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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 shares in China Youzan Limited, 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.

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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) CONTINUING CONNECTED TRANSACTION –  
SUPPLEMENTAL LOAN AGREEMENT 2022**
- (2) DISCLOSEABLE AND CONNECTED TRANSACTION –  
GRANT OF YOUZAN TECHNOLOGY SHARES AND  
ANTI-DILUTION ISSUE BY A NON-WHOLLY OWNED SUBSIDIARY**
- (3) GRANTING OF GENERAL MANDATES TO ISSUE AND  
REPURCHASE SHARES;**
- (4) RE-ELECTION OF DIRECTORS;**
- (5) RE-APPOINTMENT OF AUDITORS;**
- (6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the AGM of China Youzan Limited to be held at 24/F., Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong at 10:00 a.m. on Tuesday, 21 June 2022, is set out on pages AGM-1 to AGM-7 of this circular. A form of proxy for use at the AGM is also enclosed. Such form of proxy is also published on the websites of GEM ([www.hkgem.com](http://www.hkgem.com)) and the Company ([www.chinayouzan.com](http://www.chinayouzan.com)).

Whether or not you are able to attend the AGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return in to the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time schedule for the holding of the AGM or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM if you so wish. If you attend and vote at the AGM, the authority of your proxy will be revoked.

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

#### PRECAUTIONARY MEASURES FOR AGM

In light of the continuing risk posed by the COVID-19 pandemic, the Company will implement the following preventive measures at the AGM to protect attending Shareholders, staff and other stakeholders from the risk of infection including, without limitation:

- compulsory body temperature checks
- compulsory wearing of surgical face masks for each attendee
- no distribution of corporate gifts or refreshments

Any person who does not comply with the precautionary measures or is subject to any quarantine prescribed by the Hong Kong Government will be denied entry into the venue of the AGM. The Company remind shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at AGM as an alternative to attending the meeting in person.

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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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## PRECAUTIONARY MEASURES FOR AGM

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In light of the continuing risk posed by the COVID-19 epidemic and recent requirements, if any, for prevention and control of its spread, the Company will implement the following preventive measures at the AGM:

- (i) Compulsory body temperature check will be conducted for every shareholder, proxy and other attendee at the entrance of the AGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms, may be denied entry into or be required to leave the AGM venue at the Company's discretion.
- (ii) Shareholders that (a) have travelled, and have been in close contact with any person who has travelled, outside of Hong Kong (as per guidelines issued by the Hong Kong government) at any time in the preceding 14 days; (b) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into or be required to leave the AGM venue.
- (iii) All shareholders, proxies and other attendees are required to wear surgical face masks inside the AGM venue at all times. Any person who does not comply with this requirement may be denied entry into or be required to leave the AGM venue. A safe distance between seats are also recommended.
- (iv) No refreshments will be served, and there will be no corporate gifts at the AGM.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the AGM venue or require any person to leave the AGM venue in order to ensure the safety of the attendees at the AGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all shareholders that physical attendance in person at the AGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the meeting in person, shareholders are encouraged to consider appointing the chairman of the AGM as their proxy to vote on the relevant resolutions at the AGM by submitting forms of proxy with voting instructions inserted.

Subject to the development of COVID-19, the Company may implement further changes to the arrangement of the AGM as appropriate and precautionary measures and may issue further announcement on such measures as appropriate.

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at 24/F., Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong at 10:00 a.m. on Tuesday, 21 June 2022 or any adjournment thereof (as the case may be), the notice of which is set out on pages AGM-1 to AGM-7 of this circular
“Anti-dilution Issue”	the issue and allotment of approximately 91.1 million Youzan Technology Shares to the Company pursuant to the Anti-dilution Issue Agreement
“Anti-dilution Issue Agreement”	the agreement in relation to the Anti-dilution Issue entered into between Youzan Technology and the Company dated 27 April 2022
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong are open for the transaction of normal business
“Bye-Laws”	the bye-laws of the Company as may be amended from time to time
“close associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Company”	China Youzan Limited (中國有贊有限公司), a company incorporated in Bermuda with limited liability and the Shares of which are listed on GEM
“Completion”	completion of the Grant of Youzan Technology Shares in accordance with the terms and conditions of the Share Award Agreement and the Anti-dilution Issue in accordance with the terms and conditions of the Anti-dilution Issue Agreement
“Completion Date”	the date of Completion
“core connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time
“Grant of Youzan Technology Shares”	the grant of approximately 84.4 million Youzan Technology Shares to Whitecrow Investment pursuant to the Share Award Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Mandate”	the proposed general mandate to be granted to the Directors at the AGM to allot, issue and deal with new Shares not exceeding 20% of the total number of issued Shares as at the date of passing of the relevant ordinary resolution granting such mandate
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors
“Independent Financial Adviser”	First Shanghai Capital Limited, a corporation licensed to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Loan Agreement 2022, the proposed Revised Annual Caps thereto, the Grant of Youzan Technology Shares contemplated under the Share Award Agreement and the Anti-dilution Issue under the Anti-dilution Issue Agreement
“Independent Shareholders”	the Shareholders other than Whitecrow Investment and its associates and those Shareholders who have material interest in the Supplemental Loan Agreement 2022 and the Share Award Agreement
“Loan Agreement 2022”	the loan agreement entered into between the Company and Youzan Technology dated 31 December 2021

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## DEFINITIONS

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“Latest Practicable Date”	16 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Notice”	the notice convening the AGM as set out on pages AGM-1 to AGM-7 of this circular
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Annual Caps”	the proposed annual caps in respect of the transactions contemplated under the Loan Agreement 2022 for each of the three years ending 31 December 2024 being HK\$480 million, HK\$480 million and HK\$480 million, respectively
“Previous Loan Agreement”	the loan agreement entered into between the Company and Youzan Technology on 8 April 2017 (as supplemented by a supplemental agreement dated 29 November 2017)
“Revised Annual Caps”	the proposed revised annual caps in respect of the transactions contemplated under the Supplemental Loan Agreement 2022 for each of the three years ending 31 December 2024 being HK\$900 million, HK\$900 million and HK\$900 million, respectively
“SFO”	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Award Agreement”	the agreement in relation to the grant of approximately 84.4 million Youzan Technology Shares entered into between Whitecrow Investment and Youzan Technology dated 27 April 2022
“Share Repurchase Mandate”	the proposed general mandate to be granted to the Directors at the AGM to repurchase Shares not exceeding 10% of the total number of issued Shares as at the date of passing of the relevant ordinary resolution granting such mandate
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company

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## DEFINITIONS

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“Shareholder(s)” or “Member(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Loan Agreement 2022”	the supplemental loan agreement entered into between the Company and Youzan Technology dated 27 April 2022
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as amended time to time
“Whitecrow Investment”	Whitecrow Investment Ltd., a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Zhu Ning
“Youzan Technology”	Youzan Technology Inc. (有贊科技有限公司), previously known as Qima Holdings Limited, a company incorporated in the Cayman Islands with limited liability
“Youzan Technology Group”	Youzan Technology and its subsidiaries
“Youzan Technology Shares”	share(s) of US\$0.00001 per share each in the share capital of Youzan Technology
“%”	per cent



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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:*

Mr. Zhu Ning  
Mr. Cui Yusong  
Mr. Yu Tao  
Ms. Ying Hangyan

*Independent non-executive Directors:*

Dr. Fong Chi Wah  
Mr. Deng Tao  
Mr. Li Shaojie

*Registered office:*

Victoria Place, 5th Floor  
31 Victoria Street  
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 May 2022

*To the Shareholders*

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTION –  
SUPPLEMENTAL LOAN AGREEMENT 2022**  
**(2) DISCLOSEABLE AND CONNECTED TRANSACTION –  
GRANT OF YOUZAN TECHNOLOGY SHARES AND  
ANTI-DILUTION ISSUE BY A NON-WHOLLY OWNED SUBSIDIARY**  
**(3) GRANTING OF GENERAL MANDATES TO ISSUE SHARES AND  
REPURCHASE SHARES;**  
**(4) RE-ELECTION OF DIRECTORS;**  
**(5) RE-APPOINTMENT OF AUDITORS;**  
**(6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND  
NOTICE OF ANNUAL GENERAL MEETING**

### 1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information regarding (i) the Supplemental Loan Agreement 2022; (ii) the Share Award Agreement and the Anti-dilution Issue Agreement; (iii) the granting of the proposed general mandates to issue and allot Shares and to repurchase Shares; (iv) the re-election of Directors; (v) the re-appointment of auditors of the Company; and (vi) the increase in the authorised share capital of the Company.

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## LETTER FROM THE BOARD

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### 2. SUPPLEMENTAL LOAN AGREEMENT 2022

Reference is made to the announcement of the Company dated 27 April 2019 in relation to, among others, the Previous Loan Agreement, and the announcement of the Company dated 31 December 2021 in relation to the Loan Agreement 2022, pursuant to which the Company conditionally agreed to extend the term of the Previous Loan Agreement for three years for an unsecured loan facility up to HK\$480 million, subject to the terms and conditions set out therein. The Previous Annual Caps in respect of the transactions contemplated under the Loan Agreement 2022 for each of the three years ending 31 December 2024 was HK\$480 million, HK\$480 million and HK\$480 million, respectively. On 27 April 2022, the Company entered into the Supplemental Loan Agreement 2022 with Youzan Technology, pursuant to which the parties have conditionally agreed to revise the Previous Annual Caps to HK\$900 million, HK\$900 million and HK\$900 million for each of the three years ending 31 December 2024, respectively.

#### Major terms

The principal terms of the Supplemental Loan Agreement 2022 are as follows:

Date	27 April 2022
Lender	The Company
Borrower	Youzan Technology
Revised Loan amount	Not exceeding HK\$900 million at any time every year, inclusive of the principal loan amount and interest.
Proposed Revised Annual Caps	<p>The proposed Revised Annual Caps in respect of the transactions contemplated under the Supplemental Loan Agreement 2022 for each of the three financial years ended 31 December 2024 is HK\$900 million, HK\$900 million and HK\$900 million, respectively.</p> <p>The abovementioned Revised Annual Caps are determined with reference to, among others, the current business plan of Youzan Technology Group.</p>
Conditions precedent	The Supplemental Loan Agreement 2022 shall be effective upon the obtaining of the approval from the Independent Shareholders by the Company in relation to the transactions contemplated under the Supplemental Loan Agreement 2022 in accordance with the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### **Reasons for and benefits of entering into the Supplemental Loan Agreement 2022**

The Directors (including the independent nonexecutive Directors) consider that the loan facility to be provided to Youzan Technology is a mark of the continuous support the Company given to Youzan Technology, being a subsidiary of the Group which provides significant revenue contribution to the Group and is crucial to the Group's business operations. To facilitate Youzan Technology Group's business expansion, the Company expects that a proposed Revised Annual Cap for the Supplemental Loan Agreement 2022 of HK\$900 million is appropriate, after having considered the business development plan of Youzan Technology which mainly focusing on research and development and marketing, in order to maintain its competitiveness coping with the challenging market competition of e-commerce platform industry and the continuing impact brought by the prolonged COVID-19 pandemic. For research and development, Youzan Technology Group plans to (i) widen product range of ecommerce applications, (ii) expand and strengthen construction of new system functions and (iii) enhance in infrastructure construction, with an aggregate estimated spending of approximately RMB620 million. For its marketing plan, it plans to spend an estimated RMB260 million approximately, mainly for advertising through various online channels and engaging more distribution agents by the Youzan Technology Group. Youzan Technology Group plans to execute the abovementioned business development plan by utilising the loan amount from the Loan Agreement 2022 (as supplemented) throughout the three years ending 31 December 2024.

The Company has also explored the opportunities of provision of loan facility from the minority shareholders of Youzan Technology in proportion to the equity interest held by them in Youzan Technology. On this occasion, the Company did not make enquiries with the minority shareholders of Youzan Technology to see if they were willing to participate in providing a loan facility on a pro-rata basis because the minority shareholders had previously indicated they are interested in participating in form of equity financing, instead of loan financing based on previous communications between Youzan Technology and its minority shareholders. Furthermore, the Company considers that the minority shareholders of Youzan Technology are passive investors which would not participate in the daily business operations of Youzan Technology Group. In particular, these minority shareholders would require to conduct extensive and intensive due diligence process of Youzan Technology before considering to provide any loan facility to Youzan Technology. As such, the Company believes that the provision of loan facility from the minority shareholders in proportion to the equity interest held by them in Youzan Technology are found to be not practicable.

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## LETTER FROM THE BOARD

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In light of the abovementioned, the Directors (including the independent non-executive Directors) are of the view that the Supplemental Loan Agreement 2022 has been entered into after arm's length negotiations, on normal commercial terms and in the ordinary and usual course of business of the Company, and which are fair and reasonable and in the interests of the Company and its Shareholders as a whole, despite the fact that such loan facility is unsecured and is not provided in proportion to the equity interest held by the Company in Youzan Technology.

### **Internal Control Measures**

The Company's internal control measures in relation to the Loan Agreement 2022 (as supplemented by the Supplemental Loan Agreement 2022) remains unchanged, which is as follows:

- (i) Designated personnel from finance department will perform quarterly checks to review and assess whether the loan is provided in accordance with the terms and conditions of the Loan Agreement 2022 (as supplemented by the Supplemental Loan Agreement 2022);
- (ii) The audit committee will review the report prepared by the management of the Company based on the continuing connected transactions conducted at least twice a year; and

The independent non-executive Directors and external auditors will review and report on the continuing connected transactions pursuant to Rule 20.53 and 20.54 of the GEM Listing Rules.

### **Implications under the GEM Listing Rules for the Supplemental Loan Agreement 2022**

Youzan Technology is a non wholly-owned subsidiary of the Company which is owned as to 51.90% by the Company. Whitecrow Investment is 100% beneficially owned by Mr. Zhu Ning, a Director, and it holds more than 10% in Youzan Technology as at the Latest Practicable Date. Therefore, Youzan Technology is a connected subsidiary and hence a connected person of the Company under Rule 20.07(5) of the GEM Listing Rules.

In respect of the proposed Revised Annual Caps under the Supplemental Loan Agreement 2022, as one or more applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transactions contemplated under the Supplemental Loan Agreement 2022 is more than 25% and the proposed Revised Annual Caps in respect of the transactions contemplated under the Supplemental Loan Agreement 2022 are expected to be more than HK\$10,000,000, the transactions contemplated under the Supplemental Loan Agreement 2022 will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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Save for Mr. Zhu Ning (100% beneficially owner of Whitecrow Investment), Mr. Cui Yusong (who is interested in approximately 1.73% in Youzan Technology through V5. Cui Investment Ltd.), Mr. Yu Tao (who holds 8% interest in Youzan Teamwork Inc. which in turn holds 4.42% interest in Youzan Technology) and Ms. Ying Hangyan (who holds 8% interest in Youzan Teamwork Inc. which in turn holds 4.42% interest in Youzan Technology), none of the Directors have a material interest in the transactions contemplated under the Supplemental Loan Agreement 2022 and the proposed Revised Annual Caps in relation thereto and therefore, save for Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan, none of the Directors have abstained from voting on the board resolution approving the Supplemental Loan Agreement 2022.

### **3. GRANT OF YOUZAN TECHNOLOGY SHARES AND ANTI-DILUTION ISSUE FROM A NON-WHOLLY OWNED SUBSIDIARY**

#### **Grant of Youzan Technology Shares**

On 27 April 2022, Youzan Technology, a non-wholly owned subsidiary of the Company, entered into the Share Award Agreement with Whitecrow Investment in relation to the Grant of Youzan Technology Shares. The principal terms of the Share Award Agreement are set out below:

#### ***Parties***

- (i) Whitecrow Investment, as grantee; and
- (ii) Youzan Technology, as issuer.

#### ***Subject matter***

Pursuant to the Share Award Agreement, Youzan Technology conditionally agrees to grant, issue and allot, and Whitecrow Investment conditionally agrees to subscribe for, approximately 84.4 million Youzan Technology Shares, representing approximately 5.58% of the existing total issued Youzan Technology Shares, at a nominal subscription price of US\$0.00001 per each Youzan Technology Share, which shall be payable by Youzan Technology upon the issuance of the relevant new Youzan Technology Shares to Whitecrow Investment.

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## LETTER FROM THE BOARD

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### ***Conditions precedent***

The Grant of Youzan Technology Shares shall take place at the Completion Date, subject to, amongst others, the following conditions precedent:

- (i) the obtaining of the approval from the Independent Shareholders by the Company in relation to the transactions contemplated under Share Award Agreement and the Anti-dilution Issue Agreement in accordance with the GEM Listing Rules; and
- (ii) the passing of all relevant resolutions in respect of the Grant of Youzan Technology Shares by the board of directors of Youzan Technology.

As at the Latest Practicable Date, Whitecrow Investment held approximately 156 million Youzan Technology Shares, representing approximately 10.30% of the issued shares of Youzan Technology. It is expected that upon Completion, Whitecrow Investment will hold approximately 240 million Youzan Technology Shares, representing approximately 14.23% of the issued shares of Youzan Technology as enlarged by the allotment and issue under the Grant of Youzan Technology Shares and Anti-dilution Issue.

### **Anti-dilution Issue**

In order to ensure that there will be no dilution impact to the Company as a result of the Grant of Youzan Technology Shares, Youzan Technology resolved to conditionally issue approximately 91.1 million Youzan Technology Shares, representing approximately 6.02% of the existing total issued Youzan Technology Shares, to the Company.

On 27 April 2022, Youzan Technology entered into the Anti-dilution Issue Agreement with the Company in relation to the Anti-dilution Issue. The principal terms of the Anti-dilution Issue Agreement are set out below:

### ***Parties***

- (i) The Company, as grantee; and
- (ii) Youzan Technology, as issuer.

### ***Subject matter***

Pursuant to the Anti-dilution Issue Agreement, Youzan Technology conditionally agrees to issue and allot and the Company agrees to subscribe for, approximately 91.1 million Youzan Technology Shares at a nominal subscription price of US\$0.00001 per each Youzan Technology Share, which shall be payable by Youzan Technology upon the issuance of the relevant new Youzan Technology Shares to the Company. The subscription of new Youzan Technology Shares by the Company under the Anti-dilution Issue Agreement will maintain the Company's interest in Youzan Technology at approximately 51.90%.

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## LETTER FROM THE BOARD

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### *Conditions precedent*

The Anti-dilution Issue shall take place at the Completion Date, subject to, amongst others, the following conditions precedent:

- (i) the obtaining of the approval from the Independent Shareholders by the Company in relation to the transactions contemplated under the Anti-dilution Issue Agreement and the Share Award Agreement in accordance with the GEM Listing Rules; and
- (ii) the passing of all relevant resolutions in respect of the Anti-dilution Issue by the board of directors of Youzan Technology.

As at the Latest Practicable Date, the Company holds approximately 785.2 million Youzan Technology Shares, representing approximately 51.90% of total issued Youzan Technology Shares. It is expected that upon Completion, the Company will hold approximately 876.3 million Youzan Technology Shares. As a result, the Company will continue to hold approximately 51.90% of the issued shares of Youzan Technology as enlarged by the allotment and issue under the Grant of Youzan Technology Shares and Anti-dilution Issue, and Youzan Technology will remain as a non-wholly owned subsidiary of the Company.

### **Completion**

Completion of each of the Grant of Youzan Technology Shares and the Anti-dilution Issue is inter- conditional upon each other, and it is intended that Completion of both the Grant of Youzan Technology Shares under the Share Award Agreement and the Anti-dilution Issue under the Anti-dilution Issue Agreement will take place simultaneously.

Unless otherwise agreed by the parties, both (i) the Share Award Agreement may be terminated by either Whitecrow Investment or Youzan Technology and (ii) the Anti-dilution Issue Agreement may be terminated by either the Company or Youzan Technology, on or after 31 December 2022 (the “**Long Stop Date**”), by written notice to the other party, if Completion has not occurred on or prior to such date.

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## LETTER FROM THE BOARD

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### **Information of the Group, Youzan Technology and Whitecrow Investment**

#### ***Information about the Group***

The Company is an investment holding company. The Group 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.

#### ***Information about Youzan Technology***

Youzan Technology is an investment holding company. 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.

Youzan Technology is a non wholly-owned subsidiary of the Company which is owned as to 51.90% by the Company. To the best knowledge of the Directors having made reasonable enquiry, as at the Latest Practicable Date, the remaining 48.10% interest in Youzan is held by: (i) Whitecrow Investment, which is beneficially owned by Mr. Zhu Ning, as to approximately 10.30% (ii) V5. Cui Investment Ltd., whose ultimate shareholder is Mr. Cui Yusong, as to approximately 1.73%; (iii) Youzan Teamwork Inc., which is held as to 26% by Mr. Zhu Ning, 38% by Mr. Huang Rongrong (an Independent Third Party), 8% by Mr. Cui Yusong, 8% by Ms. Ying Hangyan, 8% by Mr. Yu Tao, 6% by Mr. Huan Fang (a director of Youzan Technology) and 6% by Mr. Zhou Kai (an Independent Third Party), as to approximately 4.42%; (iv) Xincheng Investment Limited, whose ultimate shareholder is Mr. Li Zhiguo (an Independent Third Party) as to approximately 2.12%; (v) Rory Huang Investment Ltd., which is held by Mr. Huang Rongrong (an Independent Third Party), as to 0.35%; (vi) Qima Teamwork Inc., which is held by Mr. Hong Bo (an Independent Third Party), as to approximately 7.03%; (vii) Aves Capital, LLC which is wholly owned by Mr. Xiong Minghua (an Independent Third Party), as to approximately 1.44%; (viii) Hillhouse KDWD Holdings Limited whose beneficial owner is Hillhouse Fund II, L.P. (an Independent Third Party), a discretionarily managed fund with wide investor base whose general partner is Hillhouse Fund II GP, Ltd. (an Independent Third Party) as to approximately 5.01%; (ix) Ralston Global Holdings Limited, which is wholly owned by Ms. Wen Qun (an Independent Third Party), as to approximately 0.56%; (x) Hangzhou San Ren Yan Xing Investment Partnership whose beneficial owner is Mr. Cao Guoxiong (an Independent Third Party) as to approximately 0.56%; (xi) Franchise Fund LP, a discretionarily-managed fund managed by Franchise Capital Limited, as to approximately



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## LETTER FROM THE BOARD

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2.03%; (xii) Happy Zan Holdings Limited which is ultimately controlled by Mr. Wang Haining (an Independent Third Party) as to approximately 0.22%; (xiii) Tembusu HZ II Limited whose beneficial owner is Matrix Chuangda (Hangzhou) Venture Investment Limited Partnership (經緯創達(杭州)創業投資合夥企業(有限合夥)) which has wide investor base and whose general partner is Hangzhou Matrix Tengchuang Investment Management L.P., an Independent Third Party) as to approximately 5.97%; (xiv) Matrix Partners China III, L.P., an exempted limited partnership company, which has wide investor base and whose general partner is Matrix China Management III, L.P. (an Independent Third Party), whose general partner was Matrix China III GP GP, Ltd. (an Independent Third Party) as to approximately 2.52%; (xv) Matrix Partners China III-A, L.P., an exempted limited partnership company, which has wide investor base and whose general partner is Matrix China Management III, L.P. (an Independent Third Party), whose general partner was Matrix China III GP GP, Ltd. (an Independent Third Party) as to approximately 0.28%; (xvi) Baidu (Hong Kong) Limited which is an affiliate of Baidu Inc., a company listed on NASDAQ (stock code: BIDU), being an independent third party as to approximately 1.17%; (xvii) GCYZ Holdings Limited, wholly-owned by a discretionarily managed fund, Gaocheng Fund I, L.P (an Independent Third Party) which has wide investor base and whose sole general partner is Gaocheng Holdings GP, Ltd (an independent third party) as to approximately 0.40%; and (xviii) GCQM Holdings Limited, wholly-owned by a discretionarily managed fund, GCQM L.P. (an Independent Third Party) which has wide investor base and whose sole general partner is Gaocheng Holdings GP, Ltd (an independent third party) as to approximately 2.01%.

Save for Whitecrow Investment, V5. Cui Investment Ltd. and Youzan Teamwork Inc., none of the shareholders of Youzan Technology are connected persons of the Company or its subsidiaries.

### Financial information of Youzan Technology Group

Set out below is the consolidated financial information of Youzan Technology Group:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss before tax	995,374	351,102
Loss after tax	1,123,807	333,016
	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net (liabilities)/assets	(272,970)	816,528

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## LETTER FROM THE BOARD

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### **Information about Whitecrow Investment**

Whitecrow Investment is an investment holding company established in the British Virgin Islands with limited liabilities and is principally engaged in the asset management business. As at the Latest Practicable Date, it is 100% beneficially owned by Mr. Zhu Ning.

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

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 Youzan Technology Group to pursue the missions to help every merchant who values products and services succeed. In particular, he foresaw the development of decentralised e-commerce market and the trend that merchants would increasingly recognise the significance of private domain traffic. He therefore led the company to develop various SaaS products, features and functions, so that merchants can manage their e-commerce business with our one-stop e-commerce solution. Apart from that, he foresaw the business opportunity that merchants with offline stores needed an integrated solution to manage their online and offline businesses altogether. He therefore led the company to provide industrial solutions to serve merchants in retail industry, beauty industry and education industry. With this store SaaS business as the second growth driver, our company achieved to expand customer base and to provide more value propositions to merchants.

In the first quarter of 2022, Mr. Zhu led the company to upgrade business and organizational structure to facilitate business development by divisions to enhance organisational efficiency, clarify development strategic direction and optimise business development path. With our five core business segments in mind, namely social e-commerce, new retail, beauty industry, education and global market, he led the company to establish divisions including sales, merchant services and product research and development, in which they improved our products and services through emphasising on merchants' demands and enhanced sales efficiency by focusing on target customer base. Under the premise of not affecting the business development, we optimised the deployment of middle and back-ends departments, and recalibrated job duties and division of labour to optimise the collaboration process, and thus improved organisational efficiency. Through such organisational restructuring, we are keeping up our efforts and resources on creating value for merchants and secured the return of our business value. At the same time, Mr. Zhu led the company to focus on precise expenses control, and made layout arrangements targeting on increasing per capita output, improving operating cash flow and operating results.

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## LETTER FROM THE BOARD

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

### **Reasons for and benefits of the grant of Youzan Technology Shares**

Through the Grant of Youzan Technology Shares, the Company would intend to recognise the extensive contributions of Mr. Zhu Ning (Mr. Zhu Ning being instrumental to the foundation and continued success of Youzan Technology) such that the Grant of Youzan Technology Shares are not subject to vesting period and performance targets, and to incentivise Mr. Zhu Ning to stay with Youzan Technology to continue to promote the future development of Youzan Technology's business as the Company believes the Grant of Youzan Technology Shares could serve to indicate the continuous contribution could be rewarded. At the same time, in light of the Anti-dilution Issue mentioned in the above section headed "Anti-dilution Issue", there will be no dilution on the shareholding of the Company in Youzan Technology following the Grant of Youzan Technology Shares under the Share Award Agreement.

Taking into consideration the above factors, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Share Award Agreement are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole.

### **Implications under the GEM Listing Rules for the Grant of Youzan Technology Shares and Anti-dilution Issue**

As at the Latest Practicable Date, Whitecrow Investment is 100% beneficially owned by Mr. Zhu Ning, a Director. Therefore, Whitecrow Investment is a connected person of the Company and the Grant of Youzan Technology Shares constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the Grant of Youzan Technology Shares constitutes a non-exempted connected transaction for the Company and is, therefore, subject to the reporting, announcement, circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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Further, as one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) of the Grant of Youzan Technology Shares and the Anti-dilution Issue, when aggregated, is more than 5% but less than 25%, the transactions contemplated under the Share Award Agreement and the Anti-dilution Issue Agreement constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules.

In addition, Youzan Technology is also owned as to 1.73% by V5. Cui Investment Ltd., 4.42% by Youzan Teamwork Inc., V5. Cui Investment Ltd. is wholly owned by Mr. Cui Yusong, a Director. Youzan Teamwork Inc. is owned as to 8% by Mr. Zhu Ning, 18% by Whitecrow Investment, 8% by V5.Cui Investment Ltd., 8% by Vulcan Global Holdings Inc. (100% beneficially owned by Mr. Yu Tao), 8% by Elrino Investment Ltd. (100% beneficially owned by Ms. Ying Hangyan), where Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan are all Directors. Mr. Zhu Ning, Mr. Cui Yusong, Ms. Ying Hangyan and Mr. Yu Tao had interests in the Grant of Youzan Technology Shares and Anti-dilution Issue by virtue of their respective interests in Youzan Technology and they therefore abstained from voting on the board resolution of the Company on approving the Share Award Agreement, the Anti-dilution Issue Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors had any material interest in the Share Award Agreement, the Anti-dilution Issue Agreement and none were required to abstain from voting on the board resolution of the Company in respect of the Share Award Agreement and Anti-dilution Issue Agreement.

#### **4. GRANTING OF GENERAL MANDATE TO ISSUE SHARES**

At the AGM of the Company held on 6 May 2021, a general and unconditional mandate was granted to the Directors to issue, allot and deal with Shares. Such general mandate will lapse at the conclusion of the AGM.

In order to give the Company the flexibility to issue Shares if and when appropriate, an ordinary resolution will be proposed at the AGM to approve the granting of the Issue Mandate to the Director to allot, issue and deal with additional Shares of not exceeding 20% of the total number of issued Shares as at the date of passing of the proposed ordinary resolution contained in item 7 of the notice of the AGM (i.e. a total of 3,684,328,419 Shares assuming that the total number of issued Shares remains unchanged between the Latest Practicable Date and the date of the AGM).

In addition, a separate ordinary resolution to extend the Issue Mandate by adding the number of Shares repurchased by the Company pursuant to the Share Repurchase Mandate will also be proposed at the AGM contained in item 9 of the notice of the AGM.

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## LETTER FROM THE BOARD

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### 5. GRANTING OF GENERAL MANDATE TO REPURCHASE SHARES

At the AGM of the Company held on 6 May 2021, a general and unconditional mandate was granted to the Directors to repurchase Shares. Such general mandate will lapse at the conclusion of the AGM.

In order to give the Company the flexibility to repurchase Shares if and when appropriate, an ordinary resolution will be proposed at the AGM to approve the granting of the Share Repurchase Mandate to the Directors to repurchase Shares on GEM of the Stock Exchange of not exceeding 10% of the total number of issued Shares as at the date of passing of the proposed ordinary resolution contained in item 8 of the notice of the AGM (i.e. a total of 1,842,164,209 Shares on the basis that the total number of issued Shares remains 18,421,642,097 Shares from the Latest Practical Date to the date of the AGM).

An explanatory statement required under the GEM Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the granting of the Share Repurchase Mandate is set out in the Appendix I to this circular.

The Directors wish to state that they have no immediate plan to repurchase any Shares pursuant to the Share Repurchase Mandate.

### 6. RE-ELECTION OF RETIRING DIRECTORS

In accordance with Article 99 of the Bye-Laws, Dr. Fong Chi Wah, Mr. Deng Tao and Mr. Li Shaojie will retire at AGM and, being eligible, offer themselves for re-election at the AGM.

The retiring independent non-executive Directors, Dr. Fong Chi Wah, Mr. Deng Tao and Mr. Li Shaojie, have given a confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The nomination committee of the Company has assessed and reviewed each of the independent non-executive Directors' annual written confirmation of independence based on the independence criteria as set out in Rule 5.09 to the GEM Listing Rules and confirmed that all independent non-executive Directors remain independent.

Pursuant to Rule 17.46A of the GEM Listing Rules, the biographical details of the retiring Directors proposed to be re-elected at the AGM are set out in Appendix II to this circular. The biography of each retiring independent non-executive Director set out in Appendix II to this circular indicates how each individual contributes to the diversity of the Board and the perspectives, skills and experience each individual can bring to the Board.

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## LETTER FROM THE BOARD

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The Board (including the nomination committee) has assessed and is satisfied of the independence of Dr. Fong Chi Wah (“**Dr. Fong**”). Dr. Fong has served on the Board for more than 10 years but he has never held any executive or management position in the Group nor has he throughout such period been under the employment of any member of the Group. Dr. Fong has demonstrated his ability to provide an independent view to the Company’s matters. The Directors noted the positive contributions Dr. Fong made to the development of the Company. The Board considers that the long services of Dr. Fong would not affect his exercises of independent judgments, notwithstanding his years of service as an independent Non-executive Director of the Company, the Board is of the view that Dr. Fong is able to continue to fulfill his roles as required.

In view of the above, the Board recommends each of the retiring Directors to be re-elected as a Director at the AGM.

### **7. RE-APPOINTMENT OF AUDITORS**

RSM Hong Kong will retire as the auditors of the Company at the AGM and, being eligible, offer themselves for re-appointment.

The Board, upon the recommendation of the audit committee of the Company, proposed to re-appoint RSM Hong Kong as auditors of the Company to hold office until the conclusion of the next AGM. A resolution will also be proposed to authorise the Board to fix the auditors’ remuneration. RSM Hong Kong has indicated its willingness to be re-appointed as the Company’s auditors for the said period.

### **8. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000 divided into 20,000,000,000 Shares, of which 18,421,642,097 Shares had been allotted and issued as fully paid or credited as fully paid.

In order to provide the Company with greater flexibility to raise funds in the future, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 20,000,000,000 Shares to HK\$300,000,000 divided into 30,000,000,000 Shares of HK\$0.01 each by the creation of an additional 10,000,000,000 new Shares each which will rank *pari passu* with all existing Shares.

With regard to the proposed increase in the authorised share capital of the Company, the Board has no present intention to issue any part of the increased authorised share capital of the Company.

An ordinary resolution, to be voted by way of a poll, to approve the proposed increase in the authorised share capital of the Company will be proposed to the Shareholders for approval at the AGM.

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## LETTER FROM THE BOARD

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### 9. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday 16 June 2022 to Tuesday, 21 June 2022, both days inclusive, during which period no share transfers can be registered.

In order to be eligible for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 15 June 2022.

### 10. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

Any Shareholder with a material interest in the resolutions shall not vote for the relevant resolutions. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Whitecrow Investment, which holds approximately 10.30% interest in Youzan Technology, held 155,833,263 Shares; (ii) V5. Cui Investment Ltd., which holds approximately 1.73% interest in Youzan Technology, held 26,165,281 Shares; and (iii) Youzan Teamwork Inc., which holds approximately 4.42% interest in Youzan Technology, held 66,835,954 Shares. Accordingly, Whitecrow Investment, V5. Cui Investment Ltd., and Youzan Teamwork Inc. are required to abstain from voting on the relevant resolutions in relation to the Loan Agreement 2022 and the annual caps in relation thereto at the AGM. Further, Whitecrow Investment is required to abstain from voting on the relevant resolutions in relation to the Share Award Agreement and Anti-dilution Issue Agreement, and save as disclosed above, no Shareholders are required to abstain from voting on the other resolutions to be proposed at the AGM.

A notice of the AGM, which contains, *inter alia*, ordinary resolutions to approve the Supplemental Loan Agreement 2022, the Share Award Agreement, the Anti-dilution Issue Agreement, the Issue Mandate, the extension of the Issue Mandate, the Share Repurchase Mandate, the re-election of the retiring Directors, the re-appointment of the Company's auditors and the increase in the authorised share capital of the Company, is set out on page AGM-1 to AGM-7 of this circular.

A form of proxy for use by the Shareholders at the AGM is also enclosed with this circular and such form of proxy is also published on the GEM's website at [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.chinayouzan.com](http://www.chinayouzan.com). Whether or not you intend to attend the AGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited, the share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### 11. VOTING BY POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the AGM shall be voted by poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote need not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

The results of the poll will be published on the GEM's website at [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.chinayouzan.com](http://www.chinayouzan.com) as soon as possible after the conclusion of the AGM.

### 12. RECOMMENDATION

The Directors believe that the Supplemental Loan Agreement 2022, the Share Award Agreement, the Anti-dilution Issue Agreement, the granting of the Issue Mandate, the Repurchase Mandate and the extension of the Issue Mandate, the re-election of retiring Directors, the re-appointment of auditors and the increase in the authorised share capital of the Company are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

### 13. RESPONSIBILITY STATEMENT

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 the Company. 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.

### 14. GENERAL

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully  
For and on behalf of  
**China Youzan Limited**  
**Zhu Ning**  
*Chairman*





# China Youzan Limited

中國有贊有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8083)**

20 May 2022

*To the Independent Shareholders*

Dear Sirs or Madam,

**(1) CONTINUING CONNECTED TRANSACTION –  
SUPPLEMENTAL LOAN AGREEMENT 2022  
(2) DISCLOSEABLE AND CONNECTED TRANSACTION –  
GRANT OF YOUZAN TECHNOLOGY SHARES AND  
ANTI-DILUTION ISSUE BY A NON-WHOLLY OWNED SUBSIDIARY  
(3) GRANTING OF GENERAL MANDATES TO ISSUE AND  
REPURCHASE SHARES;  
(4) RE-ELECTION OF DIRECTORS;  
(5) RE-APPOINTMENT OF AUDITORS;  
(6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND  
NOTICE OF ANNUAL GENERAL MEETING**

We refer to the circular of the Company dated 20 May 2022 (the “**Circular**”) to the 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 and to advise the Independent Shareholders as to (i) in respect of the continuing connected transaction, whether the terms of the Supplemental Loan Agreement 2022 and the proposed Revised Annual Caps contemplated thereunder are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the discloseable and connected transaction, whether the terms of each of the Grant of Youzan Technology Shares and Anti-dilution Issue under each of the Share Award Agreement

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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and the Anti-dilution Issue Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company 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 continuing connected transaction, whether the terms of the Supplemental Loan Agreement 2022 and the proposed Revised Annual Caps contemplated thereunder are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the discloseable and connected transaction, whether the terms of each of the Grant of Youzan Technology Shares and Anti-dilution Issue under each of the Share Award Agreement and the Anti-dilution Issue Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 5 to 20 of the Circular and the letter of advice from the Independent Financial Adviser as set out on pages IFA-1 to IFA-21 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 continuing connected transaction, the terms of the Supplemental Loan Agreement 2022 and the proposed Revised Annual Caps contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Independent Shareholders; and (ii) in respect of the discloseable and connected transaction, the terms of each of the Grant of Youzan Technology Shares and Anti-dilution Issue contemplated under each of the Share Award Agreement and the Anti-dilution Issue Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the proposed resolutions in relation to the above, particulars of which are set out in the Notice of the Annual General Meeting set out on pages AGM-1 to AGM-7 of the Circular.

Yours faithfully,

**Independent Board Committee**

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

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

**Mr. Li Shaojie**  
*Independent Non-Executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of (i) the Supplemental Loan Agreement 2022; (ii) the proposed Revised Annual Caps thereto; and (iii) the Grant of Youzan Technology Shares and the Anti-dilution Issue for inclusion in this circular.*



**FIRST SHANGHAI CAPITAL LIMITED**

19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

20 May 2022

*To the Independent Board Committee and  
the Independent Shareholders*

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

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION –  
SUPPLEMENTAL LOAN AGREEMENT 2022  
AND  
(2) DISCLOSEABLE AND CONNECTED TRANSACTION –  
GRANT OF YOUZAN TECHNOLOGY SHARES AND  
ANTI-DILUTION ISSUE BY A NON-WHOLLY OWNED SUBSIDIARY**

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Supplemental Loan Agreement 2022; (ii) the proposed Revised Annual Caps thereto; and (iii) the Grant of Youzan Technology Shares and the Anti-dilution Issue (collectively, the “**Transactions**”), details of which are set out in the circular of the Company to the Shareholders dated 20 May 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular. The exchange rate of HK\$1.00 to RMB0.83603 (being the central parity rate as of the date of the Supplemental Loan Agreement 2022 with reference to the website of the People's Bank of China) has been adopted in this letter solely for illustration purpose.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Supplemental Loan Agreement 2022

As detailed in the circular of the Company dated 21 May 2019 (the “**2019 Circular**”), for the extension of the Previous Loan Agreement, the Company entered into a loan agreement with Youzan Technology on 27 April 2019 (the “**Loan Agreement 2019**”), pursuant to which the Company agreed to grant to Youzan Technology an unsecured loan facility up to HK\$900 million (inclusive of the principal loan amount and interest) until 31 December 2021, to facilitate the business expansion of Youzan Technology. The Loan Agreement 2019 was approved by the then independent shareholders of the Company at the special general meeting held on 12 June 2019.

As disclosed in the announcement of the Company dated 31 December 2021 (the “**2021 Announcement**”), the Company entered into the Loan Agreement 2022 with Youzan Technology to extend the term of the Loan Agreement 2019 for three years for an unsecured loan facility up to HK\$480 million (inclusive of the principal loan amount and interest) until 31 December 2024 (i.e. the Previous Annual Caps). In view of the size of the Previous Annual Caps, this extension was subject to the announcement requirement and was exempted from the independent shareholders’ approval requirement.

With reference to the “Letter from the Board” in the Circular (the “**Board Letter**”), the Company entered into the Supplemental Loan Agreement 2022 with Youzan Technology on 27 April 2022, pursuant to which the parties have conditionally agreed to revise the Previous Annual Caps from HK\$480 million to HK\$900 million for each of the three years ending 31 December 2024 (i.e. the Revised Annual Caps).

Youzan Technology is a non-wholly owned subsidiary of the Company which is owned as to approximately 51.90% by the Company as at the Latest Practicable Date. Whitecrow Investment is 100% beneficially owned by Mr. Zhu Ning (a Director and substantial Shareholder of the Company) and Whitecrow Investment currently holds approximately 10.30% in the shareholding interests in Youzan Technology as at the Latest Practicable Date. Therefore, Youzan Technology is a connected subsidiary, and hence a connected person, of the Company under the GEM Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **Grant of Youzan Technology Shares and Anti-dilution Issue**

On 27 April 2022, Youzan Technology resolved to conditionally grant (i) approximately 84.4 million Youzan Technology Shares to Whitecrow Investment; and (ii) approximately 91.1 million Youzan Technology Shares to the Company (which will occur on an inter-conditional basis to maintain the Company's interest in Youzan Technology at approximately 51.90%).

Upon Completion, Whitecrow Investment will hold approximately 14.23% and the Company will continue to hold approximately 51.90% of the total issued shares of Youzan Technology, which will remain as a non-wholly owned subsidiary of the Company.

### **Independent shareholders' approval and the Independent Board Committee**

As detailed in the Board Letter, the Transactions are subject to, among other things, the independent shareholders' approval requirements under the GEM Listing Rules.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Deng Tao and Mr. Li Shaojie, has been established to advise the Independent Shareholders in respect of the Transactions. We, First Shanghai Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **OUR INDEPENDENCE**

The Independent Shareholders should note that, within the past two years prior to the Latest Practicable Date, we were engaged as independent financial adviser by the Company for certain continuing connected transactions of the Company regarding the continuous provision of various third party payment services as set out in the circular of the Company dated 31 March 2020 (the "**Previous Engagement**"). Apart from normal professional fees paid or payable to us in connection with the Previous Engagement, we did not have any other relationships or interests with the Company within the past two years from the Latest Practicable Date.

Given (i) our independent role in the Previous Engagement; (ii) none of the members of our parent group is a direct party to the Transactions; and (iii) our fee for this present engagement with the Company, in addition to that for the Previous Engagement, represented an insignificant percentage of revenue of our parent group, we consider that the Previous Engagement would not affect our independence, and we consider ourselves independent, to provide our advice and form our opinion in respect of the Transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR OPINION**

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group (the “**Management**”), and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Management were true at the time they were made and continued to be true up to the Latest Practicable Date. We have reviewed, among other documents, the Loan Agreement 2022, the Supplemental Loan Agreement 2022, the Share Award Agreement, the Anti-dilution Issue Agreement, the financial statements of the Company and Youzan Technology and relevant industry information as further elaborated in our letter. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Management nor have we conducted any form of investigation into the business, affairs or future prospects of the Group. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with note 1 to Rule 17.92 of the GEM Listing Rules.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion on the Transactions, we have taken into account the following principal factors and reasons:-

#### **1. Background information on the parties to the Transactions**

The Group 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. According to the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), approximately 87% and 82% of the total revenue of the Group for each of the years ended 31 December 2020 and 2021, respectively, was derived from the merchant services segment, being the provision of e-commerce platform with a variety of SaaS products and comprehensive services in the PRC through the Youzan Technology Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Youzan Technology is a non-wholly owned subsidiary of the Company, which is currently owned as to approximately 51.90% by the Company as at the Latest Practicable Date. 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.

Whitecrow Investment is 100% beneficially owned by Mr. Zhu Ning (a Director and substantial Shareholder of the Company) and Whitecrow Investment currently holds approximately 10.30% in the shareholding interests in Youzan Technology as at the Latest Practicable Date. Whitecrow Investment is an investment holding company established in the British Virgin Islands with limited liabilities and is principally engaged in the asset management business.

### **1.1. Historical financial performance of the Group**

The following table summarises the consolidated statement of profit or loss of the Group for each of the years ended 31 December 2019, 2020 and 2021 with reference to the published annual reports of the Company:-

	<b>For the year ended 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
	(Audited)	(Audited)	(Audited)
Revenue	1,169	1,821	1,570
Gross profit	593	1,082	952
Loss from operations	(996)	(563)	(3,253)
Loss for the year attributable to owners of the Company	(592)	(295)	(2,509)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(a) Year ended 31 December 2020 compared with year ended 31 December 2019*

In year 2020, the COVID-19 outbreak caused an impact on the operation of offline retail channels and accelerated the process of digital transformation of merchants. By providing SaaS systems and integrated new retail solutions, the Group helped merchants build and improve their online business capabilities. The gross merchandise volume (GMV) generated by merchants and the number of paying merchants recorded significant annual increase in year 2020. Total revenue of the Group increased from approximately RMB1,169 million for the year ended 31 December 2019 to approximately RMB1,821 million for the year ended 31 December 2020, representing an increase of approximately 56%. Gross profit margin increased from approximately 51% for the year ended 31 December 2019 to approximately 59% for the year ended 31 December 2020. Overall, loss from operations and loss for the year attributable to owners of the Company for the year ended 31 December 2020 significantly narrowed as compared with those for the preceding year.

*(b) Year ended 31 December 2021 compared with year ended 31 December 2020*

Total revenue of the Group decreased from approximately RMB1,821 million for the year ended 31 December 2020 to approximately RMB1,570 million for the year ended 31 December 2021, representing a decrease of approximately 14%, which was mainly due to the decrease in revenue generated from transaction services since a subsidiary of the Company ceased its transaction service in February 2021. Gross profit margin further increased from approximately 59% for the year ended 31 December 2020 to approximately 61% for the year ended 31 December 2021. Overall, loss from operations and loss for the year attributable to owners of the Company for the year ended 31 December 2021 were significantly higher as compared with those for the preceding year, which was mainly due to the record of impairments of goodwill, intangible assets, right-of-use assets and property, plant and equipment at an aggregate amount of approximately RMB2,184 million for the year ended 31 December 2021 as compared with approximately RMB1 million for the year ended 31 December 2020. We are advised by the Management that the impairments were made on a conservative basis in view of the business uncertainties of the Group as detailed in the 2021 Annual Report.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **1.2. Historical financial position of the Group**

The following table summarises the consolidated balance sheet of the Group as at 31 December 2021 with reference to the 2021 Annual Report:-

	<b>As at 31 December 2021</b> <i>RMB million</i> (Audited)
Non-current assets	1,969
Current assets	<u>4,904</u>
<b>Total assets</b>	<b>6,873</b>
Current liabilities	5,097
Non-current liabilities	<u>439</u>
<b>Total liabilities</b>	<b>5,536</b>
Net assets attributable to owners of the Company	1,346
Non-controlling interests	<u>(9)</u>
<b>Net assets</b>	<b><u><u>1,337</u></u></b>

As at 31 December 2021, (i) the principal assets of the Group was balances with central bank, which amounted to approximately RMB3,613 million; and (ii) the principal liabilities of the Group was settlement obligations, which amounted to approximately RMB3,803 million and represented payables to merchants for the third party payment services that the Group had collected from the payment service providers of consumers. Net assets attributable to owners of the Company amounted to approximately RMB1,346 million as at 31 December 2021.

For further details of the financial information of the Group, please refer to the financial reports published by the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **1.3. Historical financial performance and position of the Youzan Technology Group**

The following table summarises the consolidated statement of profit or loss of the Youzan Technology Group for each of the years ended 31 December 2019, 2020 and 2021 with reference to the financial statements provided to us by the Management:-

	<b>For the year ended 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Revenue	998	1,576	1,284
Gross profit	549	1,047	886
Loss from operations	(535)	(306)	(997)
Loss for the year attributable to owners of Youzan Technology	(503)	(333)	(1,120)

In light of the fact that the Youzan Technology Group operates the core business segment of the Group, the financial performance trend of the Youzan Technology Group overall mirrors that of the Group mentioned above. The significant loss from operations for the year ended 31 December 2021 of the Youzan Technology Group was attributable to, among other things, the increase in selling expenses.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following table summarises the consolidated balance sheet of the Youzan Technology Group as at 31 December 2021 with reference to the financial statements provided to us by the Management.

	<b>As at 31 December 2021</b> <i>RMB million</i>
Non-current assets	676
Current assets	<u>610</u>
<b>Total assets</b>	<b>1,286</b>
Current liabilities	1,252
Non-current liabilities	<u>307</u>
<b>Total liabilities</b>	<b>1,559</b>
Net liabilities attributable to owners of Youzan Technology	344
Non-controlling interests	<u>71</u>
Net liabilities	<u><u>273</u></u>

As at 31 December 2021, (i) the principal assets of the Youzan Technology Group was financial assets of approximately RMB373 million and cash and bank balances of approximately RMB312 million; and (ii) the principal liabilities of the Youzan Technology Group was contract liabilities, which amounted to approximately RMB683 million. Net liabilities attributable to owners of Youzan Technology amounted to approximately RMB344 million as at 31 December 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***1.4. Prospects of the Group (including the Youzan Technology Group)***

We have discussed with and are advised by the Management that the prospects of the Group (including the Youzan Technology Group) are driven by, among other factors, (i) the general economy of the PRC; (ii) the e-commerce industry in the PRC; and (iii) the business development strategies of the Group.

In respect of the general economy of the PRC, we have reviewed the economic information in the report titled *World Economic Outlook* dated April 2022 (the “**IMF Report**”) published by the International Monetary Fund (國際貨幣基金組織), which is a global organisation with 190 member countries. We understand from the IMF Report that the global economy is impacted by the outbreak of the COVID-19 pandemic and the military conflict between Russia and Ukraine, nonetheless the real gross domestic product (GDP) of the PRC is expected to achieve annual growth rates of approximately 4.4% and 5.1% for each of the years ending 31 December 2022 and 2023, respectively.

In respect of the e-commerce industry in the PRC, we have reviewed the document titled “十四五”電子商務發展規劃 (14th Five-year Plan for E-Commerce) published by, among other government authorities, 中國商務部 (Ministry of Commerce of the PRC) (the “**Government Plan**”). We note from the Government Plan that (i) along with, among other factors, new type industrialisation and urbanisation in the PRC, the demand of e-commerce in the PRC is expected to increase; (ii) the development of e-commerce platforms is supported; and (iii) e-commerce transaction amounts in the PRC are expected to increase from approximately RMB37.2 trillion in 2020 to approximately RMB46.0 trillion in 2025, which we understand represents a compound annual growth rate of approximately 4.3%.

In respect of the business development strategies of the Group, we have reviewed the 2021 Annual Report and we understand that the Group expects to, among other things, (i) invest in sales and research and development; and (ii) serve more merchants through all-industry products and provide in-depth industry solutions through vertical industry products. We have discussed with the Management and we have been advised that (i) the business performance of the Group (including the Youzan Technology Group) is clouded by uncertainties due to, among other factors, intensive market competition and fast-changing market environment; and (ii) the Group (including the Youzan Technology Group) has made and will continue to make efforts in the continuous development of its businesses to capture growth opportunities in the volatile market.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.1. Background of and reasons for the Supplemental Loan Agreement 2022

As detailed in the 2019 Circular, for the extension of the Previous Loan Agreement, the Company entered into the Loan Agreement 2019 with Youzan Technology on 27 April 2019, pursuant to which the Company agreed to grant to Youzan Technology an unsecured loan facility up to HK\$900 million (inclusive of the principal loan amount and interest) until 31 December 2021, to facilitate the business expansion of Youzan Technology. The Loan Agreement 2019 was approved by the then independent shareholders at the special general meeting held on 12 June 2019.

As disclosed in the 2021 Announcement, the Company entered into the Loan Agreement 2022 with Youzan Technology to extend the term of the Loan Agreement 2019 for three years for an unsecured loan facility up to HK\$480 million (inclusive of the principal loan amount and interest) until 31 December 2024 (i.e. the Previous Annual Caps). In view of the size of the Previous Annual Caps, this extension was subject to the announcement requirement and was exempted from the independent shareholders' approval requirement.

With reference to the Board Letter, the Company entered into the Supplemental Loan Agreement 2022 with Youzan Technology on 27 April 2022, pursuant to which the parties have conditionally agreed to revise the Previous Annual Caps from HK\$480 million to HK\$900 million for each of the three years ending 31 December 2024 (i.e. the Revised Annual Caps). According to the Board Letter, the loan facility under the Loan Agreement 2022 (as supplemented by the Supplemental Loan Agreement 2022) is a mark of the continuous support that the Company provides to Youzan Technology (being the subsidiary of the Company which provides significant revenue contribution to the Group and is crucial to the business operations of the Group), where the loan facility is for the facilitation of the business expansion (including research and development and marketing) of the Youzan Technology Group.

Taking into account, in particular, (i) the core business segment of the Group that contributed over 80% of the revenue of the Group in the recent two financial years, has been operated through the Youzan Technology Group; (ii) Youzan Technology is a non-wholly owned subsidiary of the Company, which is currently owned as to approximately 51.90% by the Company as at the Latest Practicable Date; (iii) the loan is for the facilitation of the business development of the Youzan Technology Group, where the Group (including the Youzan Technology Group) has made and will continue to make efforts to capture growth opportunities in the volatile market; and (iv) the terms and the Revised Annual Caps of the Supplemental Loan Agreement 2022 are fair and reasonable as discussed below, we are of the view that the entering into of the Supplemental Loan Agreement 2022 and the transactions contemplated thereunder is a financing activity ancillary and incidental to the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.2. Principal terms and the Revised Annual Caps of the Supplemental Loan Agreement 2022

Pursuant to the Supplemental Loan Agreement 2022, which supplements the Loan Agreement 2022, the Company (as lender) shall provide Youzan Technology (as borrower) loan amount of not exceeding HK\$900 million (inclusive of the principal loan amount and interest) at any time every year, up to 31 December 2024. The Revised Annual Caps are HK\$900 million for each of the three years ending 31 December 2024.

#### *(I) Interest rate*

We are advised by the Management and we understand that the Supplemental Loan Agreement 2022 did not amend the interest rate under the Loan Agreement 2022 and the interest rate is identical to that stipulated in the Previous Loan Agreement. Youzan Technology shall pay interest on any outstanding principal of the loan at the interest rate of 2% per annum above the Hong Kong dollar prime rate (the “**Prime Rate**”) as quoted by the Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) from time to time (the “**Internal Lending Rate**”), which shall be calculated and charged on a monthly basis. Youzan Technology shall fully repay any outstanding principal and any accrued but unpaid interest and any other monies due under the expiry of the term of the loan agreement.

We have reviewed the website of HSBC and understand that the prevailing Prime Rate is 5% per annum, therefore the prevailing effective Internal Lending Rate to Youzan Technology is 7% per annum. For our assessment of the fairness and reasonableness of the prevailing Internal Lending Rate, we have exhaustively identified comparable transactions (being notifiable and/or connected transactions) announced by companies listed in Hong Kong within the past two months from the date of the Supplemental Loan Agreement 2022 and involving the provision of loan by the listed company to its subsidiary, joint venture or associated company owned as to more than 30% by the listed group (the “**Comparable Loans**”) for reference. In view of the aforesaid criteria, we consider the Comparable Loans to be fair and representative for the purpose of a market practice assessment on the fairness and reasonableness of the Internal Lending Rate. The following table sets out the details of the Comparable Loans.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Date of announcement	Company name (stock code)	Borrower type	Principal amount	Duration	Interest rate per annum
8 March 2022	Extrawell Pharmaceutical Holdings Limited (858 HK)	A company owned as to 49% by the listed company	HK\$6 million <sup>(1)</sup>	5 years	5.0%
9 March 2022	Sun Art Retail Group Limited (6808 HK)	A company owned as to 51% by the listed company	RMB100 million <sup>(1)(2)</sup>	1 year	3.7%
25 March 2022	China Nature Energy Technology Holdings Limited (1597 HK)	A company owned as to 50% by the listed company	RMB24 million <sup>(1)</sup>	1 year	0.0% <sup>(3)</sup>
4 April 2022	Tian An China Investments Company Limited (28 HK)	A company owned as to 50% by the listed company	RMB960 million <sup>(2)</sup>	3 years	12.0%
19 April 2022	HKR International Limited (480 HK)	A company owned as to 40% by the listed company	HK\$880 million <sup>(1)</sup>	5 years	4.4% <sup>(4)</sup>
				Average	5.0%
				Median	4.4%

*Notes:*

1. These four out of the five Comparable Loans were unsecured.
2. These two out of the five Comparable Loans were not made in proportion to the equity interest held.
3. This loan was interest-free.
4. This loan bears an interest rate of 2% per annum over the 1-month HIBOR. We note that, based on the website of HSBC, the 1-month HIBOR as at the date of the Supplemental Loan Agreement 2022 was 0.2%, representing an interest rate of approximately 2.4% per annum.

With reference to the above table, we note that the average and the median of the interest rates of the Comparable Loans was approximately 5% and 4%, respectively, and the prevailing Internal Lending Rate of 7% is higher than such average and median.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We also note that four out of five of the Comparable Loans were unsecured, therefore the provision of an unsecured loan facility under the Loan Agreement 2022 (as supplemented by the Supplemental Loan Agreement 2022) is in line with such market practice. In addition, the Company, being the parent company of Youzan Technology, (i) has thorough and timely understanding of the operating and financial performance of Youzan Technology; and (ii) has control over the operating and financial activities of Youzan Technology Group, hence the repayment of outstanding loan from time to time by Youzan Technology shall be more assured as compared to lending to an independent third party borrower.

### ***(II) Revised Annual Caps***

As stated in the Board Letter, the Revised Annual Caps of HK\$900 million for each of the three years ending 31 December 2024 are determined with reference to, among others, the current business plan of the Youzan Technology Group. We note that the Revised Annual Caps are maintained at the same amount as those of the Loan Agreement 2019 set out in the 2019 Circular for the period up to 31 December 2021.

We have reviewed the current business plan and the financial information of the Youzan Technology Group. We have been advised by the Management and we understand from our review of the business plan, among other things, in view of the challenging environment and the deteriorated financial performance of the Youzan Technology Group, the Youzan Technology Group requires the HK\$900 million loan facility from the Supplemental Loan Agreement 2022 for its business development to maintain its competitiveness in the challenging market competition under the continuing impact brought by the prolonged COVID-19 pandemic, where the loans are expected to be primarily for (i) research and development; and (ii) marketing. In respect of research and development, the Youzan Technology Group plans to (i) widen product range of ecommerce applications; (ii) expand and strengthen construction of new system functions; and (iii) enhance in infrastructure construction, with an aggregate estimated spending of approximately RMB620 million (equivalent to approximately HK\$742 million). In respect of marketing, the Youzan Technology Group plans to spend approximately RMB260 million (equivalent to approximately HK\$311 million), mainly for advertising through various online channels and engaging more distribution agents by the Youzan Technology Group. The Youzan Technology Group plans to execute the abovementioned business development plan by utilising the loan amount from the Loan Agreement 2022 (as supplemented by the Supplemental Loan Agreement 2022) throughout the three years ending 31 December 2024. After primarily taking into account (i) our review of the business plan; (ii) for the latest financial year, the Youzan Technology Group recorded net cash used in operating activities of approximately RMB684 million (equivalent to approximately HK\$818 million) for the year ended 31 December 2021 and net liabilities attributable to owners of Youzan Technology of approximately RMB344 million (equivalent to



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately HK\$411 million) as at 31 December 2021; (iii) the need of funds by the Youzan Technology Group to better grasp business opportunities to turnaround its loss-making business in view of, among other things, the support of the government on the e-commerce platform business in the aforementioned Government Plan; and (iv) the Revised Annual Caps are maintained at the same amount as those of the Loan Agreement 2019 for the period up to 31 December 2021, we consider the business plan to be fair and reasonable.

We also note that (i) the Group had bank and cash balances of approximately RMB711 million (equivalent to approximately HK\$850 million) as at 31 December 2021 based on the 2021 Annual Report, and (ii) the Company had subsequently completed a placing exercise, which raised net proceeds of approximately HK\$309 million, on 18 January 2022 with reference to the announcement published by the Company on the same date. We are further advised by the Management that the Company will fund the Supplemental Loan Agreement 2022 via, among other sources, the aforementioned net proceeds from the completed placing and possible further fund raising exercises when appropriate and necessary.

We understand that the financial assistance provided by the Company to Youzan Technology (being a subsidiary of the Company) under the Loan Agreement 2022 (as supplemented by the Supplemental Loan Agreement 2022) is through an interest-bearing loan facility that is on normal and commercial and fair and reasonable terms, where the minority shareholders of Youzan Technology are not required to provide loan facilities on a proportionate basis. We also note that the shareholders of Youzan Technology consist of 19 entities in total and, as stated in the Board Letter, the minority shareholders (particularly the passive investors) require to conduct extensive and intensive due diligence process of Youzan Technology before considering to provide any loan facility to Youzan Technology, therefore the provision of loan facility from the minority shareholders in proportion to the equity interest held by them in Youzan Technology is not practicable. Moreover, as stated in the Board Letter, the minority shareholders of Youzan Technology had previously indicated that they were interested in participating in the form of equity financing rather than loan financing. The Independent Shareholders should note that, as long as the loans granted under the Loan Agreement 2022 (as supplemented by the Supplemental Loan Agreement 2022) remains outstanding, the Company would be compensated by the interest income receivable from Youzan Technology, which is on normal commercial terms, without prejudice to the interests of the Group and the Shareholders as a whole (including the Independent Shareholders). In addition, based on our review of the announcements of the Comparable Loans, we understand two out of five of them were also not made on a proportionate basis.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(III) Internal controls*

We are advised by the Management and we understand that, pursuant to the Loan Agreement 2022 (as supplemented by the Supplemental Loan Agreement 2022), the Company has sole discretion to refuse to advance any part of the loan if the Company is not satisfied with the use of the loan specified in the executed notice of drawdown by Youzan Technology. In respect of the internal controls of the Supplemental Loan Agreement 2022, we are advised by the Management that (i) the Company has designated personnel from the finance department to perform quarterly checks to review and assess whether the loan is provided in accordance with the terms and conditions of the relevant loan agreement (the “**Loan Assessment**”); (ii) the audit committee will continue to review the report prepared by the management of the Company based on the continuing connected transactions conducted at least twice a year; and (iii) the independent non-executive Directors and external auditors will continue to review and report on the continuing connected transactions pursuant to Rules 20.53 and 20.54 of the GEM Listing Rules.

In respect of the Loan Assessment, we have reviewed the relevant documents of the loans drawn under the Loan Agreement 2019 (including the relevant drawdown notices and board minutes) and we concur with the Group that those loans were in accordance with the terms and conditions of the relevant loan agreement. In addition, based on our review of the annual reports of the Company for each of the two years ended 31 December 2020 and 2021, we note that, in accordance with the GEM Listing Rules, (i) the auditor of the Company was engaged to report on the continuing connected transactions of the Group for each of the two years ended 31 December 2021 and the auditor had issued its unqualified letters in respect of such transactions; and (ii) the independent non-executive Directors had also reviewed the continuing connected transactions of the Group for each of the two years ended 31 December 2021 and confirmed that such transactions were, among other things, in accordance with the relevant agreement governing the transactions on terms that were fair and reasonable and in the interests of the Shareholders as a whole. We are further advised by the Management that Youzan Technology had been able to fully meet its repayment obligations under the Loan Agreement 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(IV) Conclusion*

Despite the provision of loan facility to Youzan Technology under the Loan Agreement 2022 (as supplemented by the Supplemental Loan Agreement 2022) is not secured and is not on a basis proportionate to the equity interest in Youzan Technology, after taking into account, in particular, (i) the aforementioned background and reasons for the Supplemental Loan Agreement 2022, particularly Youzan Technology is the subsidiary of the Company that operates the core business segment of the Group; (ii) the Internal Lending Rate, which is identical to the interest rate stipulated in the Previous Loan Agreement, is higher than the average and the median of those of the Comparable Loans; (iii) the Youzan Technology Group requires the loan facility from the Supplemental Loan Agreement 2022 for its ongoing business needs in the upcoming years in view of, among other things, the Youzan Technology Group has been loss making; (iv) the Revised Annual Caps are maintained at the same amount as those of the Loan Agreement 2019 for the period up to 31 December 2021; (v) the shareholders of Youzan Technology consist of 19 entities in total and to have all of the minority shareholders of Youzan Technology to unanimously agree to provide loan facilities on a proportionate basis may not be practicable; (vi) two out of five of the Comparable Loans were also not made on a basis proportionate to equity interest; (vii) four out of five of the Comparable Loans were also not secured; and (viii) the internal controls of the Group and the positive track record on compliance and loan repayment history, we consider that the terms of the Supplemental Loan Agreement 2022 are on normal commercial terms and, together with the Revised Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned.

### **3.1. Grant of Youzan Technology Shares and Anti-dilution Issue**

As at the Latest Practicable Date, (i) the Company currently holds approximately 785.2 million Youzan Technology Shares, representing approximately 51.90% of total issued Youzan Technology Shares; and (ii) Whitecrow Investment currently holds approximately 155.8 million Youzan Technology Shares, representing approximately 10.30% of the issued shares of Youzan Technology.

On 27 April 2022, Youzan Technology and Whitecrow Investment entered into the Share Award Agreement, pursuant to which Youzan Technology conditionally agrees to grant, issue and allot, and Whitecrow Investment conditionally agrees to subscribe for, approximately 84.4 million Youzan Technology Shares, representing approximately 5.58% of the existing total issued Youzan Technology Shares, at a nominal subscription price of US\$0.00001 per Youzan Technology Share (i.e. an aggregate of approximately US\$844), which shall be payable by Youzan Technology upon the issuance of the relevant new Youzan Technology Shares to Whitecrow Investment.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to ensure that there will be no dilution impact to the Company as a result of the Grant of Youzan Technology Shares to Whitecrow Investment, on 27 April 2022, Youzan Technology and the Company entered into the Anti-dilution Issue Agreement, pursuant to which Youzan Technology conditionally agrees to issue and allot, and the Company agrees to subscribe for, approximately 91.1 million Youzan Technology Shares, representing approximately 6.02% of the existing total issued Youzan Technology Shares, at a nominal subscription price of US\$0.00001 per Youzan Technology Share (i.e. an aggregate of approximately US\$911), which shall be payable by Youzan Technology upon the issuance of the relevant new Youzan Technology Shares to the Company.

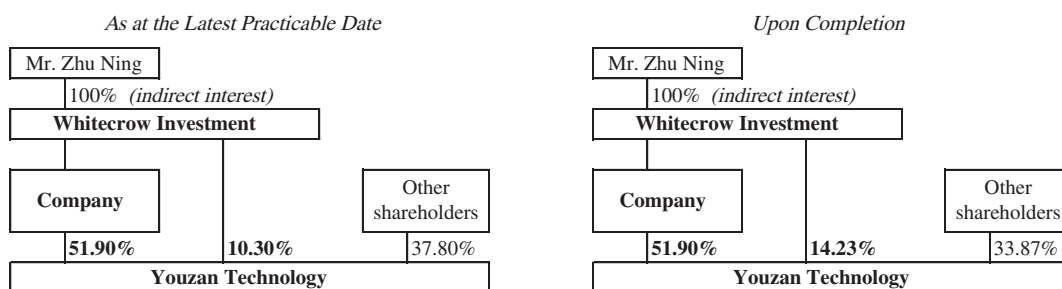
Completion of each of the Grant of Youzan Technology Shares and the Anti-dilution Issue is inter-conditional upon each other, and it is intended that Completion of both the Grant of Youzan Technology Shares under the Share Award Agreement and the Anti-dilution Issue under the Anti-dilution Issue Agreement will take place simultaneously. Upon Completion, Whitecrow Investment will hold approximately 14.23% and the Company will continue to hold approximately 51.90% of the total issued shares of Youzan Technology, which will remain as a non-wholly owned subsidiary of the Company. In this regard, we have discussed with the Management and were advised by the Management that the Grant of Youzan Technology Shares, together with the Anti-dilution Issue, is not expected to bring any change to the Company in respect of its shareholder's interests and rights in Youzan Technology.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following simplified shareholding charts of Youzan Technology illustrate the shareholding structure of Youzan Technology as at the Latest Practicable Date and upon Completion (assuming no additional issuance of Youzan Technology Shares other than those under the Grant of Youzan Technology Shares and the Anti-dilution Issue):-



Regarding the merits of the Grant of Youzan Technology Shares, as stated in the Board Letter, the Company would intend to recognise the extensive contributions of Mr. Zhu Ning and to incentivise Mr. Zhu Ning to stay with Youzan Technology to continue to promote the future development of Youzan Technology's business through the grant of Youzan Technology Shares. Accordingly, we have reviewed the profile of Mr. Zhu Ning and note that (i) he is currently the chairman of the Board; (ii) he is the founder and the chief executive officer of the Youzan Technology Group; and (iii) before establishing the Youzan Technology Group, he was a product experience planner of Alipay and an interaction designer of Baidu and has profound experience in the realm of internet, including but not limited to online payment, e-business, internet communities and online search services. We are advised by the Management that (i) Mr. Zhu Ning, since he founded the Youzan Technology Group, has been responsible for the formulation of the overall development planning and business strategies as well as the daily management of the Youzan Technology Group; (ii) since the acquisition of 51% equity interest in Youzan Technology by the Group in the first half of year 2018, the revenue of the Youzan Technology Group increased from approximately RMB557 million for the year ended 31 December 2018 to approximately RMB1,284 million for the year ended 31 December 2021, representing a compound annual growth rate of approximately 32% during the period; and (iii) despite the Grant of Youzan Technology Shares involve no vesting period and performance targets, the increase in shareholding (thereby the increase in, among other things, potential dividend distribution in the future) in Youzan Technology can incentivise Mr. Zhu Ning to continue to promote the future development of the business of Youzan Technology. For further details of the contribution of Mr. Zhu Ning to the Youzan Technology Group, please refer to the Board Letter.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also discussed with the Management on the alternative incentive strategies that they have considered apart from the Grant of Youzan Technology Shares. We are advised by the Management that they had considered the grant of shares or options of the Company to Mr. Zhu Ning, however such grants would inevitably dilute the shareholding interests of the Independent Shareholders in the Company, therefore the proposed Grant of Youzan Technology Shares (together with the Anti-dilution Issue), which does not cause such dilution to the interests of the Independent Shareholders in the Company at all, was adopted. The Independent Shareholders should note that the structure of the Grant of Youzan Technology Shares (together with the Anti-dilution Issue) is not comparable with the share award schemes in the market, which allot new shares at the listed company level and cause dilution to the interests of the shareholders (including independent shareholders) of the listed company.

Taking into account, in particular, (i) the shareholding interests of the Company in Youzan Technology remains unchanged following Completion in light of the Anti-dilution Issue; (ii) the shareholding interests of the Independent Shareholders in the Company will not be diluted; (iii) Mr. Zhu Ning is the founder and the chief executive officer of the Youzan Technology Group, which contributed over 80% of the revenue of the Group in the recent two financial years, and the revenue of the Youzan Technology Group recorded a compound annual growth rate of approximately 32% from year 2018 to year 2021; (iv) the Grant of Youzan Technology Shares to Whitecrow Investment, which is 100% beneficially owned by Mr. Zhu Ning, can further closely align the interests of Mr. Zhu Ning with that of the Company in respect of the performance of the Youzan Technology Group given the increase in shareholding leads to the increase in, among other things, potential dividend distribution in the future; and (v) the subscription price of the Youzan Technology Shares is at the nominal value of US\$0.00001 per Youzan Technology Share in view of the fact that Youzan Technology recorded net liabilities attributable to owners of Youzan Technology of approximately RMB344 million as at 31 December 2021, we are of the view that (i) the Grant of Youzan Technology Shares and Anti-dilution Issue collectively is a remuneration incentive strategy for long-term business development not directly conducted in, but is ancillary and incidental to, the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Grant of Youzan Technology Shares and the Anti-dilution Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Transactions are financing activity and corporate strategy for business development in nature, both of which are ancillary and incidental to the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and the terms of the Transactions are on normal commercial terms and, together with the Revised Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Transactions.

Yours faithfully,

For and on behalf of

**First Shanghai Capital Limited**

**Nicholas Cheng**

*Director*

**Roger Tang**

*Vice President*

*Note: Mr. Nicholas Cheng has been a Responsible Officer and Mr. Roger Tang has been a Representative of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Both of them have extensive experience in the corporate finance industry and have participated in, and completed, the provision of independent financial advisory services for numerous connected transactions involving listed companies 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 the Company. 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 the Company in the 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 the Company 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 the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/ Nature of interests	Interest in Shares	Total interest in Shares	Approximate percentage in the total issued share capital of the Company
Dr. Fong Chi Wah	Beneficial owner	1,000,000	1,000,000	0.01
Mr. Li Shaojie	Beneficial owner	1,000,000	1,000,000	0.01
Mr. Zhu Ning	Interest of controlled corporation	1,440,601,703 (Note 1)	1,931,771,804	10.49
	Interest of controlled Corporation	363,170,101 (Note 2)		
	Beneficial owner	100,000,000 (Note 4)		
	Beneficial owner	28,000,000		



Name of Director	Capacity/ Nature of interests	Interest in Shares	Total interest in Shares	Approximate percentage in the total issued share capital of the Company
Mr. Yu Tao	Beneficial owner	15,000,000 (Note 5)	28,848,000	0.16
	Beneficial owner	13,848,000		
Mr. Cui Yusong	Interest of controlled corporation	241,885,127 (Note 3)	270,785,127	1.47
	Beneficial owner	20,000,000 (Note 5)		
	Beneficial owner	8,900,000		
Ms. Ying Hangyan	Beneficial owner	852,000	15,852,000	0.09
	Beneficial owner	15,000,000 (Note 5)		

## Notes:

- (1) The shares are held by Whitecrow Investment Ltd. (“**Whitecrow**”). Whitecrow is a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Zhu Ning.
- (2) The shares are held by Youzan Teamwork Inc. (“**Youzan Teamwork**”). Youzan Teamwork is a company incorporated in the British Virgin Islands with limited liability. Youzan Teamwork was owned as to 8% by Mr. Zhu Ning, and 18% by Whitecrow.
- (3) The shares are held by V5.Cui Investment Ltd. (“**V5.Cui**”). V5.Cui is a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Cui Yusong.
- (4) The Company granted the share options under the new share option scheme (the “**Share Option Scheme**”), which was adopted by the Company on 12 June 2019, on 9 September 2019, and was approved at the special general meeting on 14 October 2019. The share options is valid until 30 June 2024 and has an exercise price of HK\$1.00.
- (5) The Company granted the share options under the Share Option Scheme on 9 September 2019, and was approved at the special general meeting on 14 October 2019. The share options is valid until 30 June 2024 and has an exercise price of HK\$0.90.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) we required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of P 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 the Company 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 the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company 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 Group or had any option in respect of such capital:

Name of substantial shareholder	Capacity/Nature of interests	Interest in Shares	Total interest in Shares	% Shareholding
Whitecrow Investment Ltd. (Note 2)	Beneficial owner	1,440,601,703 (L)	1,440,601,703	7.82
Double Peace Limited	Interests of controlled corporation	1,440,601,703 (L)	1,440,601,703	7.82
Tricor Equity Trustee Limited	Trustee	1,440,601,703 (L)	1,440,601,703	7.82
Poyang Lake Investment Limited (Note 3)	Beneficial owner	1,036,766,038 (L)	1,036,766,038	5.63
Tencent Holdings Limited (Note 3)	Interests of controlled corporation	1,036,766,038 (L)	1,036,766,038	5.63
UBS Group AG	Interest of controlled corporation	1,112,349,570 (L) 261,145,158 (S)	1,112,349,570	6.04

*Notes:*

- (1) (L): long position; (S): short position.
- (2) Whitecrow is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Double Peace Limited. Mr. Zhu Ning is the settlor of a discretionary trust which holds the entire issued share capital of Double Peace Limited. Tricor Equity Trustee Limited holds the entire issued share capital of Double Peace Limited as trustee of the discretionary trust.
- (3) Poyang Lake Investment Limited is a wholly-owned subsidiary of Tencent Holdings Limited (Stock Exchange Stock Code: 700), which is deemed to be interested in the Shares held by Poyang Lake Investment Limited for the purpose of the SFO.

#### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, controlling shareholders, substantial shareholders or their respective close associates (as defined under the GEM Listing Rules) had any business or interest apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the 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 2021 (being the date to which the latest published audited financial statements of the Company 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 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 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 Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

**7. LITIGATION**

As at the Latest Practicable Date, neither the Company 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 the Company or any of its subsidiaries.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

**9. QUALIFICATION OF EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
First Shanghai Capital Limited	A corporation licensed to carry on Type 6 (Advising on Corporate Finance) regulated activity under the SFO

The above expert 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, the above expert was not interested in any Share or share in any member of the 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, the above expert did not have any direct or indirect interests in any assets which have since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.

**10. MATERIAL CONTRACTS**

The following contracts, not being contracts in the ordinary course of business carried on or intended to be carried on by members of the Group, have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) the placing agreement entered into between the Company and Jefferies Hong Kong Limited as the placing agent dated 11 January 2022 in respect of the private placing of up to a maximum of 810,792,000 new Shares to be issued under such placing to any places at HK\$0.385 per placing Share;
- (ii) the loan agreement entered into between the Company as lender and Youzan Technology Inc. as borrower dated 31 December 2021, pursuant to which the Company has conditionally agreed to extend the term of the Previous Loan Agreement for three years for an unsecured loan facility up to HK\$480 million, subject to the terms and conditions set out therein;
- (iii) the agreement in relation to the subscription entered into among the Company as subscriber and Youzan Technology dated 16 September 2020 in relation to the subscription of approximately 35 million shares in Youzan Technology, in the consideration of US\$160 million payable in cash upon completion;
- (iv) the framework agreement dated 31 July 2020 and entered into between Tianjin Youzan Information Technology Co., Ltd. (天津有贊信息技術有限公司)(an indirect non-wholly-owned subsidiary of the Company) and Hangzhou Aiguang Network Information Service Co., Ltd. (杭州愛逛網絡信息服務有限公司) in relation to the provision of advertising services for a term commencing from 1 August 2020 and ending on 31 December 2022 (both days inclusive). The proposed annual caps in respect of the transactions contemplated under such agreement for each of the three years ending 31 December 2022 is RMB10,000,000, RMB29,000,000 and RMB29,000,000 respectively; and
- (v) the framework agreement dated 31 July 2020 and entered into between Hangzhou Youzan Technology Co., Ltd. (杭州有贊科技有限公司)(an indirect non-wholly-owned subsidiary of the Company) and Hangzhou Aiguang Network Information Service Co., Ltd. (杭州愛逛網絡信息服務有限公司) in relation to the provision of various services for a term commencing from 1 August 2020 and ending on 31 December 2022 (both days inclusive). The proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement for each of the three years ending 31 December 2022 is RMB9,100,000, RMB29,000,000 and RMB29,000,000 respectively.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of GEM (<https://www.hkgem.com/>) and the Company (<https://www.chinayouzan.com/>) for a period of 14 days commencing from the date of this circular:

- (i) the Supplemental Loan Agreement 2022;
- (ii) the Share Award Agreement;
- (iii) the Anti-dilution Issue Agreement;
- (iv) this circular;
- (v) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-21 of this circular;
- (vi) the letter from the Board, the text of which is set out on pages 5 to 20 of this circular;
- (vii) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular; and
- (viii) the written consent letter of expert referred to in the section headed “Qualification of expert and consents” in this appendix.

**12. MISCELLANEOUS**

- (a) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, 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 the Company 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.

**13. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

*The following is an explanatory statement required by the GEM Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the AGM in relation to the granting of the Share Repurchase Mandate.*

**(I) SHARE CAPITAL**

As the Latest Practicable Date, the issued share capital of the Company comprised 18,421,642,097 Shares.

Subject to the passing of the ordinary resolution set out in item 6 of the notice of the AGM in respect of granting the Share Repurchase Mandate and on the basis that the total number of issued Shares remains unchanged between the Latest Practicable Date and the date of the AGM, i.e. being 18,421,642,097 Shares, the Directors would be authorized under the Share Repurchase Mandate to repurchase a maximum of 1,842,164,209 Shares representing 10% of the total number of issued Shares as at the date of passing of the relevant resolution at the AGM during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws or the Companies Act 1981 of Bermuda (as amended) to be held; or (iii) the date of revocation or variation of the Share Repurchase Mandate by an ordinary resolution of Shareholders in general meeting, whichever occurs first.

**(II) REASONS FOR REPURCHASE**

The Directors believe that the granting of the Share Repurchase Mandate is in the best interests of the Company and the Shareholders as a whole.

Such repurchase may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of the Company and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

**(III) FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Bye-Laws, the GEM Listing Rules and the applicable laws of Bermuda.

It is presently proposed that any repurchase of Shares will be made out of the profits of the Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or out of capital and, in the case of any premium payable on the purchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company.

There might be a material adverse impact on the working capital and gearing position of the Company (as compared with the position disclosed in its most recent published audited accounts as at 31 December 2021) in the event that the Share Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

#### (IV) SHARE PRICES

The highest and lowest prices at which the Shares were traded on GEM of the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:–

	Share Prices	
	Highest HK\$	Lowest HK\$
<b>2021</b>		
May	2.55	1.50
June	1.75	1.31
July	1.48	0.87
August	1.27	0.69
September	1.20	0.90
October	1.15	0.95
November	0.99	0.70
December	0.78	0.50
<b>2022</b>		
January	0.54	0.30
February	0.33	0.219
March	0.305	0.15
April	0.212	0.119
May ( <i>up to the Latest Practicable Date</i> )	0.136	0.097



**(V) GENERAL INFORMATION**

- (a) To the best of their knowledge having made all reasonable enquiries, none of the Directors nor any of their respective close associates (as defined in the GEM Listing Rules) has any present intention to sell any Shares to the Company in the event that the grant of the Share Repurchase Mandate if such is approved by the Shareholders.
- (b) The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make repurchase Shares pursuant to the Share Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of Bermuda.
- (c) No core connected persons (as defined in the GEM Listing Rules) of the Company has notified the Company that they have a present intention to sell Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the granting of the Share Repurchase Mandate is approved by the Shareholders.

**(VI) TAKEOVERS CODE**

If as the result of a repurchase of the Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

As at the Latest Practicable Date, to the best knowledge of the Directors, Whitecrow Investment Ltd., wholly-owned by Mr. Zhu Ning, a substantial shareholder of the Company and an Executive Director, held 1,440,601,703 Shares, representing approximately 7.82% of the total number of issued Shares, and Mr. Zhu Ning held 28,000,000 Shares, representing approximately 0.15% of the total number of issued Shares, and Youzan Teamwork Inc., the 26% equity interest of which is owned by Mr. Zhu Ning, held 363,170,101 Shares, representing approximately 1.97% of the total number of issued Shares, having a total of 1,831,771,804 Shares, representing approximately 9.94% of the total number of issued Shares. In the event that the Directors exercise the Share Repurchase Mandate in full, the equity interest of Mr. Zhu Ning in the Company through the companies he owned would be increased to approximately 11.05% of the total number of issued Shares. No obligation to make a mandatory offer under the Takeovers Code would arise.

**(VII) SHARES PURCHASE MADE BY THE COMPANY**

No repurchase of Shares (whether on GEM of the Stock Exchange or otherwise) have been made by the Company in the twelve months preceding the Latest Practicable Date.

*The following are details of the Directors who will retire and being eligible, offer themselves for re-election at the AGM.*

Save as disclosed herein, none of these Directors (i) holds any directorships in other listed public companies in Hong Kong or overseas in the last three years; (ii) holds any other positions with the Company and its subsidiaries; and (iii) has any relationship with any Directors, senior management, substantial or controlling Shareholders (as defined under the GEM Listing Rules).

#### **DIRECTOR CANDIDATES**

**Dr. Fong Chi Wah**, aged 59, has served as an independent non-executive director of the Company since December 2003.

Dr. Fong has over 25 years of extensive experience in various sectors of the financial industry including direct investment, project and structured finance and capital markets, having worked for KPMG, the American International Group in Asia, and the ING Group in Beijing and Hong Kong. In his last position within the ING Group, he served as a Director of the Baring Capital (China) Management Limited that managed ING Beijing Investment Co., Ltd., a company listed on the Hong Kong Stock Exchange (“**HKSE**”).

Dr. Fong has been the Chief Financial Officer of Citychamp Watch & Jewellery Group Limited, a company listed on the HKSE, since September 2004 and Company Secretary since February 2007. He has also served as Director of its subsidiary, Bendura Bank Liechtenstein, since September 2016. Besides, he served as a Non-independent Non-executive Director of Cordlife Group Limited, a company listed on the Singapore Exchange from January 2019 to November 2021.

Dr. Fong holds a Bachelor’s degree, majoring in Management Sciences (Economics) from the Lancaster University, United Kingdom. He also holds three Master’s degrees including a Master of Business Administration from the Warwick University, United Kingdom, a Master’s degree in Investment Management from the Hong Kong University of Science and Technology, and a Master’s degree in practicing accounting from the Monash University, Australia. He has a Doctorate in Business Administration from the Hong Kong Polytechnic University and is a Juris Doctor from the Chinese University of Hong Kong. He is a CFA charter holder, a member of the Hong Kong Society of Financial Analysts, a fellow of the CPA (Australia), a fellow of the HKICPA, a member of the Institute of Certified Management Accountants, Australia, and a fellow of the Hong Kong Institute of Directors.

Dr. Fong attends executive courses in Harvard Business School, Said Business School of Oxford University, and Lee Kuan Yew School of Public Policy of National University of Singapore.

Pursuant to a service contract entered into between the Company and Dr. Fong, his appointment as an independent non-executive Director is for a term of three years and shall continue thereafter subject to retirement by rotation at least once every three years in accordance with the Company's Bye-law 99 and is eligible offer himself for re-election as director in the AGM. He is entitled to a director's fee of HK\$264,000 per annum, which is determined by the prevailing market conditions and his roles and responsibilities in the Company.

As at the date of this circular, the interests or short positions of Dr. Fong in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company 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 the Company and the Stock Exchange, were as follows:

<b>Name of Director</b>	<b>Interest in shares</b>	<b>Interest in underlying shares</b>	<b>Total interest in shares</b>	<b>% Shareholding</b>
Dr. Fong Chi Wah	1,000,000	-	1,000,000	0.01%

Save as disclosed above, as at the Latest Practicable Date, Dr. Fong does not have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO. He has confirmed that there is no other information relating to his appointment which is required to be disclosed pursuant to Rule 17.50(2)(h) to (w) of the GEM Listing Rules or matters needed to be brought to the attention of the Shareholders. Save as disclosed herein, Dr. Fong has confirmed that he does not hold any other position with the Company and other members of the Group, or any other directorship in other listed public companies in Hong Kong or overseas in the last three years.

Dr. Fong does not have any relationship with any Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and any of their respective associates (as defined under GEM Listing Rules) as at the Latest Practicable Date.

**Mr. Deng Tao**, aged 67, has been appointed as an independent non-executive Director of the Company on 8 May 2018. Mr Deng obtained his bachelor degree at the Beijing Foreign Studies University and his executive master of business degree at the China Europe International Business School. Mr. Deng has more than 26 years of working experience in human resources management. He commenced his career of human resources by working in a Chinese joint venture company established by Hewlett-Packard Company in 1984 and served in that company for around 11 years. He then successively served in a number of human resources managerial positions in different multinational companies including but not limited to Maersk Line Limited, Allied Signal Inc., AstraZeneca Plc, Whirlpool Corporation and Google. Mr. Deng joined the Company on 8 May 2018.

Pursuant to a service contract entered into between the Company and Mr. Deng, his appointment as an independent non-executive Director is for a term of three years and shall continue thereafter subject to retirement by rotation every year in accordance with the Company's Bye-law 99 and is eligible offer himself for re-election as director in the AGM. He is entitled to a director's fee of HK\$264,000 per annum, which is determined by the prevailing market conditions and his roles and responsibilities in the Company.

As at the date of this circular, Mr. Deng had no interests or short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company 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 the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, Mr. Deng does not have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO. He has confirmed that there is no other information relating to his appointment which is required to be disclosed pursuant to Rule 17.50(2)(h) to (w) of the GEM Listing Rules or matters needed to be brought to the attention of the Shareholders. Save as disclosed herein, Mr. Deng has confirmed that he does not hold any other position with the Company and other members of the Group, or any other directorship in other listed public companies in Hong Kong or overseas in the last three years.

Mr. Deng does not have any relationship with any Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and any of their respective associates (as defined under GEM Listing Rules) as at the Latest Practicable Date.

**Mr. Li Shaojie**, aged 44, has been appointed as an independent non-executive Director of the Company on 18 March 2022 and is responsible for supervising and providing independent advice to the Board since 18 March 2022. In 2007, Mr. Li founded and managed Henan Rich Flag Information Technology Co., Ltd.\* (河南銳之旗信息技術有限公司) and is currently the chairman of Rich Flag Sci & Tech Group Co., Ltd. \* (銳旗科技集團有限公司). Mr. Li has about 20 years of ample experience in Internet brand marketing. Mr. Li graduated from Henan University in June 1999 with a bachelor's degree.

Pursuant to a service contract entered into between the Company and Mr. Li, his appointment as an independent non-executive Director is for a term of three years and shall continue thereafter subject to retirement by rotation every year in accordance with the Company's Bye-law 99 and is eligible offer himself for re-election as director in the AGM. He is entitled to a director's fee of HK\$264,000 per annum, which is determined by the prevailing market conditions and his roles and responsibilities in the Company.

As at the date of this circular, the interests or short positions of Mr. Li in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company 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 the Company and the Stock Exchange, were as follows:

<b>Name of Director</b>	<b>Interest in shares</b>	<b>Interest in underlying shares</b>	<b>Total interest in shares</b>	<b>% Shareholding</b>
Mr. Li Shaojie	1,000,000	–	1,000,000	0.01%

Save as disclosed above, as at the Latest Practicable Date, Mr. Li does not have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO. He has confirmed that there is no other information relating to his appointment which is required to be disclosed pursuant to Rule 17.50(2)(h) to (w) of the GEM Listing Rules or matters needed to be brought to the attention of the Shareholders. Save as disclosed herein, Mr. Li has confirmed that he does not hold any other position with the Company and other members of the Group, or any other directorship in other listed public companies in Hong Kong or overseas in the last three years.

Mr. Li does not have any relationship with any Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and any of their respective associates (as defined under GEM Listing Rules) as at the Latest Practicable Date.

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## NOTICE OF ANNUAL GENERAL MEETING

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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 OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting (the “**Annual General Meeting**”) of China Youzan Limited (the “**Company**”) will be held at 24/F., Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong at 10:00 a.m. on Tuesday, 21 June 2022 for the following purposes:

#### ORDINARY RESOLUTIONS

1. To consider and, if thought fit, pass the following resolution (with or without modification) as ordinary resolution of the Company:

“**That:**

- (a) the supplemental loan agreement dated 27 April 2022 (the “**Supplemental Loan Agreement 2022**”) (a copy of which have been tabled at the meeting and signed by the chairman of the meeting for identification purpose) entered into between the Company, as lender, and Youzan Technology Inc. (“**Youzan Technology**”) as borrower, to amend or supplement the terms of the loan agreement dated 31 December 2021 (the “**Loan Agreement 2022**”) (including but not limited to the revised annual caps), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the revised annual caps of HK\$900 million for each of the three years ending 31 December 2024 contemplated under the Supplemental Loan Agreement 2022 (the “**Revised Annual Caps**”) be and are hereby approved and confirmed; and

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## NOTICE OF ANNUAL GENERAL MEETING

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- (c) any one or more directors of the Company be and are hereby authorised to do such acts and execute such other documents (including without limitation any related documents) as he/she/they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Supplemental Loan Agreement 2022, the Revised Annual Caps and the transactions contemplated thereunder.”
2. To consider and, if thought fit, pass the following resolution (with or without modification) as ordinary resolution of the Company:
- “**That:**
- (a) the grant of 84,432,360 ordinary shares of US\$0.00001 each in the issued share capital of Youzan Technology to Whitecrow Investments Ltd. by Youzan Technology pursuant to a share aware agreement dated 27 April 2022 (the “**Share Award Agreement**”) (a copy of which have been tabled at the meeting and signed by the chairman of the meeting for identification purpose) and the grant of 91,087,205 ordinary shares of US\$0.00001 each in the issued share capital of Youzan Technology to the Company by Youzan Technology pursuant to a anti-dilution issue agreement dated 27 April 2022 (the “**Anti-dilution Issue Agreement**”) (a copy of which have been tabled at the meeting and signed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified; and
- (b) any one or more directors of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to or otherwise in connection with or in relation to the Share Award Agreement and Anti-dilution Issue Agreement and the transactions contemplated thereunder.”
3. To receive and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors of the Company (the “**Directors**”) and auditors of the Company (the “**Auditors**”) for the year ended 31 December 2021.
4. (i) To re-elect Dr. FONG Chi Wah as independent non-executive Director;
- (ii) To re-elect Mr. DENG Tao as independent non-executive Director;
- (iii) To re-elect Mr. LI Shaojie as independent non-executive Director; and
- (iv) To authorise the board of directors (the “**Board**”) to fix the remuneration of the Directors.

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## NOTICE OF ANNUAL GENERAL MEETING

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5. To re-appoint RSM Hong Kong as the Auditors and to authorise the Board of directors to fix the remuneration of Auditors.
6. To consider and, if thought fit, pass the following resolution (with or without modification) as ordinary resolution of the Company:

**“That:**

- (i) subject to paragraph (iii) below, pursuant to the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the directors of the Company during the Relevant Period (as defined below) to make or grant offers, agreements and/or options which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the total number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below), (b) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any ordinary share option scheme adopted by the Company, or (c) an issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed 20% of the total number of issued shares of the Company in issue as at the date of the passing of this resolution and this approval shall be limited accordingly; and



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## NOTICE OF ANNUAL GENERAL MEETING

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(iv) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“**Rights Issue**” means offer of shares of the Company open for a period fixed by the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

7. To consider and, if thought fit, pass the following resolution (with or without modification) as an ordinary resolution of the Company:

“**That:**

- (i) subject to paragraph (iii) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to repurchase issued shares in the capital of the Company on GEM of the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in connection with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on GEM or of any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) the approval in paragraph (i) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period (as defined below) to procure the Company to buy back its shares at a price determined by the Directors;
- (iii) the total number of shares of the Company which are authorised to be bought back by the Directors pursuant to the approval in paragraph (i) above shall not exceed 10% of the total number of the shares of the Company in issue as at the date of passing this resolution, and if any subsequent consolidation or subdivision of shares is conducted, the maximum number of Shares that may be bought back under the mandate in paragraph (i) above as a percentage of the total number of issued Shares at the date immediately before and after such consolidation and subdivision shall be the same, and the said approval shall be limited accordingly; and
- (iv) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and
- (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”

8. To consider and if thought fit, pass the following resolution (with or without modification) as an ordinary resolution of the Company:

“**That** conditional upon the passing of resolutions nos. 6 and 7 above, the general mandates granted to the Directors pursuant to resolution no. 6 be and is hereby extended by the addition thereto of the total number of shares of the Company bought back by the Company under the authority granted pursuant to the resolution no. 7 provided that such number of added shares shall not exceed 10% of the total number of shares of the Company in issue as at the date of passing of this resolution.”

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## NOTICE OF ANNUAL GENERAL MEETING

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9. To consider and if thought fit, pass the following resolution (with or without modification) as an ordinary resolution of the Company:

**“That**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$200,000,000 divided into 20,000,000,000 Shares of HK\$0.01 each to HK\$300,000,000 divided into 30,000,000,000 Shares of HK\$0.01 each by the creation of an additional 10,000,000,000 new Shares which will rank *pari passu* with all the existing shares (the **“Increase in Authorised Share Capital”**); and
- (b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital.”

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

Hong Kong, 20 May 2022

*Registered office:*

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10, Bermuda

*Head Office and Principal place of business in Hong Kong:*

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

*Notes:*

1. Any member entitled to attend and vote at the AGM is entitled to appoint one or 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 the Company.
2. Where there are joint holders of any share, any one of such persons may vote at the AGM, 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 AGM 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.

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## NOTICE OF ANNUAL GENERAL MEETING

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3. The register of members of the Company will be closed from Thursday 16 June 2022 to Tuesday, 21 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, unregistered holders of Shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 15 June 2022.
4. 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 share registrar of the Company 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 AGM. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the AGM and any adjourned meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. An explanatory statement containing further details regarding ordinary resolutions as required by the Rules Governing the Listing of Securities on GEM is set out in appendix I to the circular of the Company dated 20 May 2022.
6. Particulars of the retiring directors are set out in appendix II to the circular of the Company dated 20 May 2022.
7. A form of proxy for use in connection with the AGM is enclosed with the circular of the Company dated 20 May 2022. Such form is also published on the website of GEM at [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.chinayouzan.com](http://www.chinayouzan.com).

*As at the date of this notice, 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.*