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## China Youzan Limited

中國有贊有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8083)**

- (1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 48.10% INTEREST IN YOUZAN TECHNOLOGY;**
- (2) ISSUANCE OF SHARES UNDER SPECIFIC MANDATE;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- (4) ISSUANCE OF SHARES UNDER GENERAL MANDATE FOR ADVISORY SERVICE OF FINANCIAL ADVISER; AND**
- (5) POSSIBLE SHARE AWARD GRANT UNDER THE YOUZAN TECHNOLOGY SHARE AWARD PLAN A**

**Financial Adviser to the Company**



### **THE ACQUISITION**

The Board is pleased to announce that on 23 May 2023, the Company entered into the Sale and Purchase Agreement with the Sellers, pursuant to which the Company has conditionally agreed to acquire, and each of the Sellers has conditionally and severally agreed to sell, the Sale Shares, representing approximately 48.10% of the issued share capital of Youzan Technology as at the date of this announcement in aggregate, at a total Consideration of HK\$2,618,999,998.02, which shall be satisfied entirely by the Company allotting and issuing the Consideration Shares at the Issue Price to the Sellers at Completion.

The Consideration Shares in aggregate represent approximately 78.98% of the existing issued share capital of the Company as at the date of this announcement and approximately 44.12% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares and Fee Shares immediately upon Completion (assuming there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date, save for the issuance of the Consideration Shares and Fee Shares).

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM. An application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued upon the Completion, will rank *pari passu* in all respects with the existing Shares in issue.

Completion shall take place on the Completion Date after all the conditions precedent of the Sale and Purchase Agreement have been fulfilled (or waived, if applicable).

As at the date of this announcement, Youzan Technology is a direct non-wholly owned subsidiary of the Company which is held as to 51.90% by the Company, and the financial results of Youzan Technology is currently consolidated into those of the Company. Following Completion, Youzan Technology will become a direct wholly-owned subsidiary of the Company which is held as to 100% by the Company, and Youzan Technology's financial results will continue to be consolidated into those of the Company.

## **ISSUANCE OF FEE SHARES UNDER GENERAL MANDATE FOR ADVISORY SERVICES OF FINANCIAL ADVISER**

In connection with the Acquisition and the transactions contemplated thereunder, the Company has appointed Oriental Patron as its financial adviser. The Company proposed to remunerate Oriental Patron's financial services by way of the issuance of 6,666,666 Fee Shares at the Issue Price of HK\$0.18 per Share. The total value of the Fee Shares therefore amounts to approximately HK\$1,200,000. The 6,666,666 Fee Shares will be allotted and issued under the General Mandate granted by the Shareholders at the AGM.

## **GEM LISTING RULES IMPLICATIONS**

As at the date of this announcement, Youzan Technology is a non-wholly owned subsidiary of the Company which is owned as to 51.90% by the Company, and a connected subsidiary of the Company for reasons set out below. As at the date of this announcement, Youzan Technology is owned as to 19.73% in aggregate by Whitecrow Investment, V5.Cui Investment and Youzan Teamwork. Each of Whitecrow Investment, V5.Cui Investment and Youzan Teamwork is a connected person of the Company as (i) Whitecrow Investment is 100% beneficially held by Mr. Zhu, a Director and a director and a substantial shareholder of Youzan Technology; (ii) V5.Cui Investment is 100% beneficially held by Mr. Cui, a Director and a director of Youzan Technology; and (iii) Youzan Teamwork is beneficially owned as to 26% by Mr. Zhu, 38% by Mr. Huang, 8% by Mr. Cui, 8% by Ms. Ying, 8% by Mr. Yu, 6% by Mr. Huan Fang and 6% by Mr. Zhou Kai, where Mr. Zhu, Mr. Cui, Mr. Yu and Ms. Ying are all Directors and Mr. Zhu, Mr. Cui, Mr. Yu, Ms. Ying and Mr. Huan Fang are directors of Youzan Technology. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, which is subject to reporting, announcement, circular and independent shareholders' approval requirements.

As Mr. Zhu, Mr. Cui, Mr. Yu and Ms. Ying were considered to have a material interest in the Acquisition and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, they have abstained from voting on the relevant board resolutions of the Company. Save as disclosed above, none of the Directors has a material interest in the Acquisition and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and no other Director has abstained from voting on the relevant board resolutions of the Company.

As the highest applicable percentage ratio (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 19.06(3) of the GEM Listing Rules and will accordingly be subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## **IMPLICATIONS UNDER TAKEOVERS CODE AND APPLICATION OF WHITEWASH WAIVER**

As at the date of this announcement, the Sellers and parties acting in concert with them hold in aggregate approximately 15.07% of the issued Shares in the Company as at the date of this announcement.

Upon Completion, the aggregate shareholding interest of the Sellers and parties acting in concert with them in the Company represents approximately 52.54% of the total issued share capital of the Company as enlarged by the issuance of all Consideration Shares and Fee Shares.

Under Rule 26.1 of the Takeovers Code, the Sellers would be obliged to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Sellers and parties acting in concert with them upon Completion, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Sellers (on behalf of themselves and parties acting in concert with them) will make an application to the Executive for the Whitewash Waiver.

The Whitewash Waiver, if granted by the Executive, is expected to be subject to, among other things, approval of at least 75% (in respect of the Whitewash Waiver) and more than 50% (in respect of the Acquisition) of the Independent Shareholders that are cast at the SGM by way of poll. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Sale and Purchase Agreement will not become unconditional and the Acquisition will not proceed.

The maximum potential holding of voting rights of the Sellers and parties acting in concert with them resulting from the issuance of the Consideration Shares may exceed 50% of the voting rights of the Company, and the Sellers and parties acting in concert with them may increase their holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer thereafter.

## **POSSIBLE SHARE AWARD GRANT UNDER THE YOUZAN TECHNOLOGY SHARE AWARD PLAN A**

As set out in the Company's announcements dated 26 February 2021, 1 April 2021 and 6 May 2021, Youzan Technology has adopted the Youzan Technology Share Award Plan A for the purposes of simplifying the structure of the then existing share award plan adopted by Youzan Technology on 2 August 2019 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. Under the terms of the Youzan Technology Share Award Plan A, the share awards to be granted under the Youzan Technology Share Award Plan A will be satisfied by the existing 106,428,391 Youzan Technology shares (representing approximately 6.29% of the total number of issued shares in Youzan Technology as at the date of this announcement).

It was the then intention of Youzan Technology to make grants to approximately 520 grantees who were then directors, management members and employees of the Youzan Technology Group. However, as the proposed listing of Youzan Technology on the Stock Exchange did not proceed, which gave rise to certain practical difficulties (including but not limited to identifying a trustee to administer the plan and any grants thereunder) for Youzan Technology to proceed with the making of the proposed grants under the Youzan Technology Share Award Plan A, as at the date of this announcement, no grant has been made under the Youzan Technology Share Award Plan A.

Against such background and in light of the Acquisition, Youzan Technology intends to make grants under the Youzan Technology Share Award Plan A to its eligible participants subsequent to the date of this announcement but prior to the Completion Date. If such proposed grants materialise, it is intended that upon Completion, the relevant Consideration Shares to be issued and allotted to Qima Teamwork will form the subject matters of such grants. As at the date of this announcement, Youzan Technology is still considering and finalising the terms and conditions of such proposed grants under the Youzan Technology Share Award Plan A. It is currently expected that the grantees under the Possible Share Award Grant will include certain existing Shareholders and therefore the Possible Share Award Grant will, once materialised, constitute a special deal under Rule 25 of the Takeovers Code. Accordingly, if the Possible Share Award Grant is made, the effectiveness of the Possible Share Award Grant will be made conditional upon, amongst others, (i) the independent financial adviser stating its opinion that the proposed terms of the Possible Share Award Grant are fair and reasonable; (ii) the passing of an ordinary resolution by the relevant disinterested Shareholders at the SGM to approve the Possible Share Award Grant; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Possible Share Award Grant.

If such grants materialise, the Company will make further announcement(s) as and when appropriate and will comply with the applicable requirements under the Takeovers Code, the GEM Listing Rules and/or other applicable laws and regulations in connection with such grants.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to the GEM Listing Rules and the Takeovers Code, the Independent Board Committee, comprising of all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. Further announcement(s) in relation to the appointment of independent financial adviser will be made by the Company in compliance with the GEM Listing Rules and the Takeovers Code.

## **CIRCULAR AND THE SGM**

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. As the Sellers are parties to the Acquisition, the Sellers and their associates (as defined in the GEM Listing Rules) and parties acting in concert with the Sellers are regarded as having a material interest in the Acquisition and transactions contemplated thereunder, the Specific Mandate and Whitewash Waiver and shall abstain from voting on the relevant resolution(s) approving the same at the SGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates (as defined in the GEM Listing Rules) has a material interest in the Acquisition and the transactions contemplated thereunder, the Specific Mandate or the Whitewash Waiver, and therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the SGM.

A circular containing, among other things, details of the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and a letter from the independent financial adviser containing their advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement, and accompanied by the notice of the SGM and the proxy form, is required to be despatched to the Shareholders within 15 business days of the date of this announcement under the GEM Listing Rules or 21 days of the date of this announcement under the Takeovers Code. The Company will seek the Executive's consent for an extension of the latest date for the despatch of the circular if it becomes clear that the circular may not be able to be issued within 21 days from the date of this announcement. Further announcement(s) will be made by the Company as and when appropriate.

**Warning: The Completion is subject to satisfaction (or, if applicable, waiver) of all of the conditions to the Sale and Purchase Agreement, therefore the Acquisition may or may not be completed.**

**Completion of the Acquisition is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, be subject to (a) the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and (b) more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Acquisition, respectively, at the SGM.**

**Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or other securities of the Company.**

# THE ACQUISITION

## Introduction

The Board is pleased to announce that on 23 May 2023, the Company entered into the Sale and Purchase Agreement with each of the Sellers, pursuant to which the Company has conditionally agreed to acquire, and each of the Sellers has conditionally and severally agreed to sell, the Sale Shares, representing approximately 48.10% of the entire issued share capital of Youzan Technology as at the date of this announcement in aggregate.

## Principal terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are set out below:

Date : 23 May 2023

Parties (i) The Company; and  
(ii) The Sellers

## Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase, and each of the Sellers has conditionally and severally agreed to sell, the Sale Shares, representing approximately 48.10% of the entire issued share capital of Youzan Technology as at the date of this announcement in aggregate.

## Consideration and basis of determination

The total Consideration for the Acquisition is HK\$2,618,999,998.02, which shall be satisfied by the Company allotting and issuing 14,549,999,989 new Shares (the “**Consideration Shares**”) in aggregate at an issue price of HK\$0.18 per Consideration Share (the “**Issue Price**”) to the Sellers in proportion to their shareholding in Youzan Technology at Completion.

The number of Sale Shares agreed to be sold by each Seller and the number of Consideration Shares proposed to be allotted and issued to each Seller under the Sale and Purchase Agreement are set out as follows:



<b>Name of Seller</b>	<b>Number of Sale Shares in Youzan Technology held by such Seller and proposed to be sold to the Company</b>	<b>Approximate shareholding % in Youzan Technology held by such Seller as at the date of this announcement</b>	<b>Number of Consideration Shares proposed to be allotted and issued to such Seller</b>
Whitecrow Investment	240,265,623	14.23	4,303,604,065
V5.Cui Investment	26,165,281	1.55	468,668,835
Rory Huang	5,288,544	0.31	94,727,656
Youzan Teamwork	66,835,954	3.95	1,197,156,213
Qima Teamwork	106,428,391	6.29	1,906,330,379
Xincheng Investment	32,101,782	1.90	575,002,606
Baidu Hong Kong	17,737,531	1.05	317,712,161
Aves Capital	21,755,998	1.29	389,690,377
Hillhouse KDWD	75,812,422	4.49	1,357,941,446
Ralston Global	8,401,392	0.50	150,484,552
Hangzhou San Ren Yan Xing	8,401,392	0.50	150,484,552
Franchise Fund	30,659,587	1.82	549,170,212
Happy Zan	3,332,997	0.20	59,700,173
Tembusu HZ	90,268,812	5.35	1,616,882,271
Matrix Partners China III	38,148,261	2.26	683,306,288
Matrix Partners China III-A	4,238,696	0.25	75,922,926
GCYZ Holdings	6,118,075	0.36	109,586,099
GCQM Holdings	30,350,237	1.80	543,629,178
<b>Total</b>	<b>812,310,975</b>	<b>48.10</b>	<b>14,549,999,989</b>



Please refer to the section headed “Effect of the issuance of the Consideration Shares and the Fee Shares on the shareholding structure of the Company” in this announcement for the illustrative shareholding structure of the Company upon the allotment and issuance of the Consideration Shares and the Fee Shares.

The total Consideration was determined after arm’s length negotiations among the Company and the Sellers with reference to, among others, (i) the estimated value of the Sale Shares as of 31 January 2023 pursuant to a preliminary valuation conducted by the Independent Valuer adopting the market approach through guideline transaction method and cross checked against the result using the guideline public company method, taking into account the market capitalisation of the Company and the value of the payment and other business of the Company among other things; (ii) the historical performance of Youzan Technology; (iii) the future business prospects of the Youzan Technology Group; and (iv) the benefits to be derived by the Group from the Acquisition as described under the section headed “Reasons for and benefits of the Acquisition” in this announcement.

**The valuation report to be issued by the Independent Valuer will be set out in the circular to be despatched to the Shareholders in compliance with Rule 11 of the Takeovers Code.**

### **Consideration Shares**

The 14,549,999,989 Consideration Shares in aggregate represent approximately 78.98% of the existing issued share capital of the Company as at the date of this announcement and approximately 44.12% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares and Fee Shares immediately upon Completion (assuming there is no change in the issued share capital of the Company from the date of this announcement up to the Completion Date, save for the issuance of the Consideration Shares and Fee Shares).

### **Specific Mandate and application for listing**

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM. An application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued upon the Completion, will rank *pari passu* in all respects with the existing Shares in issue.

### **Issue Price**

The Issue Price for each Consideration Share represents the following:

- (i) a premium of approximately 22.45% to the closing price of HK\$0.1470 per Share as quoted on the Stock Exchange as at 22 May 2023, being the last trading day prior to the signing of the Sale and Purchase Agreement;

- (ii) a premium of approximately 20.81% to the average closing price of HK\$0.1490 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;
- (iii) a premium of approximately 14.65% to the average closing price of HK\$0.1570 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;
- (iv) a discount of approximately 0.77% to the average closing price of HK\$0.1814 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (v) a premium of approximately 181.25% to the audited consolidated net asset value per Share of approximately RMB0.057 per Share (equivalent to approximately HK\$0.064 per share) as at 31 December 2022.

The Issue Price was determined after arm's length negotiation between the Company and the Sellers, with reference to the prevailing market prices of the Shares and recent market conditions. The Company has taken into account, among others, the following key considerations in determining the Issue Price of the Consideration Shares:

- (i) the market price of the Shares in the last 30 trading days prior to the signing of the Sale and Purchase Agreement;
- (ii) the trading volume of the Shares during the 30 trading days prior to the signing of the Sale and Purchase Agreement;
- (iii) the financial results of the Company for the financial year ended 31 December 2022 and for the three months ended 31 March 2023;
- (iv) recent share price trend;
- (v) the volatility of Shares; and
- (vi) the lock-up period for the Consideration Shares.

The Directors (excluding members of the Independent Board Committee who will give their opinion after considering the advice from the independent financial adviser) consider that the Issue Price and the Consideration are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## Conditions to the Completion under the Sale and Purchase Agreement

Completion is conditional upon the satisfaction (or waiver, if applicable) of the following conditions:

- (1) the Company having obtained the requisite approval of the Independent Shareholders at the SGM in respect of (i) the Sale and Purchase Agreement and the Acquisition contemplated thereunder; (ii) the allotment and issuance of the Consideration Shares (including without limitation the Specific Mandate) and (iii) the Whitewash Waiver, in accordance with the GEM Listing Rules and the Takeovers Code;
- (2) the Whitewash Waiver having been granted by the Executive and remaining in full force and effect and not having been revoked;
- (3) each Seller having severally (and not jointly and not jointly and severally) obtained all necessary approvals (if required by the relevant Seller) from the relevant governmental authorities in the PRC in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (4) (if required) Youzan Technology having obtained all necessary approvals from relevant governmental authorities or third parties in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (5) (if required) the Company having obtained all necessary approvals, registrations or filings in connection with the Acquisition and the allotment and issuance of the Consideration Shares from the relevant governmental authorities under the GEM Listing Rules, the Takeovers Code and any other applicable laws, regulations and guidelines or from any third parties;
- (6) (if required) the Company having obtained such shareholder approval(s) as may be required under applicable laws and regulations of Bermuda for the allotment and issuance of the Consideration Shares;
- (7) the Company having obtained the listing approval granted by the Stock Exchange for the allotment and issuance of Consideration Shares;
- (8) the Stock Exchange not having directed that the Acquisition constitutes, or the Acquisition otherwise constitutes, a reverse takeover or an extreme transaction as defined under the GEM Listing Rules;
- (9) all Sellers not having breached any representations, warranties and undertakings contained in the Sale and Purchase Agreement in any material aspects;

- (10) the Company not having breached any representations, warranties and undertakings contained in the Sale and Purchase Agreement in any material aspects; and
- (11) no governmental authority having implemented or enacted any legislation, regulations or decisions or decided to impose any measures or actions to prohibit or restrict the transactions contemplated under the Sale and Purchase Agreement.

The Company may in its absolute discretion waive at any time prior to 31 December 2023 (or such other date as may be agreed by the parties to the Sale and Purchase Agreement) (the “**Long Stop Date**”) by notice to the Sellers any condition set out in paragraphs (4) (in respect of any necessary third party approvals only), (5) (in respect of any necessary third party approvals, registrations and filings only) or (9) above. The Sellers may by unanimous agreement in its absolute discretion waive at any time prior to the Long Stop Date by notice in writing to the Company any condition set out in paragraph (10) above. Conditions set out in paragraphs (1), (2), (3), (4) (in respect of any necessary approvals from relevant governmental authorities only), (5) (in respect of any necessary approvals, registrations or filings from relevant governmental authorities only), (6), (7), (8) and (11) above are not waivable by any party to the Sale and Purchase Agreement.

In respect of the condition set out in paragraph (4) above, as at the date of this announcement, China Youzan is not aware of any necessary approvals from relevant governmental authorities or third parties which will be required to be obtained by Youzan Technology prior to the Completion in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder.

In respect of the condition set out in paragraph (6) above, as at the date of this announcement, other than the requisite shareholders’ approval for the increase in authorised share capital of the Company, the Company is not aware of any other shareholders’ approval that would be required under the applicable laws and regulations of Bermuda for the allotment and issuance of the Consideration Shares. In respect of the condition set out in paragraph (5) above, as at the date of this announcement, other than as set out in paragraphs (1), (2), (6), and (7) above, the Company is not aware of any other necessary approvals, registrations or filings that would be required to be obtained by the Company prior to the Completion in connection with the Acquisition from the relevant governmental authorities or third parties under the GEM Listing Rules, the Takeovers Code and any other applicable laws, regulations and guidelines or from any third parties.

As at the date of this announcement, none of the conditions as set out above has been satisfied or (if applicable) waived.

In the event that any of the conditions set out above shall not have been satisfied (or waived, if applicable) prior to the Long Stop Date, the Sale and Purchase Agreement shall be automatically terminated without prejudice to any antecedent breach of the Sale and Purchase Agreement by any of the parties.

## **Completion**

Completion shall take place on the Completion Date after all the conditions precedent of the Sale and Purchase Agreement have been satisfied (or waived, if applicable).

If Completion is unable to take place on the Completion Date as a result of the failure of the Company to fulfil any obligation to be fulfilled at Completion, any Seller may by notice to the Company elect to (in respect of its Sale Shares only): (a) defer the Completion Date to a date which is within 28 days after the original Completion Date (provided that the deferred Completion Date shall not be later than the Long Stop Date); (b) proceed with Completion to the extent reasonably practicable; or (c) (with respect to such Seller and its Sale Shares only) terminate the Sale and Purchase Agreement and the sale of the Sale Shares.

If Completion is unable to take place on the Completion Date as a result of failure of any Seller to fulfil any obligation to be fulfilled at Completion, the Company may by notice to any defaulting Seller (in which case the notice shall relate to the Sale Shares of such Seller only) or all Sellers (in which case the notice shall related to all Sale Shares) elect to: (a) defer the Completion Date to a date which is within 28 days after the original Completion Date (provided that the deferred Completion Date shall not be later than the Long Stop Date); (b) proceed with Completion to the extent reasonably practicable; or (c) terminate the Sale and Purchase Agreement and the sale of the relevant Sale Shares.

## **Sellers' lock-up undertakings**

Each of the Sellers has severally undertaken to the Company that, unless with the prior written approval from the Company, it shall not directly dispose any of its Consideration Shares within 6 months from the Completion Date, except for (a) the transfer of any or all of its Consideration Shares to its wholly-owned subsidiary subject to certain limitations; or (b) the creation of any encumbrances on the Consideration Shares for the purpose of obtaining a bona fide commercial loan from an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), provided that such encumbrances will not result in the Consideration Shares being directly or indirectly transferred to any third party.

## **The Company's undertakings**

The Company has undertaken that other than (i) the allotment and issuance of the Consideration Shares in accordance with the Sale and Purchase Agreement and the allotment and issuance of the Fee Shares; (ii) the grant of share awards or share options under the relevant share award schemes or share option schemes adopted by the Company as at the date of the Sale and Purchase Agreement or the allotment and issuance of any new Shares for the purposes of satisfying any existing share awards or share options granted by the Company pursuant to the terms of such existing share awards and share options; or (iii) as otherwise agreed by the Sellers, the Company will not effect any change in its issued share capital structure (including but not limited to any issue of new Shares, capitalisation issue, bonus issue, rights issue, share consolidation, share subdivision or reduction of capital) during the period from the date of the Sale and Purchase Agreement up to and including the Completion Date.

## **Termination**

The Sale and Purchase Agreement may be terminated at any time prior to the Completion:

- (i) upon the written agreement of all parties thereunder;
- (ii) if the Company commits a material breach of the terms and conditions of the Sale and Purchase Agreement or if the representations and warranties provided by the Company under the Sale and Purchase Agreement are materially untrue, inaccurate or misleading, upon the written notice by any Seller to the Company; or
- (iii) if any Seller commits a material breach of the terms and conditions of the Sale and Purchase Agreement or if the representations and warranties provided by any Seller under the Sale and Purchase Agreement are materially untrue, inaccurate or misleading, upon (a) written notice by the Company to any Seller, in which case the Sale and Purchase Agreement shall be terminated with respect to such Seller only but shall remain effective as between the Company and the remaining Sellers; or (b) written notice by the Company to all Sellers, in which case the Sale and Purchase Agreement shall be terminated with respect to all Sellers.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the date of this announcement, Youzan Technology is a direct non-wholly owned subsidiary of the Company which is held as to 51.90% by the Company, and the financial results of Youzan Technology is currently consolidated into those of the Company. Following Completion, Youzan Technology will become a direct wholly-owned subsidiary of the Company which is held as to 100% by the Company, and Youzan Technology's financial results will continue to be consolidated into those of the Company.

The Company believes that the Acquisition will provide substantial benefits to our shareholders, and would like to share the rationale behind this strategic decision as follows:

### 1. **Unlocking value of Youzan Technology with significant growing business and financial prospects**

The business and financial performance of Youzan Technology have grown substantially since the completion of the 2018 Acquisition under the strategic leadership of the Company and due to the Company's commitment of immense efforts and resources. As set out in the annual reports of the Company, the GMV of Youzan Technology has grown from approximately RMB32.6 billion in 2018 to approximately RMB101.4 billion in 2022, and the revenue from external customers from Youzan Technology has grown from approximately RMB432.5 million since 18 April 2018 (being the date of acquisition by China Youzan) to 31 December 2018 to approximately RMB1,166.6 million in 2022. The uptick in the business of Youzan Technology prior to the long subsistence of the COVID pandemic demonstrates the strong potential it has in the post-COVID era, as the Chinese economy continues to recover.

In addition to its surging business and financial performance, the Company believes that the positive policy direction from the PRC government towards the development of the digital economy provides additional growth potential for Youzan Technology. In particular, the Report to the 20th National Congress of the Communist Party of China (the "**Twentieth Congress Report**") includes measures accelerating the development of digital economy, building internationally competitive digital industry clusters and building a modern infrastructure system with a better layout and structure, more effective functions and greater system integration of the digital economy and the real economy as part of its strategy in accelerating the creation of a new development plan and pursuing high-quality development.

According to the National Bureau of Statistics of the PRC, in 2022, the total sales of consumer retail goods in the PRC reached RMB43,973.3 billion, and the total online retail sales in the PRC reached RMB13,785.3 billion. These statistics suggest that there is a tremendous market space and growth potential for the merchant services business of Youzan Technology.



By acquiring the remaining minority interests of Youzan Technology, the Company can fully realize the benefits of Youzan Technology's business and financial performance, creating additional value in the shares for its shareholders.

## **2. Improving operational efficiency**

With a 100% shareholding interest in Youzan Technology following the Completion, the Group will be in a better position to unlock synergies and optimize the operation and management of Youzan Technology. This will result in an improved operational efficiency, ultimately maximising value for the Shareholders.

## **3. Broadening shareholder base**

Upon Completion, the market capitalization will be enlarged following the issue of the Consideration Shares. The Company believes that this could make the Company an attractive investment target for more potential institutional investors. In turn, this will allow the Group to capture the long-term capital appreciation potential and generate greater returns for the Shareholders.

Having considered the factors set out above, the Directors believe that the Acquisition will bring long-term and strategic benefits to the Group. The Directors (excluding the members of the Independent Board Committee who will give their opinion after considering the advice from the independent financial adviser) are of the view that the terms of the Sale and Purchase Agreement (including the Issue Price) are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

# **INFORMATION OF THE GROUP, THE SELLERS AND YOUZAN TECHNOLOGY**

## **Information of the Group**

The Company is an investment holding company. The Group mainly provides online and offline e-commerce solutions known as SaaS (Software as a Service) and various payment services for merchants in the PRC. The Group's operation consists of five operating segments, namely (i) merchant services – provision of a variety of SaaS products and comprehensive services in the PRC through Youzan Technology Group; (ii) third party payment services; (iii) Onecomm – provision of third party payment system solutions and sales of integrated smart point of sales devices; (iv) general trading and (v) others.

## Information of the Sellers

The Sellers comprised Whitecrow Investment, V5.Cui Investment, Rory Huang, Youzan Teamwork, Qima Teamwork, Xincheng Investment, Baidu Hong Kong, Aves Capital, Hillhouse KDWD, Ralston Global, Hangzhou San Ren Yan Xing, Franchise Fund, Happy Zan, Tembusu HZ, Matrix Partners China III, Matrix Partners China III-A, GCYZ Holdings, GCQM Holdings, each of them being a shareholder of Youzan Technology as at the date of this announcement. The Sellers collectively held 812,310,975 ordinary shares in the issued share capital of Youzan Technology, representing approximately 48.10% of the issued share capital of Youzan Technology as at the date of this announcement.

The following table sets out certain basic information of the Sellers:

<b>Name of Seller</b>	<b>Description</b>	<b>Ultimate beneficial owner(s)</b>
Whitecrow Investment	An investment holding company incorporated in the British Virgin Islands with limited liability	100% by Tricor Equity Trustee Limited as the trustee of a discretionary trust established by Mr. Zhu for the benefit of himself and certain of his family members.  Please refer to the paragraph headed “GEM Listing Rules Implications” for the relationship between the Company and Mr. Zhu.
V5.Cui Investment	An investment holding company incorporated in the British Virgin Islands with limited liability	Mr. Cui as to 100%.  Please refer to the paragraph headed “GEM Listing Rules Implications” for the relationship between the Company and Mr. Cui.
Rory Huang	An investment holding company incorporated in the British Virgin Islands with limited liability	Mr. Huang Rongrong (“ <b>Mr. Huang</b> ”) as to 100%. Mr. Huang is an Independent Third Party.

Name of Seller	Description	Ultimate beneficial owner(s)
Youzan Teamwork	An investment holding company incorporated in the BVI with limited liability	Mr. Zhu as to 26%; Mr. Huang as to 38%; each of Mr. Cui, Mr. Yu and Ms. Ying as to 8% and each of Mr. Huan Fang and Mr. Zhou Kai as to 6%.  Please refer to the paragraph headed “GEM Listing Rules Implications” for the relationships between the Company and Mr. Zhu, Mr. Cui, Mr. Yu, Ms. Ying and Mr. Huan Fang.
Qima Teamwork	An investment holding company incorporated in the British Virgin Islands with limited liability	Mr. Hong Bo, a nominee shareholder as to 100%.  Each of Qima Teamwork and Mr. Hong Bo is an Independent Third Party.
Xincheng Investment	An investment holding company incorporated in the British Virgin Islands with limited liability	100% by TMF (Cayman) Limited as the trustee of a discretionary trust established by Mr. Li Zhiguo for the benefit of himself and certain of his family members.  Each of Xincheng Investment, Mr. Li Zhiguo and his relevant family members is an Independent Third Party.
Baidu Hong Kong	An investment holding company incorporated in Hong Kong with limited liability	Baidu, Inc., a company listed on NASDAQ (stock code: BIDU) and the Stock Exchange (stock code: 9988) as to 100%.  Each of Baidu Hong Kong and Baidu, Inc. is an Independent Third Party.

Name of Seller	Description	Ultimate beneficial owner(s)
Aves Capital	An exempted company and investment holding company incorporated in the Cayman Islands with limited liability	Mr. Ming Hua Xiong as to 90%, Mr. Benjamin Xiong as to 5% and Rong Hu as to 5%.  Each of Aves Capital, Mr. Ming Hua Xiong, Mr. Benjamin Xiong and Rong Hu is an Independent Third Party.
Hillhouse KDWD	An investment holding company incorporated in the British Virgin Islands with limited liability	Hillhouse Investment Management, Ltd. is the sole management company of Hillhouse Fund II, L.P., which owned Hillhouse KDWD. The general partner of Hillhouse Fund II, L.P. is Hillhouse Fund II GP, Ltd.  Each of Hillhouse KDWD, Hillhouse Investment Management, Ltd., Hillhouse Fund II, L.P. and Hillhouse Fund II GP, Ltd. are independent third parties.
Ralston Global	An investment holding company established in the British Virgin Islands with limited liability.	Ms. Wen Qun as to 100%.  Each of Ralston Global and Ms. Wen Qun is an Independent Third Party
Hangzhou San Ren Yan Xing	A limited liability partnership incorporated in the PRC, a discretionary managed fund	Hangzhou San Ren Investment Management Co. Ltd. (杭州三仁投資管理有限公司) as the general partner. Based on public information, Hangzhou San Ren Investment Management Co., Ltd. is held as to 50% by each of Mr. Cao Guoxiong and Mr. Ni Zhengdong.

Name of Seller	Description	Ultimate beneficial owner(s)
Franchise Fund	An exempted limited partnership formed under the laws of the Cayman Islands, a discretionary managed fund	<p>Each of Hangzhou San Ren Yan Xing, Hangzhou San Ren Investment Management Co., Ltd., Mr. Cao Guoxiong and Mr. Ni Zhengdong is an Independent Third Party</p> <p>Managed by Franchise GP Limited. as general partner, which is ultimately owned as to 100% by Mr. Wang Shihong.</p> <p>Each of Franchise Fund, Franchise GP Limited and Mr. Wang Shihong is an Independent Third Party.</p>
Happy Zan	An investment holding company incorporated in the Cayman Islands with limited liability	<p>Mr. Wang Haining as to 55%. None of the other ultimate beneficial owners of Happy Zan holds 20% or more of the shareholdings in Happy Zan.</p> <p>Each of Happy Zan, Wang Haining and the other shareholders of Happy Zan is an Independent Third Party.</p>
Tembusu HZ	An investment holding company established in the British Virgin Islands with limited liability	<p>Matrix Chuangda (Hangzhou) Venture Investment Limited Partnership as to 100%, the general partner of which is Hangzhou Matrix Tengchuang Investment Management L.P. The general partner of Hangzhou Matrix Tengchuang Investment Management L.P. is Shanghai Jingwei Equity Investment Management Co., Ltd.</p>

Name of Seller	Description	Ultimate beneficial owner(s)
Matrix Partners China III	An exempted limited partnership formed under the laws of Cayman Islands, a discretionary managed fund	<p>Each of Tembusu HZ, Matrix Chuangda (Hangzhou) Venture Investment Limited Partnership, Hangzhou Matrix Tengchuang Investment Management L.P. and Shanghai Jingwei Equity Investment Management Co., Ltd. is an Independent Third Party.</p> <p>The general partner of Matrix Partners China III is Matrix China Management III, L.P., whose general partner is Matrix China III GP GP, Ltd.</p>
Matrix Partners China III-A	An exempted limited partnership formed under the laws of the Cayman Islands, a discretionary managed fund	<p>Each of Matrix Partners China III, Matrix China Management III, L.P. and Matrix China III GP GP, Ltd. is an Independent Third Party.</p> <p>The general partner of Matrix Partners China III-A is Matrix China Management III, L.P., whose general partner is Matrix China III GP GP, Ltd.</p> <p>Each of Matrix Partners China III-A, Matrix China Management III, L.P. and Matrix China III GP GP, Ltd. is an Independent Third Party.</p>
GCYZ Holdings	An investment holding company incorporated in the Cayman Islands with limited liability	<p>Gaocheng Fund I, L.P. as to 100%. The general partner of Gaocheng Fund I, L.P. is Gaocheng Holdings GP, Ltd.</p> <p>Each of GCYZ Holdings, Gaocheng Fund I, L.P. and Gaocheng Holdings GP, Ltd is an Independent Third Party.</p>

Name of Seller	Description	Ultimate beneficial owner(s)
GCQM Holdings	An investment holding company incorporated in the Cayman Islands with limited liability	GCQM L.P. as to 100%. The general partner of GCQM L.P. is Gaocheng Holdings GP, Ltd.  Each of GCQM Holdings, GCQM L.P. and Gaocheng Holdings GP, Ltd. is an Independent Third Party.

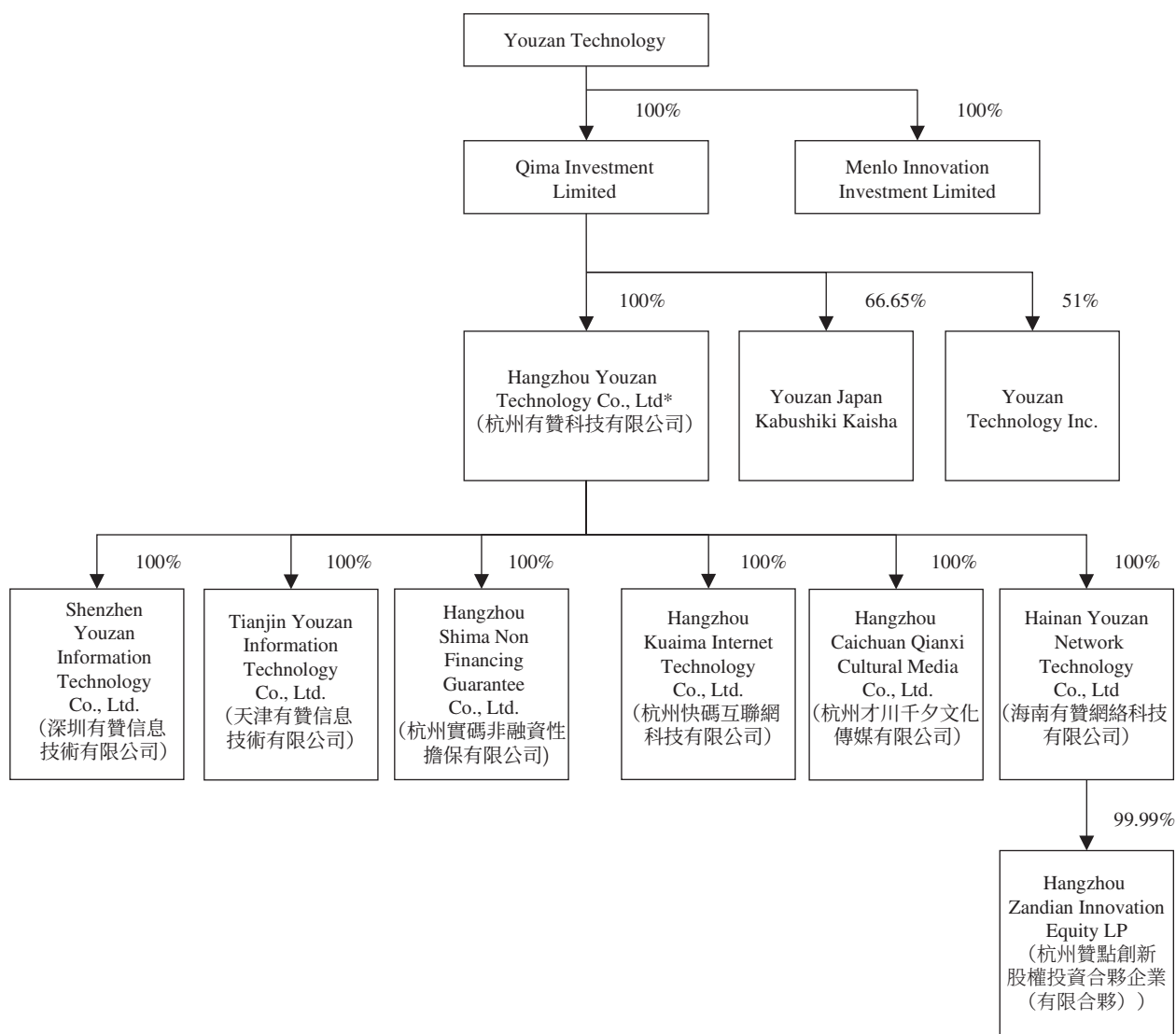
The original acquisition costs incurred by Whitecrow Investment, V5.Cui Investment and Youzan Teamwork, each a connected person of China Youzan as outlined below, for the acquisition of the respective Sale Shares were approximately HK\$7,926,318 (consisting of capital injections of RMB100,000 and USD1,000,000 into Youzan Technology), nil (as such Sale Shares were acquired by V5.Cui Investment as a founding shareholder) and nil (as Youzan Teamwork was established as a shareholding platform to incentivise the senior management of Youzan Technology) respectively.

### **Information of Youzan Technology**

Youzan Technology is a company incorporated in the Cayman Islands. 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.



The structure chart of the Youzan Technology Group as at the date of this announcement is shown below:



Set out below is the key unaudited financial information of the Youzan Technology Group for the two financial years ended 31 December 2021 and 31 December 2022, respectively:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB million</i>	
	(unaudited)	
Revenue	1,284.0	1,167.3
Loss before taxation	995.4	642.7
Loss for the year	1,123.8	636.9
Total assets	1,287.1	1,341.8
Net liabilities	273.0	876.9

Pursuant to GEM Listing Rules 19.58(7) and (8), the Company is required to disclose (i) the value (book value and valuation, if any) of the assets which are subject of the transaction, and (ii) where applicable, the net profits (before and after taxation) attributable to the assets which constitute the subject of the transaction for the two financial years immediately preceding the transaction (the “**Required Financial Information**”). As such, the unaudited consolidated net assets as at 31 December 2021 and 2022, and the net profit (before and after taxation) for each of the two years ended 31 December 2021 and 2022, of Youzan Technology as required under the GEM Listing Rules, are disclosed above in this announcement. Pursuant to Rule 10 of the Takeovers Code, the Required Financial Information constitutes a profit forecast and should be reported on by the financial adviser and reporting accountants of the Company under Rule 10.4 of the Takeovers Code. However, due to the practical difficulties in terms of the additional time required for the preparation of the Required Financial Information by the Company’s reporting accountants, the disclosure of the Required Financial Information does not meet the standard required by Rule 10 of the Takeovers Code. **The unaudited financial information in relation to the loss of Youzan Technology does not meet the standard required under Rule 10 of the Takeovers Code. Shareholders and potential investors should exercise caution in placing reliance on the financial information of Youzan Technology in assessing the merits and demerits of the Acquisition. The accountants’ report setting out the audited financial statements relating to Youzan Technology will be included in the circular to be issued by the Company to the Shareholders in relation to (amongst others) the Acquisition and the Whitewash Waiver. Shareholders should note that there may be differences between the financial information as presented in this announcement and the financial information to be presented in the circular to be despatched by the Company to the Shareholders.**

## **ISSUANCE OF FEE SHARES UNDER GENERAL MANDATE FOR ADVISORY SERVICES OF FINANCIAL ADVISER**

In connection with the Acquisition and the transactions contemplated thereunder, the Company has appointed Oriental Patron as its financial adviser. The Company proposes to remunerate Oriental Patron's financial services by way of issuance of 6,666,666 Fee Shares at the Issue Price of HK\$0.18 per Share. The total value of the Fee Shares therefore amounts to approximately HK\$1,200,000.

### **The Fee Shares**

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Fee Shares, at (i) the date of issuance of the Consideration Shares or (ii) within 14 business days after the termination of the Sale and Purchase Agreement, assuming there is no other change in the issued share capital of the Company (save for 14,549,999,989 Consideration Shares to be issued under the Acquisition), 6,666,666 Fee Shares will be issued, which represent:

- (i) approximately 0.04% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 0.02% of the issued share capital of the Company as enlarged by the allotment and issue of Fee Shares and Consideration Shares.

Please refer to the section headed "The Acquisition – Issue Price" in this announcement for a comparison of value of the Issue Price.

The number of Fee Shares to be issued to Oriental Patron is fixed and is not subject to any further changes. Oriental Patron's advisory fee is non-refundable and not contingent upon the status or development of the Acquisition and transactions contemplated thereunder.

Oriental Patron is a third party independent of the Company and the Sellers. As at the date of this announcement, Oriental Patron does not hold any of the Shares.

The Fee Shares will rank *pari passu* in all respects with the Shares then in issue as at the date of the issuance. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Fee Shares.

## The General Mandate to Issue the Fee Shares

The Fee Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM, subject to the limit of 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 3,684,328,419 new Shares.

Up to the date of this announcement, no new Shares were issued or proposed to be issued under the General Mandate other than the Fee Shares. Accordingly, the issuance of 6,666,666 Fee Shares under the General Mandate is not subject to any further approval of the Shareholders.

## EFFECT OF THE ISSUANCE OF THE CONSIDERATION SHARES AND THE FEE SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, other than the 18,421,642,097 Shares and 277,754,000 options exercisable into 277,754,000 new Shares under the share option scheme adopted by the Company on 12 June 2019 in issue, the Company has no other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

For illustrative purposes only, assuming there is no other change to the issued share capital of, and the shareholding in, the Company from the date of this announcement up to and including the Completion Date, set out below is the shareholding structure of the Company: (a) as at the date of this announcement; (b) immediately after the issuance of the Fee Shares; and (c) immediately after the issuance of the Consideration Shares and the Fee Shares:

Name of the shareholders of the Company	As at the date of this announcement (Note 1)		Immediately after the allotment and issuance of the Fee Shares (Note 2)		Immediately after the allotment and issuance of the Consideration Shares and the Fee Shares (Note 3)	
	Number of Shares held	Approximate shareholding %	Number of Shares held	Approximate shareholding %	Number of Shares held	Approximate shareholding %
<b>Sellers</b>						
Whitecrow Investment	1,440,601,703	7.82	1,440,601,703	7.82	5,744,205,768	17.42
V5.Cui Investment	241,885,127	1.31	241,885,127	1.31	710,553,962	2.15
Rory Huang	–	0.00	–	0.00	94,727,656	0.29
Youzan Teamwork	363,170,101	1.97	363,170,101	1.97	1,560,326,314	4.73
Qima Teamwork	–	0.00	–	0.00	1,906,330,379	5.78
Xincheng Investment	118,959,335	0.65	118,959,335	0.65	693,961,941	2.10
Baidu Hong Kong	–	0.00	–	0.00	317,712,161	0.96
Aves Capital	1,123,478	0.01	1,123,478	0.01	390,813,855	1.19
Hillhouse KDWD	–	0.00	–	0.00	1,357,941,446	4.12
Ralston Global	–	0.00	–	0.00	150,484,552	0.46
Hangzhou San Ren Yan Xing	–	0.00	–	0.00	150,484,552	0.46
Franchise Fund	–	0.00	–	0.00	549,170,212	1.67

Name of the shareholders of the Company	As at the date of this announcement		Immediately after the allotment and issuance of the Fee Shares		Immediately after the allotment and issuance of the Consideration Shares and the Fee Shares	
	<i>(Note 1)</i>		<i>(Note 2)</i>		<i>(Note 3)</i>	
	<i>Number of Shares held</i>	<i>Approximate shareholding %</i>	<i>Number of Shares held</i>	<i>Approximate shareholding %</i>	<i>Number of Shares held</i>	<i>Approximate shareholding %</i>
Happy Zan	–	0.00	–	0.00	59,700,173	0.18
Tembusu HZ	100,000,000	0.54	100,000,000	0.54	1,716,882,271	5.21
Matrix Partners China III	180,000,000	0.98	180,000,000	0.98	863,306,288	2.62
Matrix Partners China III-A	20,000,000	0.11	20,000,000	0.11	95,922,926	0.29
GCYZ Holdings	257,735,849	1.40	257,735,849	1.40	367,321,948	1.11
GCQM Holdings	–	0.00	–	0.00	543,629,178	1.65
<b>Sellers</b>	<b>2,723,475,593</b>	<b>14.78</b>	<b>2,723,475,593</b>	<b>14.78</b>	<b>17,273,475,582</b>	<b>52.38</b>
Mr. Zhu <i>(Note 4)</i>	28,000,000	0.15	28,000,000	0.15	28,000,000	0.08
Mr. Cui <i>(Note 5)</i>	8,900,000	0.05	8,900,000	0.05	8,900,000	0.03
Mr. Yu <i>(Note 6)</i>	13,848,000	0.08	13,848,000	0.08	13,848,000	0.04
Ms. Ying <i>(Note 6)</i>	852,000	0.00	852,000	0.00	852,000	0.00
Mr. Zhou Kai <i>(Note 7)</i>	1,000,000	0.01	1,000,000	0.01	1,000,000	0.00
<b>Sellers and parties acting in concert with it</b>	<b>2,776,075,593</b>	<b>15.07</b>	<b>2,776,075,593</b>	<b>15.07</b>	<b>17,326,075,582</b>	<b>52.54</b>
Dr. Fong Chi Wah <i>(Note 8)</i>	1,000,000	0.01	1,000,000	0.01	1,000,000	0.00
Mr. Li Shaojie <i>(Note 8)</i>	1,000,000	0.01	1,000,000	0.01	1,000,000	0.00
Oriental Patron	–	–	6,666,666	0.04	6,666,666	0.02
Other public shareholders	15,643,566,504	84.92	15,643,566,504	84.88	15,643,566,504	47.44
<b>Independent Shareholders</b>	<b>15,643,566,504</b>	<b>84.93</b>	<b>15,652,233,170</b>	<b>84.93</b>	<b>15,652,233,170</b>	<b>47.46</b>
<b>Total</b>	<b>18,421,642,097</b>	<b>100.00</b>	<b>18,428,308,763</b>	<b>100.00</b>	<b>32,978,308,752</b>	<b>100.00</b>

- The percentage was calculated on the basis of 18,421,642,097 Shares in issue as at the date of this announcement and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.
- The percentage was calculated on the enlarged issued share capital of the Company as a result of the issue of the Fee Shares comprising of a total of 18,428,308,763 Shares and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding. The allotment and issuance of the Fee Shares are not contingent upon the status or development of the Acquisition and transactions contemplated thereunder.
- The percentage was calculated on the enlarged issued share capital of the Company as a result of the issue of the Consideration Shares and the Fee Shares comprising a total of 32,978,308,752 Shares and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.
- Mr. Zhu holds the Shares on his own and through Whitecrow Investment. In addition, Mr. Zhu holds share options for which (a) 100,000,000 new Shares may be issued at the exercise price of HK\$1.00 per Share and (b) 1,000,000 new Shares may be issued at the exercise price of HK\$0.385 pursuant to the terms and conditions of such share options.

5. Mr. Cui holds the Shares on his own and through V5.Cui Investment, a company wholly-owned by him. In addition, Mr. Cui holds share options for which (a) 20,000,000 new Shares may be issued at the exercise price of HK\$0.90 per Share and (b) 1,000,000 new Shares may be issued at the exercise price of HK\$0.385 pursuant to the terms and conditions of such share options.
6. Each of Mr. Yu and Ms. Ying is an executive Director. Mr. Yu holds share options for which (a) 15,000,000 new Shares may be issued at the exercise price of HK\$0.90 per Share and (b) 1,000,000 new Shares may be issued at the exercise price of HK\$0.385 pursuant to the terms and conditions of such share options. In addition, Ms. Ying holds share options for which (a) 15,000,000 new Shares may be issued at the exercise price of HK\$0.90 per Share and (b) 1,000,000 new Shares may be issued at the exercise price of HK\$0.385 per Share pursuant to the terms and conditions of such share options.
7. Mr. Zhou Kai holds 6% in Youzan Teamwork and as a result is or may be regarded as acting in concert with the Sellers. In addition, Mr. Zhou Kai also holds share options for which (a) 10,000,000 new Shares may be issued at the exercise price of HK\$0.75 per Share and (b) 1,000,000 new Shares may be issued at the exercise price of HK\$0.385 per Share pursuant to the terms and conditions of such share options. In addition, Mr. Zhou Kai also holds certain share awards under the share award scheme adopted by the Company.
8. Each of Dr. Fong Chi Wah and Mr. Li Shaojie is an independent non-executive Director.
9. Mr. Zhu Kun, who is the sibling of Mr. Zhu and presumed to be acting in concert with the Sellers as a result, holds share options for which 7,500,000 new Shares may be issued at the exercise price of HK\$0.75 per Share. In addition, Mr. Zhu Kun also holds certain share awards under the share award scheme adopted by the Company.
10. Mr. Huan Fang holds 6% in Youzan Teamwork and as a result is or may be regarded as acting in concert with the Sellers. Mr. Huan Fang holds share options for which (a) 15,000,000 new Shares may be issued at the exercise price of HK\$0.75 per Share and (b) 1,000,000 new Shares may be issued at the exercise price of HK\$0.385 per Share pursuant to the terms and conditions of such share options. In addition, Mr. Huan Fang holds certain share awards under the share award scheme adopted by the Company.
11. Mr. Huang Rongrong is the sole ultimate beneficial owner of Rory Huang and presumed to be acting in concert with the Sellers as a result, holds share options for which 1,000,000 new Shares may be issued at the exercise price of HK\$0.385 per Share pursuant to the terms and conditions of such share options.

## **EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

There have been no equity fundraising activities by the Company in the past twelve (12) months immediately preceding the date of this announcement.

## **GEM LISTING RULES IMPLICATIONS**

As at the date of this announcement, Youzan Technology is a non-wholly owned subsidiary of the Company which is owned as to 51.90% by the Company, and a connected subsidiary of the Company for reasons set out below.

As at the date of this announcement, Youzan Technology is owned as to 19.73% in aggregate by Whitecrow Investment, V5.Cui Investment and Youzan Teamwork. Each of Whitecrow Investment, V5.Cui Investment and Youzan Teamwork is a connected person of the Company as (i) Whitecrow Investment is 100% beneficially held by Mr. Zhu, a Director and a director and a substantial shareholder of Youzan Technology; (ii) V5.Cui Investment is 100% beneficially held by Mr. Cui, a Director and a director of Youzan Technology; and (iii) Youzan Teamwork is beneficially owned as to 26% by Mr. Zhu, 38% by Mr. Huang, 8% by Mr. Cui, 8% by Ms. Ying, 8% by Mr. Yu, 6% by Mr. Huan Fang and 6% by Mr. Zhou Kai, where Mr. Zhu, Mr. Cui, Mr. Yu and Ms. Ying are all Directors and Mr. Zhu, Mr. Cui, Mr. Yu, Ms. Ying and Mr. Huan Fang are directors of Youzan Technology. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, which is subject to reporting, announcement, circular and independent shareholders' approval requirements.

As Mr. Zhu, Mr. Cui, Mr. Yu and Ms. Ying were considered to have a material interest in the Acquisition and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, they have abstained from voting on the relevant board resolutions of the Company. Save as disclosed above, no other Directors had a material interest in the Acquisition and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and no other Director has abstained from voting on the relevant board resolutions of the Company.

As the highest applicable percentage ratio (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 19.06(3) of the GEM Listing Rules and will accordingly be subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## **IMPLICATIONS UNDER TAKEOVERS CODE AND APPLICATION OF WHITEWASH WAIVER**

As at the date of this announcement, as disclosed in the section headed "Effect of the issuance of the Consideration Shares and the Fee Shares on the shareholding structure of the Company" in this announcement, the Sellers and the parties acting in concert with them hold in aggregate approximately 15.07% of the issued Shares in the Company as at the date of this announcement.



Upon Completion, the aggregate shareholding interest of the Sellers and parties acting in concert with them in the Company is expected to increase to approximately 52.54% of the total issued share capital of the Company as enlarged by the issuance of all Consideration Shares and Fee shares.

Under Rule 26.1 of the Takeovers Code, the Sellers would be obliged to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Sellers and parties acting in concert with them upon Completion, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Sellers (on behalf of themselves and parties acting in concert with them) will make an application to the Executive for the Whitewash Waiver.

The Whitewash Waiver, if granted by the Executive, is expected to be subject to, among other things, approval of at least 75% (in respect of the Whitewash Waiver) and more than 50% (in respect of the Acquisition) of the Independent Shareholders that are cast at the SGM by way of poll. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Sale and Purchase Agreement will not become unconditional and the Acquisition will not proceed.

As at the date of this announcement, save as disclosed in the section headed “Effect of the issuance of the Consideration Shares and the Fee Shares on the shareholding structure of the Company” in this announcement, the Sellers confirm that:

- (i) other than the Sale and Purchase Agreement and as set out below, none of the Sellers or its concert parties has dealt in any Shares, acquired or entered into any agreement to acquire any voting rights in the Company within the six months immediately prior to the date of this announcement:

Entity	Date of transaction	Type of transaction	Number of Shares involved	Transaction price <i>(HK\$ per Share)</i>	Highest transaction price <i>(HK\$ per Share)</i>	Lowest transaction price <i>(HK\$ per Share)</i>
Xincheng Investment	21 March 2023	Sell	20,000,000	0.215	0.215	0.215

- (ii) none of the Sellers or its concert parties will make any acquisitions or disposals of voting rights in the Company which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the date of this announcement and the Completion;

- (iii) there is no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by the Sellers or any of its concert parties;

- (iv) none of the Sellers or its concert parties has received any irrevocable commitment from any person to vote for or against the resolutions approving the Acquisition and/or the Whitewash Waiver to be proposed at the SGM;
- (v) the Sellers and its concert parties do not hold any outstanding options, warrants, derivatives or any securities that are convertible into Shares or any derivatives in respect of securities of the Company;
- (vi) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any of the Sellers and its concert parties;
- (vii) save for the Sale and Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of any of the Sellers and its concert parties and which might be material to the transactions contemplated under the Acquisition or the Whitewash Waiver;
- (viii) save for the Sale Shares under the Sale and Purchase Agreement, none of the Sellers or its concert parties has paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any of its concert parties in relation to the Acquisition;
- (ix) none of the Sellers or its concert parties has entered into any understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) with the Company and its concert parties;
- (x) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between (a) any of the Shareholders; and (b)(i) the Sellers or its concert parties; or (b)(ii) the Company, its subsidiaries or associated companies. Please also refer to the paragraph headed “Possible Share Award Grant under the Youzan Technology Share Award Plan A” below for details of the Possible Share Award Grant which, when materialised, is expected to constitute a special deal (as defined under Rule 25 of the Takeovers Code);
- (xi) save for the Sale and Purchase Agreement, there are no agreements or arrangements to which the Sellers are parties which relate to the circumstances in which it may or may not invoke or seek to invoke a condition under the Acquisition or the Whitewash Waiver; and
- (xii) none of the Sellers or its concert parties has borrowed or lent any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the date of this announcement, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in relation to, among others, the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

**The maximum potential holding of voting rights of the Sellers and parties acting in concert with them resulting from the issuance of the Consideration Shares may exceed 50% of the voting rights of the Company, and the Sellers and parties acting in concert with them may increase their holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer thereafter.**

## **POSSIBLE SHARE AWARD GRANT UNDER THE YOUZAN TECHNOLOGY SHARE AWARD PLAN A**

As set out in the Company's announcements dated 26 February 2021, 1 April 2021 and 6 May 2021, Youzan Technology has adopted the Youzan Technology Share Award Plan A for the purposes of simplifying the structure of the then existing share award plan adopted by Youzan Technology on 2 August 2019 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. Under the terms of the Youzan Technology Share Award Plan A, the share awards to be granted under the Youzan Technology Share Award Plan A will be satisfied by the existing 106,428,391 Youzan Technology shares (representing approximately 6.29% of the total number of issued shares in Youzan Technology as at the date of this announcement).

It was the then intention of Youzan Technology to make grants to approximately 520 grantees who were then directors, management members and employees of the Youzan Technology Group. However, as the proposed listing of Youzan Technology on the Stock Exchange did not proceed, which gave rise to certain practical difficulties (including but not limited to identifying a trustee to administer the plan and any grants thereunder) for Youzan Technology to proceed with the making of the proposed grants under the Youzan Technology Share Award Plan A, as at the date of this announcement, no grant has been made under the Youzan Technology Share Award Plan A.

Against such background and in light of the Acquisition, Youzan Technology intends to make grants under the Youzan Technology Share Award Plan A to its eligible participants subsequent to the date of this announcement but prior to the Completion Date. If such proposed grants materialise, it is intended that upon Completion, the relevant Consideration Shares to be issued and allotted to Qima Teamwork will form the subject matters of such grants. As at the date of this announcement, Youzan Technology is still considering and finalising the terms and conditions of such proposed grants under the Youzan Technology Share Award Plan A. It is currently expected that the grantees under the Possible Share Award Grant will include certain existing Shareholders and therefore the Possible Share Award Grant will, once materialised, constitute a special deal under Rule 25 of the Takeovers Code. Accordingly, if the Possible Share Award Grant is made, the effectiveness of the Possible Share Award Grant will be made conditional upon, amongst others, (i) the independent financial adviser stating its opinion that the proposed terms of the Possible Share Award Grant are fair and reasonable; (ii) the passing of an ordinary resolution by the relevant disinterested Shareholders at the SGM to approve the Possible Share Award Grant; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Possible Share Award Grant.

If such grants materialise, the Company will make further announcement(s) as and when appropriate and will comply with the applicable requirements under the Takeovers Code, the GEM Listing Rules and/or other applicable laws and regulations in connection with such grants.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to the GEM Listing Rules and the Takeovers Code, the Independent Board Committee, comprising of all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. Further announcement(s) in relation to the appointment of independent financial adviser will be made by the Company in compliance with the GEM Listing Rules and the Takeovers Code.

## **CIRCULAR AND THE SGM**

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. As the Sellers are parties to the Acquisition, the Sellers and their associates (as defined in the GEM Listing Rules) and parties acting in concert with the Sellers are regarded as having a material interest in the Acquisition and transactions contemplated thereunder, the Specific Mandate and Whitewash Waiver and shall abstain from voting on the relevant resolution(s) approving the same at the SGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates (as defined in the GEM Listing Rules) has a material interest in the Acquisition and the transactions contemplated thereunder, the Specific Mandate or the Whitewash Waiver, and therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the SGM.

A circular containing, among other things, details of the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and a letter from the independent financial adviser containing their advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement, and accompanied by the notice of the SGM and the proxy form, is required to be despatched to the Shareholders within 15 business days of the date of this announcement under the GEM Listing Rules or 21 days of the date of this announcement under the Takeovers Code. The Company will seek the Executive's consent for an extension of the latest date for the despatch of the circular if it becomes clear that the circular may not be able to be issued within 21 days from the date of this announcement. Further announcement(s) will be made by the Company as and when appropriate.

## **GENERAL**

**Warning: The Completion is subject to satisfaction (or, if applicable, waiver) of all of the conditions to the Sale and Purchase Agreement, and therefore the Acquisition may or may not be completed.**

**Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, be subject to (a) the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and (b) more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Acquisition, respectively, at the SGM.**

**Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or other securities of the Company.**

## DEFINITIONS

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

“2018 Acquisition”	the acquisition of 51.90% of the issued share capital of Youzan Technology by the Company in accordance with the terms and conditions of the sale and purchase agreement dated 17 March 2017, which was completed on 18 April 2018
“Acquisition”	the proposed acquisition of the Sale Shares by the Company from the Sellers severally in accordance with the terms and conditions of the Sale and Purchase Agreement
“acting in concert”	has the meaning as ascribed to it under the Takeovers Code
“AGM”	the annual general meeting of the Company held on 21 June 2022 at which (among others) the resolution for the grant of the General Mandate to the Directors was passed by the Shareholders
“Board”	the board of Directors
“Business Day(s)”	a day which is not Saturday, Sunday or a statutory holiday of the PRC or Hong Kong, and on which the Stock Exchange is open for the transaction of business
“Company”	China Youzan Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM (Stock Code: 8083)
“Completion”	completion of the Acquisition
“Completion Date”	the date on which Completion is scheduled to occur, which shall be 5 Business Days after the satisfaction or (if applicable) waiver of all conditions to the Completion under the Sale and Purchase Agreement, or such other date as agreed in writing by the Company and the Sellers
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

“Consideration”	the total consideration of HK\$2,618,999,998.02 payable by the Company for all of the Sale Shares
“Consideration Shares”	the 14,549,999,989 new Shares in aggregate to be issued and allotted to the Sellers upon Completion
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission from time to time or any delegate of such Executive Director
“Fee Shares”	new Shares to be issued and allotted to Oriental Patron as remuneration for its financial advisory services to the Company in connection with the Acquisition and the transactions contemplated thereunder
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“General Mandate”	the general mandate which was granted to the Directors by the Shareholders pursuant to the resolution passed at the AGM to issue and allot up to 3,684,328,419 new Shares, representing approximately 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the AGM
“GMV”	gross merchandise volume, the total sales volume in dollar value for merchandise sold through a particular marketplace over a certain period of time
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising of all the independent non-executive Directors, being Dr. Fong Chi Wah, Mr. Deng Tao and Mr. Li Shaojie, established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver



“Independent Shareholders”	the Shareholders other than the Sellers, their associates and parties acting in concert with the Sellers and any other Shareholder who is interested or involved in any of the Acquisition and/or the Whitewash Waiver
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons (as defined in the GEM Listing Rules) of the Company
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the valuer appointed by the Company to value the Sale Shares
“Issue Price”	has the meaning ascribed to it under the section headed “Consideration and basis of determination” in this announcement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Long Stop Date”	has the meaning ascribed to it under the paragraph headed “Conditions to the Completion for the Sale and Purchase Agreement” in this announcement
“Mr. Cui”	Mr. Cui Yusong, an executive Director of the Company
“Ms. Ying”	Ms. Ying Hangyan, an executive Director of the Company
“Mr. Yu”	Mr. Yu Tao, an executive Director of the Company
“Mr. Zhu”	Mr. Zhu Ning, an executive Director and chairman of the Board
“Oriental Patron”	Oriental Patron Asia Limited, a licensed corporation under the Securities and Futures Ordinance (Cap. 571) to carry on type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“PRC”	the People’s Republic of China, excluding Hong Kong for the purposes of this announcement
“Purchaser”	the Company

“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 23 May 2023 and entered into between the Sellers and the Company for the sale and purchase of the Sale Shares
“Sale Shares”	812,310,975 ordinary shares in the issued share capital of Youzan Technology, representing approximately 48.10% of the issued share capital of Youzan Technology as at the date of this announcement
“Sellers”	<p>collectively,</p> <ul style="list-style-type: none"> <li>(i) Whitecrow Investment Ltd. (“<b>Whitecrow Investment</b>”);</li> <li>(ii) V5.Cui Investment Ltd. (“<b>V5.Cui Investment</b>”);</li> <li>(iii) Rory Huang Investment Ltd. (“<b>Rory Huang</b>”);</li> <li>(iv) Youzan Teamwork Inc. (“<b>Youzan Teamwork</b>”);</li> <li>(v) Qima Teamwork Inc. (“<b>Qima Teamwork</b>”);</li> <li>(vi) Xincheng Investment Limited (“<b>Xincheng Investment</b>”);</li> <li>(vii) Baidu (Hong Kong) Limited (“<b>Baidu Hong Kong</b>”);</li> <li>(viii) Aves Capital, LLC (“<b>Aves Capital</b>”);</li> <li>(ix) Hillhouse KDWD Holdings Limited (“<b>Hillhouse KDWD</b>”);</li> <li>(x) Ralston Global Holdings Limited (“<b>Ralston Global</b>”);</li> <li>(xi) Hangzhou San Ren Yan Xing Investment Partnership (LLP) (杭州三仁焱興投資合夥企業(有限合夥)) (“<b>Hangzhou San Ren Yan Xing</b>”);</li> <li>(xii) Franchise Fund LP (“<b>Franchise Fund</b>”);</li> <li>(xiii) Happy Zan Holdings Limited (“<b>Happy Zan</b>”);</li> <li>(xiv) Tembusu HZ II Limited (“<b>Tembusu HZ</b>”);</li> </ul>

- (xv) Matrix Partners China III, LP (“**Matrix Partners China III**”);
- (xvi) Matrix Partners China III-A, LP (“**Matrix Partners China III-A**”);
- (xvii) GCYZ Holdings Limited (“**GCYZ Holdings**”); and
- (xviii) GCQM Holdings Limited (“**GCQM Holdings**”),

the details of which are set out in the section headed “Information of the Sellers” in this announcement, and “Seller” means any one of them

“SGM”	a special general meeting to be convened by the Company to consider and approve the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
“Share(s)”	the issued ordinary share(s) in the share capital of the Company
“Shareholders”	the holders of the Shares
“Specific Mandate”	the specific mandate to be sought at the SGM for the approval of the allotment and issuance of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers published by the Securities and Futures Commission (as revised, supplemented or otherwise modified from time to time)
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Sellers to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Sellers and parties acting in concert with them as a result of the Completion

“Youzan Technology”	Youzan Technology Inc. (有贊科技有限公司)(formerly known as Qima Holdings Ltd.), an exempted company incorporated in the Cayman Islands with limited liability on 11 August 2014, and as of the date of this announcement, a non-wholly owned subsidiary of the Company
“Youzan Technology Group”	Youzan Technology and its subsidiaries
“Youzan Technology Share Award Plan A”	the share award plan A adopted by Youzan Technology on 6 May 2021
“%”	per cent

By order of the Board  
**China Youzan Limited**  
**Zhu Ning**  
*Chairman*

Hong Kong, 23 May 2023

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan and three independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Deng Tao and Mr. Li Shaojie.*

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

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

*This announcement will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Listed Company Information” page for at least 7 days from the date of its publication and on the Company’s website at [www.chinayouzan.com](http://www.chinayouzan.com).*