fulfilment of conditions precedent |
| 13/11/2020           | Times Neighborhood Holdings Limited (9928)           | 24 grantees, including 4 connected persons                     | 0.34000%                                                                                                                                                                                                        | 0.01417%                                                                                                                                                                                                                | 0.08119%                                                                                                                                     | 0.02030%                                                                                                                                                       | 0.239                                                                                                       | 4 years                                                        |
| 15/11/2020           | Da Ming International Holdings Limited (1090)        | 87 grantees, including 4 connected persons                     | 0.43656%                                                                                                                                                                                                        | 0.00502%                                                                                                                                                                                                                | 0.04835%                                                                                                                                     | 0.01209%                                                                                                                                                       | 0.111                                                                                                       | Shall be vested on 22 December 2020                            |
| 16/12/2020           | WuXi AppTec Co., Ltd. (2359)                         | 2,444 grantees, including 12 connected persons                 | 0.22520%                                                                                                                                                                                                        | 0.00009%                                                                                                                                                                                                                | 0.01520%                                                                                                                                     | 0.00127%                                                                                                                                                       | 0.067                                                                                                       | 5 years                                                        |
| 24/12/2020           | Greentown Management Holdings Company Limited (9979) | 45 grantees, including 13 connected persons                    | 1.82500%                                                                                                                                                                                                        | 0.04056%                                                                                                                                                                                                                | 1.02331%                                                                                                                                     | 0.07872%                                                                                                                                                       | 0.561                                                                                                       | 2 years                                                        |
| 28/12/2020           | FriendTimes Inc. (6820)                              | total grantees not disclosed, but included 2 connected persons | 1.83000%                                                                                                                                                                                                        | N/A                                                                                                                                                                                                                     | 0.18300%                                                                                                                                     | 0.09150%                                                                                                                                                       | 0.100                                                                                                       | Not disclosed                                                  |

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| Date of announcement | Company name (Stock code)                          | Grantee(s)                                                     | Approximate percentage of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (A) | Approximate percentage per grantee of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement | Approximate percentage of total number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (B) | Approximate percentage per connected grantee of total number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement | Ratio of number of awarded shares to connected grantee(s) to total number of awarded shares (times) (B)/(A) | Vesting period (approximate) |
|----------------------|----------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------|
| 29/12/2020           | China Shuifa Singyes Energy Holdings Limited (750) | 122 grantees, including 4 connected persons                    | 2.40000%                                                                                                                                                                                                        | 0.01967%                                                                                                                                                                                                                | 0.24000%                                                                                                                                                   | 0.06000%                                                                                                                                                                     | 0.100                                                                                                       | 4 years                      |
| 29/12/2020           | Mulsanne Group Holding Limited (1817)              | 12 grantees, including 5 connected persons                     | 1.25000%                                                                                                                                                                                                        | 0.10417%                                                                                                                                                                                                                | 0.72479%                                                                                                                                                   | 0.14496%                                                                                                                                                                     | 0.580                                                                                                       | vest immediately upon grant  |
| 29/12/2020           | China 21st Century Education Group Limited (1598)  | 32 grantees, including 6 connected persons                     | 2.37000%                                                                                                                                                                                                        | 0.07406%                                                                                                                                                                                                                | 0.82232%                                                                                                                                                   | 0.13705%                                                                                                                                                                     | 0.347                                                                                                       | 3 years                      |
| 30/12/2020           | AsiaInfo Technologies Limited (1675)               | 14 grantees, including 1 connected person                      | 2.32000%                                                                                                                                                                                                        | 0.16571%                                                                                                                                                                                                                | 1.06000%                                                                                                                                                   | 1.06000%                                                                                                                                                                     | 0.457                                                                                                       | 3 years                      |
| 6/1/2021             | Xiaomi Corporation (1810)                          | 2,405 grantees, including 2 connected persons                  | 0.06700%                                                                                                                                                                                                        | 0.00003%                                                                                                                                                                                                                | 0.00007%                                                                                                                                                   | 0.00004%                                                                                                                                                                     | 0.001                                                                                                       | 5 years                      |
| 14/1/2021            | Dashan Education Holdings Limited (9986)           | 56 grantees, including 9 connected persons                     | 3.75000%                                                                                                                                                                                                        | 0.06696%                                                                                                                                                                                                                | 2.20875%                                                                                                                                                   | 0.24542%                                                                                                                                                                     | 0.589                                                                                                       | 3 years                      |
| 26/1/2021            | Frontage Holdings Corporation (1521)               | 184 grantees, including 2 connected persons                    | 1.12662%                                                                                                                                                                                                        | 0.00612%                                                                                                                                                                                                                | 0.15218%                                                                                                                                                   | 0.07609%                                                                                                                                                                     | 0.135                                                                                                       | 4 years                      |
| 28/1/2021            | NagaCorp Ltd. (3918)                               | total grantees not disclosed, but included 6 connected persons | 0.45000%                                                                                                                                                                                                        | N/A                                                                                                                                                                                                                     | 0.24000%                                                                                                                                                   | 0.04000%                                                                                                                                                                     | 0.533                                                                                                       | 6 years                      |

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| Date of announcement | Company name (Stock code)                       | Grantee(s)                                  | Approximate percentage of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (A) | Approximate percentage per grantee of total number of awarded shares/ restricted awarded shares to total number of shares/ restricted awarded shares to total number of shares in issue on the date of the announcement | Approximate percentage of total number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (B) | Approximate percentage per connected grantee of total number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement | Ratio of number of awarded shares to connected grantee(s) to total number of awarded shares (times) (B)/(A) | Vesting period (approximate) |
|----------------------|-------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------|
| 28/1/2021            | Earthasia International Holdings Limited (6128) | 10 grantees, including 2 connected persons  | 2.05919%                                                                                                                                                                                                        | 0.20592%                                                                                                                                                                                                                | 0.41469%                                                                                                                                                   | 0.20735%                                                                                                                                                                     | 0.201                                                                                                       | Vest immediately             |
| 22/2/2021            | Edvantage Group Holdings Limited (382)          | 9 grantees, including 3 connected persons   | 0.09128%                                                                                                                                                                                                        | 0.01014%                                                                                                                                                                                                                | 0.03651%                                                                                                                                                   | 0.01217%                                                                                                                                                                     | 0.400                                                                                                       | Not disclosed                |
|                      |                                                 | Maximum                                     | 3.75000%                                                                                                                                                                                                        | 0.39000%                                                                                                                                                                                                                | 2.20875%                                                                                                                                                   | 1.06000%                                                                                                                                                                     | 1.000                                                                                                       |                              |
|                      |                                                 | Minimum                                     | 0.02000%                                                                                                                                                                                                        | 0.00003%                                                                                                                                                                                                                | 0.00007%                                                                                                                                                   | 0.00004%                                                                                                                                                                     | 0.001                                                                                                       |                              |
|                      |                                                 | Average                                     | 0.89003%                                                                                                                                                                                                        | 0.07161%                                                                                                                                                                                                                | 0.36964%                                                                                                                                                   | 0.14023%                                                                                                                                                                     | 0.440                                                                                                       |                              |
|                      |                                                 | Median                                      | 0.45000%                                                                                                                                                                                                        | 0.02000%                                                                                                                                                                                                                | 0.17158%                                                                                                                                                   | 0.06000%                                                                                                                                                                     | 0.378                                                                                                       |                              |
| 26/2/2021            | Youzan Technology                               | 520 grantees, including 4 connected persons | 7.03000%                                                                                                                                                                                                        | 0.01352%                                                                                                                                                                                                                | 2.90637%                                                                                                                                                   | 0.72659%                                                                                                                                                                     | 0.413                                                                                                       | Vest immediately             |

*Note:* With a view to ensure all relevant grants are included, we have included the grants whereby the subject announcements did not specifically set out the total number of grantees

As shown from the table above, we noted that the size of award shares of the Comparable Grants granted to (i) the grantees ranged between approximately 0.02000% and 3.75000% with an average and median of approximately 0.89003% and 0.45000% respectively; and (ii) the connected grantees ranged between 0.00007% and approximately 2.20875% with an average and median of approximately 0.36964% and 0.17158%, respectively, of the total number of shares in issue as at the date of the relevant announcement. The share awards under the Youzan Technology Share Award Plan A to total grantees and connected grantees represents approximately 7.03000% and 2.90637%, respectively, of the total number of exiting Youzan Technology Share in issue as at the date of grant falls outside the range of the Comparable Grants.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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However, given that the number of grantees of approximately 520 grantee under the Youzan Technology Share Award Plan A is significantly above that of the Comparable Grants which we consider such difference may distort the results of our assessment, we perform an additional analysis in relation to the size per grantee of award shares of the Comparable Grants granted. As shown from the table above, we noted that (i) the size per grantee of award shares of the Comparable Grants granted ranged between 0.00003% and approximately 0.39000% with an average and median of approximately 0.07161% and 0.02000% respectively, of the total number of shares in issue as at the date of the relevant announcement, the share awards per grantee under the Youzan Technology Share Award Plan A represent approximately 0.01352% of the total number of exiting Youzan Technology Share in issue as at the date of grant falls within the range and less than both the average and median of the Comparable Grants; and (ii) the size per connected grantee of award shares of the Comparable Grants granted ranged between approximately 0.00004% and 1.06000% with an average and median of approximately 0.14023% and 0.06000% respectively, of the total number of shares in issue as at the date of the relevant announcement, the share awards per connected grantee under the Youzan Technology Share Award Plan A represent approximately 0.072659% of the total number of exiting Youzan Technology Share in issue as at the date of grant falls within the range but higher than both the average and median of the Comparable Grants.

In addition, as shown from the table above, we noted that the ratio of number of awarded shares to connected grantee(s) to total number of awarded shares ranged from 0.001 times to 1.000 time with an average and median of approximately 0.440 times and 0.378 times, respectively. The ratio represented by the number of awarded shares to connected grantee(s) to total number of awarded shares under the Youzan Technology Share Award Plan A amounted to approximately 0.413 times which falls within the range of the Comparable Grants and similar to the average and median of the Comparable Grants.

As shown from the table above, we noted that the vesting date/ period of the Comparable Grants ranged from immediate vesting up to around 6 years after the date of grant. As set out in the Letter from the Board, the share awards under the Youzan Technology Share Award Plan A shall be vested immediately upon grant, which falls within the range of the Comparable Grants. As such, we consider that the vesting periods to be generally in line with the market practices.

*Adoption of the Youzan Technology Share Award Plan A with grants of share awards to existing China Youzan Shareholders as a Special Deal Arrangement*

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 proposed adoption of the Youzan Technology Share Award Plan A with grants of share awards to grantees who are also Scheme

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Shareholders constitute a Special Deal Arrangement under Rule 25 of the Takeovers Code. The Offeror has made an application for the consent from the Executive to the adoption of the Youzan Technology Share Award Plan A and the granting of share awards thereunder, conditional on: (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 connected transaction under Chapter 20 of the GEM Listing Rules and a special deal under Rule 25 of the Takeovers Code.

### *Our assessments*

Notwithstanding that the proportion of the awarded shares per connected grantee under the Youzan Technology Share Award Plan A is within the range but higher than both the average and median of the Comparable Grants, having considered that (i) the proportion of the awarded shares per grantee under the Youzan Technology Share Award Plan A is within the range and less than both the average and median of the Comparable Grants; (ii) the vesting period is broadly in line with the vesting period of the Comparable Grants; (iii) the reason for the Youzan Technology Share Award Plan A; and (iv) as advised by the Management, the Plan A Connected Grantees have made significant contribution to the China Youzan Group in the past and are expected to continue to contribute to the Youzan Technology Group in the future, we are of the view that the terms of the Youzan Technology Share Award Plan A, in particular the proportion of the awarded shares and the vesting period, are fair and reasonable and in line with general market practice as a whole.

Taking into account that (i) the Youzan Technology Share Award Plan A being fair and reasonable as discussed above; (ii) the adoption of the Youzan Technology Share Award Plan A being one of the Scheme Pre-Conditions; (iii) those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements will be required to abstain from voting on the relevant resolution(s); and (iv) all Independent Shareholders are entitled to vote for or against the resolutions in respect of the Special Deal Arrangement at the First SGM, we are of the view that the Special Deal Arrangement in respect of the Youzan Technology Share Award Plan A is fair and reasonable so far as the Independent Shareholders are concerned.

### ***2.3. Proposed adoption of the Youzan Technology Share Award Plan B***

It is proposed 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 be made thereunder to Mr. Zhu Ning (or 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.

It is proposed that, conditional upon the fulfilment of the Plan B Effectiveness Conditions, 84,432,360 new Youzan Technology Shares (representing approximately 5.58% of the total issued share capital of Youzan Technology as at the Latest Practicable 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 a share award to Mr. Zhu Ning or Whitecrow (being a company 100% beneficially owned by Mr. Zhu Ning) prior to the completion of the Youzan Technology Listing.

China Youzan understands from Mr. Zhu Ning and Whitecrow that, should they be 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 the Youzan Technology Group. As at the Latest Practicable Date, no such incentive plan has been established and no possible or potential grantees has been identified.

Information on the key terms of the Youzan Technology Share Award Plan B is set out below:

|       |                                                                                                                                                                                                                                                                                                                              |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term: | The Youzan Technology Share Award Plan B shall become effective upon the fulfilment of the Plan B Effectiveness Conditions, and shall terminate immediately prior to the date of the Youzan Technology Listing upon completion of the grant and vesting of a share award thereunder to and with Mr. Zhu Ning (or Whitecrow). |
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Proposed grantee<br>of the Youzan<br>Technology<br>Share Award<br>Plan B: | Mr. Zhu Ning (or Whitecrow).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Total number of<br>Youzan<br>Technology<br>Shares involved:               | 84,432,360 Youzan Technology Shares (representing approximately 5.58% of the total issued capital of Youzan Technology as at the Latest Practicable Date, and approximately 5.00% of the total issued share capital of Youzan Technology as enlarged by the proposed issuance of the 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). |
| Nature of rights<br>upon grant:                                           | Share award.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Nature of rights<br>upon vesting:                                         | New Youzan Technology Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Proposed timing of<br>grant:                                              | Subject to the satisfaction of the Plan B Effectiveness Conditions, prior to the Record Date and the completion of the Youzan Technology Listing.                                                                                                                                                                                                                                                                                                                                                                  |
| Proposed timing of<br>vesting:                                            | Immediately upon grant.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Vesting conditions:                                                       | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Holder of the<br>Youzan<br>Technology<br>Shares upon<br>vesting:          | Mr. Zhu Ning (or Whitecrow).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Subscription price:                                                       | Nominal subscription price of US\$0.00001 per Youzan Technology Share shall be payable by Youzan Technology upon the vesting of the share award.                                                                                                                                                                                                                                                                                                                                                                   |

For the conditionality of the Youzan Technology Share Award Plan B, please refer to the paragraph headed “Conditionality – Plan B Effectiveness Conditions” set out in the Letter from the Board.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Anti-Dilution Issue of new Youzan Technology Shares to China Youzan*

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, it is proposed that, concurrent with the issue of 84,432,360 new Youzan Technology Shares thereunder which is conditional upon the fulfilment of the Plan B Effectiveness Conditions, China Youzan will 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 Latest Practicable Date, and approximately 5.39% 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), such that the percentage of China Youzan's current shareholding in Youzan Technology (being approximately 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**"). As a result, China Youzan will continue to hold approximately 51.90% of the total issued share capital of Youzan Technology as enlarged by the proposed issue of new Youzan Technology Shares under the Youzan Technology Share Award Plan B and the Anti-Dilution Issue (but prior to the dilution impact resulting from the proposed issuance of new Youzan Technology Shares under the Youzan Technology RSU Plan C).

### *Information of 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.

### *Mr. Zhu Ning's contribution to China Youzan Group*

As advised by the Management, Mr. Zhu Ning was one of the earliest product experience designers in the PRC and has almost 20 years of experience in the internet and e-commerce industry. His extensive experience in the industry has provided him with tremendous insights and enabled him to steer the China Youzan Group to pursue the missions to help every merchant who values products and services succeed. In particular, he foresaw the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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development of decentralised e-commerce market and the trend that merchants would increasingly recognise the significant of private customer traffic. He therefore led the research and development team and created various SaaS products and other intelligent commerce solutions, so that merchants can manage their business through a single backstage. In 2018, he foresaw that live-streaming e-commerce would become one of the fastest growing e-commerce channels and led the research and development team to develop “Youzan Live Streaming E-Commerce Solution” that can connect to multiple live streaming platforms for merchants to monetise customer traffic of live streaming.

As advised by the Management, Mr. Zhu Ning’s experience, visions and insights are the backbone of the China Youzan Group since its inception, providing the direction, stability and expertise that drive the business growth, continued innovation and success of the China Youzan Group. Under the leadership of Mr. Zhu Ning, the China Youzan Group has adopted five core values, “P.O.S.E.R.”, being professionalism, ownership, considerate services, coordinated execution and results-driven performance, which underpin the China Youzan Group’s innovation and development, and enables the China Youzan Group to pursue and uphold its mission.

### *Our assessments*

We have discussed with the Management the basis of computation of the number of new Youzan Technology Shares granted to Mr. Zhu Ning in respect of the Youzan Technology Share Award Plan B. In arriving at the number of new Youzan Technology Shares in respect of the Youzan Technology Share Award Plan B, China Youzan has taken into account, among other things, the roles and responsibilities and the performance/contribution of Mr. Zhu Ning, as well as the performance of the China Youzan Group. We understand from China Youzan that the Board has given due consideration to various factors, including the importance of work position, contribution level and performance of Mr. Zhu Ning in determining the number of new Youzan Technology Shares in respect of the Youzan Technology Share Award Plan B to be granted. Based on the information provided by China Youzan, including the background, working experience and the past contribution of Mr. Zhu Ning towards the China Youzan Group, we note that Mr. Zhu Ning (i) has extensive involvements/contributions in the China Youzan Group’s operations and/or business development; (ii) has been performing satisfactorily in the past; and/or (iii) are currently in charge of executive functions in the China Youzan or its subsidiaries. We understand from China Youzan that Mr. Zhu Ning is one of the key personnel providing support for business development and/or daily operations of the China Youzan Group. Mr. Zhu Ning had made significant contributions to the China Youzan Group in the past and is expected to continue to contribute to the Youzan Technology Group’s success in the future. We consider that the expertise and experience of Mr. Zhu Ning will be valuable and essential to the future development of the Youzan Technology Group.

Taking into account that (i) the extensive contribution to China Youzan Group by Mr. Zhu Ning, being instrumental to the foundation and continued success of Youzan Technology; (ii) should Mr. Zhu Ning and Whitecrow be 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; and (iii) as a result of the Anti-Dilution Issue, China Youzan will continue to hold approximately 51.90% of the total issued share capital of Youzan Technology as enlarged by the proposed issue of new Youzan Technology Shares which the shareholdings of the Independent Shareholders will be the same as before and after the effective of the Youzan Technology Share Award Plan B, we are of the view that the proposed Youzan Technology Share Award Plan B is in the interests of China Youzan Group and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

#### ***2.4. 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 at the time of the Joint Announcement and in order to provide a 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 proposed 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 are fully vested and exercised (by the payment of the relevant exercise price) with the vesting of such ‘see through’ entitlements under the new Youzan Technology RSU Plan C being in accordance with the original vesting schedule under the China Youzan 2019 Option Scheme:

- (a) each of the China Youzan Optionholders will provide an Optionholder Irrevocable Undertaking to the Offeror and China Youzan under which he/she will 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 (each an **“Optionholder Irrevocable Undertaking”**);

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- (b) each of the Board and the board of Youzan Technology resolves to adopt the Youzan Technology RSU Plan C, the effectiveness of which is subject to the satisfaction of the Plan C Effectiveness Conditions; and
- (c) each of the China Youzan Optionholders will receive grants of RSU under the Youzan Technology RSU Plan C which entitle him/her to receive new Youzan Technology Shares corresponding to their respective Plan C See Through Entitlements, with the vesting of such grants under the new Youzan Technology RSU Plan C being in accordance with the original vesting schedule under the China Youzan 2019 Option Scheme,

(together the “**China Youzan Option Conversion Proposal**”).

Accordingly, upon the effectiveness of the Youzan Technology RSU Plan C, all outstanding China Youzan Options will lapse and the entitlements of the China Youzan Optionholders under the China Youzan 2019 Option Scheme will be substituted by the Plan C See Through Entitlements of such China Youzan Optionholders under the Youzan Technology RSU Plan C.

As set out in the Letter from the Board, as at Latest Practicable Date, 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 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 (a Senior Vice President of Youzan Technology and a non-connected person of China Youzan);
- (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.

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Among these outstanding China Youzan Options, 161,252,000 China Youzan Options were granted to and are held by connected persons of China Youzan, and 131,552,000 China Youzan Options were granted to and are held by non-connected persons of China Youzan.

As confirmed by the Directors, China Youzan does not intend to grant any further China Youzan Share Options under the China Youzan 2019 Share Option Scheme from the Joint Announcement Date up to the earlier of the Scheme Effective Date or the date of which the Scheme otherwise lapses. Under the terms of the China Youzan 2019 Share Option Scheme, upon the Scheme becoming effective, all outstanding (and unexercised) China Youzan Share Options will automatically lapse.

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

- (i) a total of 48,304,000 outstanding China Youzan Options have vested and are exercisable by the China Youzan Optionholders; and
- (ii) a total of 244,500,000 outstanding China Youzan Options remain unvested, a portion of which 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 at the Latest Practicable Date, the Offeror and China Youzan have obtained the Optionholder Irrevocable Undertakings from all China Youzan Optionholders as of the Joint Announcement Date, and Scheme Pre-Condition (e) has been satisfied. Therefore, it is expected that there will not be any further exercise of the 292,804,000 outstanding China Youzan Options (whether or not vested) by the China Youzan Optionholders up to the Scheme Effective Date or the date on which the Scheme lapses.

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. Instead, it is proposed that the China Youzan Options Conversion Proposal be implemented.

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 the Scheme becomes effective, the China Youzan Options will lapse automatically upon the Scheme becoming effective.

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The information on the key terms of the Youzan Technology RSU Plan C is set out below:

|                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term:                                                                  | The proposed 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.                                                                                                                                                                                                                                                                                                                                                      |
| Proposed grantees of the Youzan Technology RSU Plan C:                 | <p>Initially, all of the existing China Youzan Optionholders.</p> <p>Please refer to Appendix III of this circular for a list of the proposed initial grantees under the Youzan Technology RSU Plan C (and the information contained in Appendix III assumes that no China Youzan Option held by the China Youzan Optionholders would lapse from the Latest Practicable Date to the Record Date).</p>                                                                                            |
| Number of Plan C RSUs to be granted to each China Youzan Optionholder: | The number of Plan C 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, being the Plan C See Through Entitlements: |

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

where:

A = the number of Plan C RSUs 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 (being the last trading day prior to the Joint Announcement Date) and the relevant exercise price of the China Youzan Option held by such China Youzan Optionholder

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

E = the total number of Youzan Technology Shares held by China Youzan as at the Record Date (which shall include, 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 at the Joint 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.

Please refer to Appendix III of this circular for a list of the entitlements of the proposed initial grantees under the Youzan Technology RSU Plan C based on the outstanding China Youzan Options as at the Joint Announcement Date.

|                                                    |                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Total number of Youzan Technology Shares involved: | 10,815,887 new Youzan Technology Shares, as determined by reference to the total outstanding China Youzan Options as at the Joint Announcement Date and applying the above formula with the Record Date being the Joint Announcement Date, and this number of new Youzan Technology Shares will not be reduced. |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



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Given that China Youzan and Youzan Technology will not be in a position to estimate the number of China Youzan Options which may lapse between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme, the number of new Youzan Technology Shares to be issued in connection with the Youzan Technology RSU Plan C has been determined as 10,815,887 by applying the above formula with the Record Date being the Joint Announcement Date notwithstanding that some China Youzan Options may lapse between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme. 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 Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme or the Plan C RSUs not becoming vested in accordance with the terms of Youzan Technology RSU Plan C, the board of Youzan Technology shall be entitled to make further grants of the Plan C RSUs after the Youzan Technology Listing for the purpose of attracting, retaining and providing incentives to employees.

|                                |                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nature of rights upon grant:   | RSUs, each entitling the grantee to obtain one Youzan Technology Share upon vesting.                                                                                                                                                                                                                                                                                                  |
| Nature of rights upon vesting: | Conditional upon the fulfilment of the Plan C Effectiveness Conditions, new Youzan Technology Shares will be issued and allotted to the Trustee C immediately after the Scheme becoming effective and prior to the Youzan Technology Listing. Grantees will be entitled to existing Youzan Technology Shares then held by the Trustee C upon the vesting of the relevant Plan C RSUs. |
| Proposed timing of grant:      | Subject to the satisfaction of the Plan C Effectiveness Conditions, initial grants of the Plan C RSUs to all the existing China Youzan Optionholders will be made immediately after the Scheme becoming effective but prior to the Youzan Technology Listing.                                                                                                                         |

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The board of Youzan Technology shall be entitled to determine, in its absolute discretion, the timing or terms of any further grants of the Plan C RSUs to the extent that there is any Youzan Technology Shares remaining in the Youzan Technology RSU Plan C as a result of the lapse of China Youzan Options between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme or the Plan C RSUs not becoming vested in accordance with the terms of Youzan Technology RSU Plan C.

Please refer to Appendix III of this circular for the vesting schedule of the Plan C RSUs of the proposed initial grantees under the Youzan Technology RSU Plan C.

Proposed timing of vesting:

In respect of the initial grants of the Plan C RSUs to all the existing China Youzan Optionholders, same vesting schedule as that under the China Youzan 2019 Option Scheme, namely (i) to the extent the China Youzan Options have been or will be vested prior to the timing of grant mentioned under “Proposed timing of grant” above, the Plan C RSUs that correspond to such vested China Youzan Options would be immediately vested upon grant; and (ii) to the extent the China Youzan Options have not become vested prior to the timing of grant mentioned under “Proposed timing of grant” above, the vesting of the Plan C RSUs that correspond to such unvested China Youzan Options would be in accordance with the original remaining vesting schedule under the China Youzan 2019 Option Scheme. The board of Youzan Technology shall be entitled to determine, in its absolute discretion, the timing or terms of any further vesting of the Plan C RSUs to the extent that there is any Youzan Technology Shares remaining in the Youzan Technology RSU Plan C as a result of the lapse of China Youzan Options between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme or the Plan C RSUs not becoming vested in accordance with the terms of Youzan Technology RSU Plan C.

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Holder of the Youzan Technology Shares: Trustee C being a professional independent trustee to be appointed by Youzan Technology, shall hold the new Youzan Technology Shares upon issuance on trust for the benefit of the grantees of the Plan C RSUs under the Youzan Technology RSU Plan C and (in case of any Youzan Technology Shares remaining in the Youzan Technology RSU Plan C as a result of the lapse of China Youzan Options between the Joint Announcement Date and the Record Date in accordance with the terms of the China Youzan 2019 Option Scheme or any Plan C RSUs not becoming vested in accordance with the terms of Youzan Technology RSU Plan C) for the benefit of the plan, and shall assist with the administration of, and the granting and vesting of Plan C RSUs.

Subscription price: Nominal subscription price of US\$0.00001 per Youzan Technology Share shall be payable by Youzan Technology upon the issuance of the relevant new Youzan Technology Shares to Trustee C.

For the conditionality of the Youzan Technology RSU Plan C, please refer to the paragraph headed “Conditionality – Plan C Effectiveness Conditions” set out in the Letter from the Board.

The identity of, the China Youzan Options held by, and the proposed respective grants of Plan C RSUs under the Youzan Technology RSU Plan C to, the Plan C Connected Grantees are as follows:

| Identity of the Plan C Connected Grantees | Number of China Youzan Options held as at the Latest Practicable Date | Proposed number of Plan C RSUs (hence new Youzan Technology Shares) to be granted |
|-------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| 1. Zhu Ning                               | 100,000,000                                                           | 3,484,240                                                                         |
| 2. Cui Yusong                             | 20,000,000                                                            | 727,014                                                                           |
| 3. Yu Tao                                 | 15,000,000                                                            | 545,261                                                                           |
| 4. Ying Hangyan                           | 15,000,000                                                            | 545,261                                                                           |
| 5. Huan Fang                              | 11,252,000                                                            | 434,476                                                                           |
|                                           | <hr/>                                                                 | <hr/>                                                                             |
| Total:                                    | 161,252,000                                                           | 5,736,252                                                                         |
|                                           | <hr/>                                                                 | <hr/>                                                                             |

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Background of the Plan C Connected Grantees*

The background information of Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan are set out in the paragraphs headed “3.1 The Youzan Technology Share Award Plan A” and “3.2 The Youzan Technology Share Award Plan B” above in this letter.

Mr. Zhou Kai joined China Youzan Group in November 2015 and is the senior vice president, responsible for operation and management of the software business of Youzan Beauty (有贊美業) as well as international product planning and overseas market operations of the Youzan Technology Group. Furthermore, Mr. Zhou Kai held (i) the position of chief operating officer at Shenzhen Paiyou Century E-Commerce Company Limited (深圳市派友世紀電子商務有限公司) from November 2012 to October 2014; (ii) the position of chief technical officer at Shenzhen Yinnate Technology Company Limited (深圳市因納特科技有限公司) from December 2007 to December 2011; and (iii) the position of technical director at Xi'an BOSTAR Science and Technology Industrial Co., Ltd. (西安市博星科技實業有限責任公司) from September 2005 to September 2007. Mr. Zhou Kai obtained Certificate of Computer Information Technology Testing (全國計算機信息高新技術考試合格證書) in August 2008.

Mr. Huan Fang joined China Youzan Group in September 2018 and served as the chief operating officer of China Youzan, responsible for business data assessment, product commercialisation, market investment, sales channel policy, resources allocation, etc. Prior to joining China Youzan Group, Mr. Huan Fang was the deputy president of Hillhouse Capital Group, responsible for the investment in high technology, enterprise services, artificial intelligence and intelligent manufacturing, leading/participating in over 20 projects with an investment amount of more than US\$1 billion. The typical cases include China Youzan Group, NIO INC, YITU, Horizon Robotics and other well-known technology companies. Mr. Huan Fang graduated from Shanghai Jiao Tong University and obtained a bachelor's degree in energy and power engineering and finance.

### *Our assessments*

We have reviewed the calculations and have discussed with the Management the basis of computation of the number of Plan C RSUs granted to the Plan C Connected Grantees. In arriving at the number of Plan C RSUs, China Youzan has based on the Plan C Connected Grantees' 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 original vesting schedule under the China Youzan 2019 Option Scheme.

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Taking into account that

- (i) as advised by the Management, the Plan C Connected Grantees have made significant contribution to the China Youzan Group in the past and are expected to continue to contribute to the Youzan Technology Group in the future;
- (ii) according to the Optionholder Irrevocable Undertaking, the China Youzan Optionholders will unconditionally and irrevocably undertake that: (a) he/she will not exercise the outstanding China Youzan Options (whether or not vested) held by him/her unless the Scheme lapses; (b) 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 (c) 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; and
- (iii) 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 in which the entitlements will be equivalent to the China Youzan Optionholders before and after the effective of Youzan Technology RSU Plan C,

we are of the view that the China Youzan Options Conversion Proposal is in the interests of China Youzan Group and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

Taking into account that (i) the China Youzan Options Conversion Proposal being fair and reasonable as discussed above; (ii) the approval of the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C being one of the Scheme Pre-Conditions; (iii) those China Youzan Shareholders who are involved or interested in any of the Special Deal Arrangements will be required to abstain from voting on the relevant resolution(s); and (iv) all Independent Shareholders are entitled to vote for or against the resolutions in respect of the Special Deal Arrangement at the First SGM, we are of the view that the Special Deal Arrangement in respect of the China Youzan Options Conversion Proposal is fair and reasonable so far as the Independent Shareholders are concerned.

Based on the foregoing, the Directors consider that the Special Deal Arrangements (including the Connected Transactions) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders.

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### *Summary of our assessments*

Notwithstanding that the award shares under Youzan Technology Share Award Plan A represent approximately 7.03% of the total issued share capital of Youzan Technology as at the Latest Practicable Date, which award shares per connected grantee is within the range but higher than both the average and median of the Comparable Grants, having considered that, in particular,

- (i) in respect of the Rollover Arrangement, the Independent Shareholders' interests in China Youzan would no longer be safeguarded by regulatory mechanisms applicable to listed companies on the Stock Exchange subsequent to the withdrawal of listing of the China Youzan Shares in the case where the Independent Shareholders were given the opportunity to retain the China Youzan Shares;
- (ii) the background and importance of Mr. Zhu, the Plan A Connected Grantees and Plan C Connected Grantees to China Youzan Group's future development;
- (iii) the reasons and benefits of the Connected Transactions;
- (iv) the vesting period of Youzan Technology Share Award Plan A is broadly in line with the vesting period of the Comparable Grants;
- (v) the award shares under Youzan Technology Share Award Plan A represent approximately 7.03% of the total issued share capital of Youzan Technology as at the Latest Practicable Date, which award shares per grantee is within the range and less than both the average and median of the Comparable Grants;
- (vi) as a result of the Anti-Dilution Issue, under the Youzan Technology Share Award Plan B, China Youzan will continue to hold 51.90% of the total issued share capital of Youzan Technology as enlarged by the proposed issue of new Youzan Technology Shares which the shareholdings of the Independent Shareholders will be the same as before and after the effective of the Youzan Technology Share Award Plan B;
- (vii) 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 in which the entitlements will be equivalent to the China Youzan Optionholders before and after the effective of Youzan Technology RSU Plan C,

we are of the view that the terms of the Special Deal Arrangements (including the Connected Transactions), in balance, are fair and reasonable so far as the Independent Shareholders are concerned.

**3. Financial effects of the Connected Transactions**

In accordance with the terms of the Youzan Technology Share Award Plan A, those 520 grantees shall receive the awarded shares immediately upon grant. The fair value of the Share award granted is based on the grant-date fair value of the underlying Youzan Technology Shares. The grant-date fair values of the Youzan Technology Shares granted is generally recognised as an expense for the relevant year, with a corresponding increase in a reserve account in equity. No fund will be raised as a result of the allotment of the existing Youzan Technology Shares in respect of the Youzan Technology Share Award Plan A.

In accordance with the terms of the Youzan Technology Share Award Plan B, Whitecrow shall receive the awarded shares immediately upon grant. The fair value of the share award granted is based on the grant-date fair value of the underlying Youzan Technology Shares. The grant-date fair values of the Youzan Technology Shares granted is generally recognised as an expense for the relevant year, with a corresponding increase in a reserve account in equity. No fund will be raised as a result of the allotment and issue of the new Youzan Technology Shares in respect of the Youzan Technology Share Award Plan B.

**4. Shareholding Information of China Youzan**

As at the Latest Practicable 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 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.

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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 Latest Practicable Date and the Scheme Effective Date, the table below sets out the shareholding structure of China Youzan as at the Latest Practicable Date and immediately upon completion of the Youzan Technology Listing and the Proposal (and the Scheme becoming effective):

| Shareholders                                                                                                                      | As at the Latest Practicable 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                                                      | –                                                                                                                 | –                                                         |
| Mr. Zhu Kun (Note 10)                                                                                                             | 9,207,528                         | 0.05                                                      | –                                                                                                                 | –                                                         |



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| Shareholders                                                                                                     | As at the Latest Practicable Date                                  |                                  | Immediately upon completion of the<br>Youzan Technology Listing and the<br>Proposal (and the Scheme becoming<br>effective)<br><i>(assuming none of the outstanding China<br/>Youzan Options are exercised)</i> |                                  |
|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
|                                                                                                                  | Approximate % of<br>the issued share<br>capital of China<br>Youzan |                                  | Approximate % of<br>the issued share<br>capital of China<br>Youzan                                                                                                                                             |                                  |
|                                                                                                                  | Number of China<br>Youzan Shares                                   | Number of China<br>Youzan Shares | Number of China<br>Youzan Shares                                                                                                                                                                               | Number of China<br>Youzan Shares |
| Parties acting in concert with the Offeror<br>subject to the Scheme                                              | 1,457,999,534                                                      | 8.46                             | –                                                                                                                                                                                                              | –                                |
| Aggregate number of China Youzan Shares<br>held by the Offeror and parties acting in<br>concert with the Offeror | 4,029,960,465                                                      | 23.36                            | 17,260,003,617                                                                                                                                                                                                 | 100.00                           |
| China Youzan Trustee (Note 7)                                                                                    | 149,572,600                                                        | 0.87                             | –                                                                                                                                                                                                              | –                                |
| Other Disinterested Scheme Shareholders                                                                          | 13,080,470,552                                                     | 75.77                            | –                                                                                                                                                                                                              | –                                |
| Total number of Scheme Shares held by the<br>Disinterested Scheme Shareholders                                   | 13,230,043,152                                                     | 76.64                            | –                                                                                                                                                                                                              | –                                |
| Total number of China Youzan Shares                                                                              | 17,260,003,617                                                     | 100.00                           | 17,260,003,617                                                                                                                                                                                                 | 100.00                           |
| Total number of Scheme Shares                                                                                    | 14,688,042,686                                                     | 85.10                            | –                                                                                                                                                                                                              | –                                |

*Notes:*

- Each a Director.
- A company beneficially wholly-owned by Mr. Zhu Ning, a Director and the sole beneficial owner of the Offeror.
- A company beneficially wholly-owned by Mr. Guan Guisen, a former Director.
- A company beneficially wholly-owned by Mr. Cui Yusong, a Director.
- 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.
- A company beneficially wholly-owned by Mr. Huang Rongrong, a former director of Youzan Technology.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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7. The China Youzan Shares held by the China Youzan Trustee are held on trust for the China Youzan 2018 Share Award Plan. The China Youzan 2018 Share Award Plan was adopted by China Youzan on 31 May 2018 for the purpose of recognising the contributions by eligible persons of the China Youzan 2018 Share Award Plan and providing them with incentives in order to retain them for continuing operation and development of the China Youzan Group, and attracting suitable personnel for further development of the China Youzan Group.

As at the Latest Practicable Date, the China Youzan Trustee holds a total of 149,572,600 China Youzan Shares as trustee under the China Youzan 2018 Share Award Plan, comprising:

- (i) a total of 115,916,400 China Youzan Shares held as China Youzan Awarded Shares granted but yet to be vested with the relevant grantees;
- (ii) a total of 1,111,000 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 32,545,200 China Youzan Shares held as a reserve for future awards under the China Youzan 2018 Share Award Plan (the “**Reserve**”).

Out of the 149,572,600 China Youzan Shares held by the China Youzan Trustee as trustee under the China Youzan 2018 Share Award Plan, 17,600,000 China Youzan Shares are held as China Youzan Awarded Shares granted but yet to be vested with Mr. Huan Fang, who is one of the China Youzan Excluded Shareholders and a party acting or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code. It is expected that such unvested 17,600,000 China Youzan Awarded Shares will not vest with Mr. Huan Fang during the offer period in respect of the Proposal. None of the other China Youzan Awarded Shares held by the China Youzan Trustee as trustee are granted to or are vested with the Offeror or parties acting or presumed to be acting in concert with the Offeror.

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 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 Joint 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 First SGM, the Court Meeting 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, none of whom are or will be parties acting or presumed to be acting in concert with Offeror).

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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. The brother of Mr. Zhu Ning, who is a party presumed to be acting in concert with the Offeror under class (2) of the presumptions in the definition of acting in concert under the Takeovers Code.
11. As confirmed by Messis Capital Limited, as at the Latest Practicable 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 Joint Announcement Date up to the Latest Practicable Date.
12. 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.

### 5. Shareholding Information of Youzan Technology

As at the Latest Practicable 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 Latest Practicable 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 Joint Announcement Date and the Scheme Effective Date, the table below sets out the shareholding structure of Youzan Technology (i) as at the Latest Practicable Date, (ii) as at the Record Date, and (iii) immediately upon completion of the

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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 Latest<br>Practicable Date        |                                                                               | As at the Record Date<br>(Note 1)           |                                                                        | Immediately upon<br>completion of the Proposal<br>and the Youzan Technology<br>Listing (and the Scheme<br>becoming effective)<br>(assuming none of the<br>outstanding China Youzan<br>Options are exercised)<br>(Note 2) |                                                                        |
|---------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
|                                                                                       |                                             |                                                                               |                                             |                                                                        |                                                                                                                                                                                                                          |                                                                        |
|                                                                                       | Number of<br>Youzan<br>Technology<br>Shares | Approximate<br>% of the<br>issued share<br>capital of<br>Youzan<br>Technology | Number of<br>Youzan<br>Technology<br>Shares | Approximate<br>% of issued<br>share capital<br>of Youzan<br>Technology | Number of<br>Youzan<br>Technology<br>Shares                                                                                                                                                                              | Approximate<br>% of issued<br>share capital<br>of Youzan<br>Technology |
| China Youzan                                                                          | 785,249,026                                 | 51.90                                                                         | 876,336,232                                 | 51.90                                                                  | 245 (Note 4)                                                                                                                                                                                                             | 0.00                                                                   |
| Whitecrow (Note 3)                                                                    | 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<br>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                                                                   |
| Hangzhou San Ren Yan Xing<br>Investment Partnership (LLP)<br>(杭州三仁焱興投資合夥企業<br>(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<br>Shareholders                                                    | –                                           | –                                                                             | –                                           | –                                                                      | 697,768,736                                                                                                                                                                                                              | 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>                                                             |

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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) The shareholding figures of Whitecrow (a) as at the Record Date and (b) immediately upon completion of the Proposal and the Youzan Technology Listing (and the Scheme becoming effective) assumes that the the new Youzan Technology Shares are issued to Whitecrow pursuant to Youzan Technology Share Award Plan B. Pursuant to the terms of Youzan Technology Share Award Plan B, the grant of the share award may be made to Mr. Zhu Ning (or Whitecrow).
- (4) 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.
- (5) 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 Joint 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.
- (6) 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.

## VI. RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the terms of the Special Deal Arrangements (including the Connected Transactions) are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Independent Shareholders and the Connected Transactions are in the interests of China Youzan and the Shareholders as a whole and are conducted in the ordinary and usual course of business of China Youzan. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the First SGM to approve the implementation of the Special Deal Arrangements, and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**

**Robert Siu**                      **Joseph Lam**  
*Managing Director*      *Associate Director*

*Mr. Robert Siu is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 22 years of experience in the corporate finance industry.*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Mr. Joseph Lam is a licensed person registered with the SFC, a licensed representative of Red Sun Capital Limited to carry out type 1 (dealing in securities) regulated activity under the SFO and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Joseph Lam has over four years of experience in the corporate finance industry in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

This circular, for 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 circular 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 circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of China Youzan in the China Youzan Shares, underlying shares and debentures of China Youzan or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to China Youzan and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to China Youzan and the Stock Exchange, were as follows:

### (i) Interests in China Youzan Shares

| Name of Director | Capacity/<br>Nature of interests                                                                   | Interest in<br>China Youzan<br>Shares              | Total interest<br>in China<br>Youzan Shares | Approximate<br>percentage in<br>the total issued<br>share capital of<br>China Youzan |
|------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------|
| Mr. Cao Chunmeng | Beneficial owner                                                                                   | 53,420,000                                         | 53,420,000                                  | 0.31                                                                                 |
| Mr. Yan Xiaotian | Beneficial owner                                                                                   | 21,640,000                                         | 21,640,000                                  | 0.13                                                                                 |
| Dr. Fong Chi Wah | Beneficial owner                                                                                   | 1,000,000                                          | 1,000,000                                   | 0.01                                                                                 |
| Mr. Gu Jiawang   | Beneficial owner                                                                                   | 1,000,000                                          | 1,000,000                                   | 0.01                                                                                 |
| Mr. Zhu Ning     | Founder of a<br>discretionary trust/<br>Interest of controlled<br>corporation/<br>Beneficial owner | 1,803,771,804<br>(Note 1)                          | 1,803,771,804                               | 11.03                                                                                |
| Mr. Yu Tao       | Interest of controlled<br>corporation                                                              | 363,170,101<br>(Note 2)                            | 363,170,101                                 | 2.10                                                                                 |
| Mr. Cui Yusong   | Interest of controlled<br>corporation                                                              | 241,885,127<br>(Note 3)<br>363,170,101<br>(Note 2) | 605,055,228                                 | 3.51                                                                                 |

| Name of Director | Capacity/<br>Nature of interests      | Interest in<br>China Youzan<br>Shares | Total interest<br>in China<br>Youzan Shares | Approximate<br>percentage in<br>the total issued<br>share capital of<br>China Youzan |
|------------------|---------------------------------------|---------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------|
| Ms. Ying Hangyan | Beneficial owner                      | 852,000                               | 364,022,101                                 | 2.11                                                                                 |
|                  | Interest of controlled<br>corporation | 363,170,101<br>(Note 2)               |                                             |                                                                                      |

## (ii) Interests in China Youzan Options

| Name of Director | Date of grant<br>(dd/mm/yy) | Number of<br>underlying<br>China Youzan<br>Shares<br>comprised in<br>the China<br>Youzan Options | Exercise period<br>(dd/mm/yy) | Exercise price<br>per China<br>Youzan Share<br>(HK\$) |
|------------------|-----------------------------|--------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------|
| Zhu Ning         | 9/9/19                      | 25,000,000                                                                                       | 1/7/20 - 30/6/24              | 1.00                                                  |
|                  |                             | 25,000,000                                                                                       | 1/7/21 - 30/6/24              | 1.00                                                  |
|                  |                             | 25,000,000                                                                                       | 1/7/22 - 30/6/24              | 1.00                                                  |
|                  |                             | 25,000,000                                                                                       | 1/7/23 - 30/6/24              | 1.00                                                  |
| Cui Yusong       | 9/9/19                      | 5,000,000                                                                                        | 1/7/20 - 30/6/24              | 0.90                                                  |
|                  | 9/9/19                      | 5,000,000                                                                                        | 1/7/21 - 30/6/24              | 0.90                                                  |
|                  | 9/9/19                      | 5,000,000                                                                                        | 1/7/22 - 30/6/24              | 0.90                                                  |
|                  | 9/9/19                      | 5,000,000                                                                                        | 1/7/23 - 30/6/24              | 0.90                                                  |
| Yu Tao           | 9/9/19                      | 5,000,000                                                                                        | 1/7/21 - 30/6/24              | 0.90                                                  |
|                  | 9/9/19                      | 5,000,000                                                                                        | 1/7/22 - 30/6/24              | 0.90                                                  |
|                  | 9/9/19                      | 5,000,000                                                                                        | 1/7/23 - 30/6/24              | 0.90                                                  |
| Ying Hangyan     | 9/9/19                      | 5,000,000                                                                                        | 1/7/21 - 30/6/24              | 0.90                                                  |
|                  | 9/9/19                      | 5,000,000                                                                                        | 1/7/22 - 30/6/24              | 0.90                                                  |
|                  | 9/9/19                      | 5,000,000                                                                                        | 1/7/23 - 30/6/24              | 0.90                                                  |

## Notes:

- (1) 1,440,601,703 China Youzan Shares were indirectly held through Whitecrow and 363,170,101 China Youzan Shares were held through Youzan Teamwork.
- (2) Such China Youzan Shares were held through Youzan Teamwork.
- (3) The China Youzan Shares are held by V5. Cui Investment Ltd., a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Cui Yusong.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in any China Youzan Shares, underlying China Youzan Shares or debentures of China Youzan or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to China Youzan and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to China Youzan and the Stock Exchange.



### 3. DISCLOSURE OF INTERESTS OF THE SHAREHOLDERS PURSUANT TO THE SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of China Youzan based on the register maintained by China Youzan pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of China Youzan) had, or were deemed or taken to have, interests or short positions in the China Youzan Shares and underlying China Youzan Shares which would fall to be disclosed to China Youzan and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the China Youzan Group or had any option in respect of such capital:

| Name of substantial shareholder                | Capacity/Nature of interests                | Interest in China Youzan Shares | Total interest in China Youzan Shares | % Shareholding |
|------------------------------------------------|---------------------------------------------|---------------------------------|---------------------------------------|----------------|
| Haitong International Holdings Limited         | Interest of controlled corporation          | 1,441,853,703                   | 1,441,853,703                         | 8.35           |
| Haitong International Securities Group Limited | Interest of controlled corporation          | 1,441,853,703                   | 1,441,853,703                         | 8.35           |
| Haitong Securities Co., Ltd.                   | Interest of controlled corporation          | 1,441,853,703                   | 1,441,853,703                         | 8.35           |
| Haitong International Capital (HK) Limited     | Person having a security interest in shares | 1,440,601,703                   | 1,440,601,703                         | 8.34           |
| Ward Ferry Management (BVI) Limited            | Investment manager                          | 1,066,552,000                   | 1,066,552,000                         | 6.18           |
| Tencent Holdings Limited                       | Interest of controlled corporation          | 1,036,766,038                   | 1,036,766,038                         | 6.01           |
| Poyang Lake Investment Limited                 | Beneficial owner                            | 1,036,766,038                   | 1,036,766,038                         | 6.01           |

### 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the GEM Listing Rules) had any business or interest apart from the China Youzan Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the China Youzan Group which would require to be disclosed under Rule 11.04 of the GEM Listing Rules.

**5. DIRECTORS' MATERIAL INTERESTS**

As at the Latest Practicable Date,

- (i) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2020 (being the date to which the latest published audited financial statements of China Youzan were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the China Youzan Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the China Youzan Group.

**6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the China Youzan Group or any associated company of China Youzan (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

**7. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, there is no material adverse change in the financial or trading position of the China Youzan Group since 31 December 2020, being the date to which the latest published audited accounts of the China Youzan Group were made up, up to and including the Latest Practicable Date.

**8. LITIGATION**

As at the Latest Practicable Date, neither China Youzan nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against China Youzan or any of its subsidiaries.

**9. QUALIFICATION OF EXPERTS AND CONSENTS**

The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this circular:

| <b>Name</b>     | <b>Qualification</b>                                                                                                                          |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Red Sun Capital | A corporation licensed to carry on Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activity under the SFO |
| RSM             | Certified public accountants                                                                                                                  |

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with copies of its letter or report (as the case may be) and the references to its name and logo in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts was not interested in any China Youzan Share or share in any member of the China Youzan Group, nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interests in any assets which have since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the China Youzan Group were made up) been acquired or disposed of by or leased to or by China Youzan or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by China Youzan or any of its subsidiaries.

**10. MATERIAL CONTRACTS**

Save for the loan agreement dated 27 April 2019 made between China Youzan and Youzan Technology, pursuant to which China Youzan agreed to grant to Youzan Technology an unsecured loan facility of up to HK\$900,000,000 (inclusive of the principal loan amount and interest), there is no contract, not being contracts in the ordinary course of business carried on or intended to be carried on by members of the China Youzan Group, have been entered into by members of the China Youzan Group within two years immediately preceding the Latest Practicable Date which are or may be material.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection from 10:00 a.m. to 5:30 p.m. on any weekdays (except for public holidays) at the principal office of the China Youzan at Unit 2708, 27/F, The Center, 99 Queen's Road Central, Hong Kong, from the date of this circular up to (and including) the date of the First SGM:

- (i) each of the Youzan Technology Share Incentive Plans;

- (ii) bye-laws of China Youzan;
- (iii) this circular;
- (iv) the letter of advice from the Independent Financial Adviser in connection with the Proposal, the text of which is set out on pages 60 to 107 of this circular;
- (v) the letter from the Board, the text of which is set out on pages 14 to 57 of this circular;
- (vi) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 58 to 59 of this circular;
- (vii) the written consent letters of experts referred to in the section headed “Qualification of experts and consents” in this appendix;
- (viii) each of the letters from RSM and Red Sun Capital on the Unaudited Financial Figures;
- (ix) the material contract as set out in the section headed “10. Material Contracts” in this appendix;
- (x) the 2019 Annual Report containing the consolidated audited financial statements of China Youzan for the year ended 31 December 2019, and the 2020 Annual Report containing the consolidated audited financial statements of China Youzan for the year ended 31 December 2020; and
- (xi) the circular dated 31 March 2021 issued by China Youzan.

## 12. MISCELLANEOUS

- (a) The registered office of China Youzan is at 31 Victoria Street, 5th Floor, Hamilton, HM 10 Bermuda.
- (b) The principal place of business and head office in Hong Kong is Unit 2708, 27/F, The Center 99 Queen’s Road Central, Hong Kong.
- (c) The branch share registrar and transfer office of China Youzan in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.



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

20 April 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 circular dated 20 April 2021 (the “**Circular**”) issued by China Youzan Limited (the “**Company**”). We refer to Youzan Technology Group’s (i) unaudited loss before tax, and (ii) loss for the period/year for the nine months ended 30 September 2020 and for each of the year ended 31 December 2019 and 2018 as set forth in the draft listing document submitted by Youzan Technology to the Stock Exchange together with its listing application for the Youzan Technology Listing on the date of the Joint Announcement (the “**Application Proof**”). The aforementioned unaudited financial figures (“**Unaudited Financial Figures**”) constitutes a profit forecast under Rule 10 of the Takeovers Code and therefore, are required to be reported on pursuant to Rule 10 of the Takeovers Code. The Unaudited Financial Figures are set forth in the Appendix of this report.

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

#### **Directors’ Responsibilities**

The Unaudited Financial Figures have been prepared by the directors of the Company (“**Directors**”) based on Youzan Technology Group’s unaudited consolidated financial statements which have not been confirmed, reviewed or audited by us or audit committee of the Company.

Details of the 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 China Youzan 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 2020.

**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 for inclusion in the Application Proof. 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

## UNAUDITED FINANCIAL FIGURES

The following unaudited financial figures of Youzan Technology Inc. (“**Youzan Technology**”) are prepared by the directors of China Youzan Limited (the “**Company**”) based on unaudited consolidated financial statements of Youzan Technology. The unaudited consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (with early adoption of HKFRS 16 *Leases* in the year ended 31 December 2018) and the accounting policies adopted by Company as set out in the Company’s audited consolidated financial statements for the year ended 31 December 2020.

|                          | <b>For the nine<br/>months<br/>ended 30<br/>September<br/>2020</b><br>(unaudited)<br>(RMB'000) | <b>For the year<br/>ended 31<br/>December<br/>2019</b><br>(unaudited)<br>(RMB'000) | <b>For the year<br/>ended 31<br/>December<br/>2018</b><br>(unaudited)<br>(RMB'000) |
|--------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Loss before tax          | 235,533                                                                                        | 569,811                                                                            | 803,400                                                                            |
| Loss for the period/year | 219,295                                                                                        | 503,484                                                                            | 714,072                                                                            |

20 April 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 circular dated 20 April 2021 (the “**Circular**”) issued by China Youzan Limited (the “**Company**”). Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

We refer to Youzan Technology Group's (i) unaudited loss before tax; and (ii) loss for the period/year for the nine months ended 30 September 2020 and for each of the year ended 31 December 2018 and 2019 as set forth in the draft listing document submitted by Youzan Technology to the Stock Exchange together with its listing application for the Youzan Technology Listing on the date of the Joint Announcement (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 are regarded as a profit forecast under the Takeovers Code and therefore, are required to be reported on pursuant to Rule 10 of the Takeovers Code.

The Unaudited Financial Figures have been prepared by the Directors based on Youzan Technology Group's unaudited consolidated financial statements which have not been confirmed, reviewed or audited by the auditor or audit committee of the Company.

The letter is issued in compliance with the requirement under Note 1(c) to Rules 10.1 and 10.2 and Rule 10.4 of the Takeovers Code. We have discussed with the Directors the bases upon which the Unaudited Financial Figures were prepared. We have also considered the letter on the Unaudited Financial Figures dated 20 April 2021 issued by RSM Hong Kong, the auditors of China Youzan, to the Directors, 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 forth in the appendix of the letter issued by RSM Hong Kong, and are 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 2020.

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

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



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**APPENDIX III      INFORMATION OF THE INITIAL GRANTEES UNDER  
THE YOUZAN TECHNOLOGY RSU PLAN C**

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| No. | Name of grantee | Number of remaining Plan C RSUs to be vested              |                                                   |                                           | Approximate percentage of total issued Youzan Technology Shares represented by the total number of Plan C RSUs to be granted based on the total issued share capital of Youzan Technology as at the Latest Practicable Date as enlarged by the issue of new Youzan Technology Shares for the implementation of Youzan Technology RSU Plan C |  | Vesting schedule for the Plan C RSUs which will not be vested immediately upon grant |
|-----|-----------------|-----------------------------------------------------------|---------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------------------------------------------------------------------------|
|     |                 | Number of Plan C RSUs to be vested immediately upon grant | Number of in accordance with the vesting schedule | Total number of Plan C RSUs to be granted |                                                                                                                                                                                                                                                                                                                                             |  |                                                                                      |
| 1.  | Zhu Ning        | 871,060                                                   | 2,613,180                                         | 3,484,240                                 | 0.2050%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 2.  | Cui Yusong      | 181,753                                                   | 545,261                                           | 727,014                                   | 0.0428%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 3.  | Yu Tao          | –                                                         | 545,261                                           | 545,261                                   | 0.0321%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 4.  | Ying Hangyan    | –                                                         | 545,261                                           | 545,261                                   | 0.0321%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 5.  | Guan Yu         | 144,799                                                   | 434,398                                           | 579,198                                   | 0.0341%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 6.  | Huan Fang       | 77                                                        | 434,398                                           | 434,476                                   | 0.0256%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 7.  | Zhou Kai        | 144,799                                                   | 434,398                                           | 579,198                                   | 0.0341%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 8.  | Guo Yahong      | –                                                         | 434,398                                           | 434,398                                   | 0.0256%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |

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**APPENDIX III      INFORMATION OF THE INITIAL GRANTEES UNDER  
THE YOUZAN TECHNOLOGY RSU PLAN C**

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| No. | Name of grantee | Number of remaining Plan C RSUs to be vested              |                                         |                                           | Approximate percentage of total issued Youzan Technology Shares represented by the total number of Plan C RSUs to be granted based on the total issued share capital of Youzan Technology as at the Latest Practicable Date as enlarged by the issue of new Youzan Technology Shares for the implementation of Youzan Technology RSU Plan C |  | Vesting schedule for the Plan C RSUs which will not be vested immediately upon grant |
|-----|-----------------|-----------------------------------------------------------|-----------------------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------------------------------------------------------------------------|
|     |                 | Number of Plan C RSUs to be vested immediately upon grant | in accordance with the vesting schedule | Total number of Plan C RSUs to be granted |                                                                                                                                                                                                                                                                                                                                             |  |                                                                                      |
| 9.  | Guo Yilei       | –                                                         | 289,599                                 | 289,599                                   | 0.0170%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 10. | Chen Jinhui     | –                                                         | 289,599                                 | 289,599                                   | 0.0170%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 11. | Zhu Kun         | –                                                         | 289,599                                 | 289,599                                   | 0.0170%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 12. | Li Xing         | –                                                         | 173,759                                 | 173,759                                   | 0.0102%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 13. | Xiao Junhui     | 57,919                                                    | 173,759                                 | 231,679                                   | 0.0136%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 14. | Hu Bing         | –                                                         | 173,759                                 | 173,759                                   | 0.0102%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 15. | Zhang Haowei    | 57,919                                                    | 173,759                                 | 231,679                                   | 0.0136%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |
| 16. | Wan Xiaohui     | 30,890                                                    | 173,759                                 | 204,650                                   | 0.0120%                                                                                                                                                                                                                                                                                                                                     |  | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                             |

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**APPENDIX III      INFORMATION OF THE INITIAL GRANTEES UNDER  
THE YOUZAN TECHNOLOGY RSU PLAN C**

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| No. | Name of grantee | Number of<br>Plan C RSUs<br>to be vested<br>upon grant | Number of<br>remaining<br>Plan C RSUs<br>to be vested<br>in<br>accordance<br>with the<br>vesting<br>schedule | Total<br>number of<br>Plan C RSUs<br>to be<br>granted | Approximate percentage of total<br>issued Youzan Technology Shares<br>represented by the total number of<br>Plan C RSUs to be granted based<br>on the total issued share capital of<br>Youzan Technology as at the<br>Latest Practicable Date as<br>enlarged by the issue of new<br>Youzan Technology Shares for the<br>implementation of Youzan<br>Technology RSU Plan C | Vesting schedule<br>for the Plan C<br>RSUs which will<br>not be vested<br>immediately upon<br>grant |
|-----|-----------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|     |                 |                                                        |                                                                                                              |                                                       |                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                     |
| 17. | Jiang Bo        | 19,306                                                 | 173,759                                                                                                      | 193,066                                               | 0.0114%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 18. | Cao Yuwei       | 57,919                                                 | 173,759                                                                                                      | 231,679                                               | 0.0136%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 19. | Wu Yiming       | –                                                      | 173,759                                                                                                      | 173,759                                               | 0.0102%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 20. | Wang Bo         | 28,959                                                 | 86,879                                                                                                       | 115,839                                               | 0.0068%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 21. | Chen Long       | –                                                      | 86,879                                                                                                       | 86,879                                                | 0.0051%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 22. | Li Donge        | 77                                                     | 86,879                                                                                                       | 86,956                                                | 0.0051%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 23. | Chen Yikun      | 28,959                                                 | 86,879                                                                                                       | 115,839                                               | 0.0068%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 24. | Dai Wei         | 28,959                                                 | 86,879                                                                                                       | 115,839                                               | 0.0068%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |

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**APPENDIX III      INFORMATION OF THE INITIAL GRANTEES UNDER  
THE YOUZAN TECHNOLOGY RSU PLAN C**

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| No. | Name of grantee | Number of<br>Plan C RSUs<br>to be vested<br>upon grant | Number of<br>remaining<br>Plan C RSUs<br>to be vested<br>in<br>accordance<br>with the<br>vesting<br>schedule | Total<br>number of<br>Plan C RSUs<br>to be<br>granted | Approximate percentage of total<br>issued Youzan Technology Shares<br>represented by the total number of<br>Plan C RSUs to be granted based<br>on the total issued share capital of<br>Youzan Technology as at the<br>Latest Practicable Date as<br>enlarged by the issue of new<br>Youzan Technology Shares for the<br>implementation of Youzan<br>Technology RSU Plan C | Vesting schedule<br>for the Plan C<br>RSUs which will<br>not be vested<br>immediately upon<br>grant |
|-----|-----------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|     |                 |                                                        |                                                                                                              |                                                       |                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                     |
| 25. | Chu Xiaofeng    | 28,959                                                 | 86,879                                                                                                       | 115,839                                               | 0.0068%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 26. | Lv Ruohan       | 28,959                                                 | 86,879                                                                                                       | 115,839                                               | 0.0068%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 27. | Li Yufeng       | 28,959                                                 | 86,879                                                                                                       | 115,839                                               | 0.0068%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 28. | Luo Qi          | –                                                      | 86,879                                                                                                       | 86,879                                                | 0.0051%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 29. | Bu Pengwen      | 9,653                                                  | 28,959                                                                                                       | 38,613                                                | 0.0023%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |
| 30. | Zhuang Junjie   | 9,653                                                  | –                                                                                                            | 9,653                                                 | 0.0006%                                                                                                                                                                                                                                                                                                                                                                   | 1 July 2021: 25%<br>1 July 2022: 25%<br>1 July 2023: 25%                                            |

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## NOTICE OF THE FIRST SGM

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### China Youzan Limited

中國有贊有限公司

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8083)

**NOTICE IS HEREBY GIVEN THAT** a special general meeting of China Youzan Limited (“**China Youzan**”) will be held at 24/F, Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 6 May 2021 at 10:30 a.m. (or so soon thereafter as the AGM has concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of China Youzan:

#### ORDINARY RESOLUTIONS

1. The Rollover Arrangement (a special deal under Rule 25 of the Takeovers Code) as set out in the circular under the section headed “**ROLLOVER ARRANGEMENT — SPECIAL DEAL ARRANGEMENT**”, a copy of which has been produced before the meeting and initialed by the chairman of the meeting for identification, the terms thereof and all the transactions contemplated or arising thereunder, be and are hereby approved, confirmed and ratified.
2. The adoption of the Youzan Technology Share Award Plan A (and its amendment and substitution of the Youzan Technology 2019 Share Award Plan) as set out in the circular under the section headed “**YOUZAN TECHNOLOGY SHARE AWARD PLAN A — SPECIAL DEAL ARRANGEMENT AND CONNECTED TRANSACTION**”, and the grant of share awards thereunder (a connected transaction under Chapter 20 of the GEM Listing Rules and a special deal under Rule 25 of the Takeovers Code), and all the transactions contemplated or arising thereunder, be and are hereby approved, confirmed and ratified.
3. The adoption of the Youzan Technology Share Award Plan B, the grant of share award thereunder in favour of Mr. Zhu Ning (or Whitecrow), and the Anti-Dilution Issue to China Youzan (a connected transaction under Chapter 20 of the GEM Listing Rules) as set out in the circular under the section headed “**YOUZAN TECHNOLOGY SHARE AWARD PLAN B — CONNECTED TRANSACTION**”, and all the transactions contemplated or arising thereunder, be and are hereby approved, confirmed and ratified.
4. The implementation of the China Youzan Options Conversion Proposal and the adoption of the Youzan Technology RSU Plan C and the grant of Plan C RSUs thereunder (a special deal under Rule 25 of the Takeovers Code) as set out in the circular under the section headed “**YOUZAN TECHNOLOGY RSU PLAN C — SPECIAL DEAL ARRANGEMENT**” and all the transactions contemplated or arising thereunder, be and are hereby approved, confirmed and ratified.

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## NOTICE OF THE FIRST SGM

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5. Subject to each of the other resolutions set out in this notice being passed, any one or more of the directors of China Youzan be authorised, for and on behalf of China Youzan and any member of its subsidiaries, to take all steps necessary or expedient in his/her/their opinion to approve and implement and/or give effect to the each of the Special Deal Arrangements and Connected Transactions and the respective transactions contemplated or arising thereunder, including, among other things, to sign and deliver for and on behalf of China Youzan or its relevant subsidiary(ies) any and all documents necessary or desirable for giving effect to such matters, to make non-material amendments thereto and to waive any conditions (save where they are stated not capable of being waived).

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

Hong Kong, 20 April 2021

*Notes:*

- (i) The above-mentioned resolutions 1, 2, 3 and 4 shall be approved by the relevant Independent Shareholders (as defined in the circular).
- (ii) At the First SGM, the chairman of the First SGM will put forward the above resolutions to be voted on by way of poll as required under the GEM Listing Rules and the Takeovers Code.
- (iii) Any member entitled to attend and vote at the First SGM is entitled to appoint one proxy or, if he/she is holding more than one share, to appoint more separate proxies to attend and vote instead of him/her. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. A proxy need not be a member of China Youzan.
- (iv) Where there are joint holders of any share, any one of such persons may vote at the First SGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, provided that if more than one of such joint holders be present at the First SGM personally or by proxy, the person whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof.
- (v) The register of members of China Youzan will be closed from 3 May 2021 to 6 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the SGM, unregistered holders of Shares of China Youzan should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with China Youzan's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 30 April 2021.

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## NOTICE OF THE FIRST SGM

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- (vi) To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at Computershare Hong Kong Investor Services Limited, the branch share registrar of China Youzan in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no less than 48 hours before the time schedule for holding the SGM. Delivery of the form of proxy shall not preclude a member of China Youzan from attending and voting in person at the SGM and any adjourned meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked by operation of law.
- (vii) A form of proxy for use in connection with the First SGM is enclosed with the circular of China Youzan dated 20 April 2021. Such form is also published on the website of GEM at [www.hkgem.com](http://www.hkgem.com) and on China Youzan's website at [www.chinayouzan.com](http://www.chinayouzan.com).
- (viii) As at the date of this notice, the Board comprises six executive Directors, namely Mr. Cao Chunmeng, Mr. Yan Xiaotian, Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan; and four independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Gu Jiawang, Mr. Xu Yanqing and Mr. Deng Tao.