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China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

PROPOSED GRANT OF SHARE AWARDS UNDER THE YOUZAN TECHNOLOGY SHARE AWARD PLAN A

This announcement is made pursuant to Rule 23.06A and Rule 23.13 of the GEM Listing Rules.

Reference is made to (i) the announcements of the Company dated 26 February 2021, 1 April 2021, 6 May 2021 and 17 November 2023 in relation to, among others, the adoption and the major terms of the Youzan Technology Share Award Plan A; and (ii) the announcement (the “**Announcement**”) of the Company dated 23 May 2023 in relation to, among other things, the Acquisition, the issuance of the Consideration Shares, the Whitewash Waiver and the possible grant of awards under the Youzan Technology Share Award Plan A. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

For the purpose of rewarding the employees of the Youzan Technology Group (comprising of subsidiaries of the Company) for their historical contributions to the success of the business of the Youzan Technology Group, the Board proposed to grant a total of 106,428,391 awards (the “**Awards**”) to 401 grantees (the “**Grantees**”) under the Youzan Technology Share Award Plan A, subject to Completion of the Acquisition taking place and the acceptance of the Awards by the Grantees (the “**Proposed Share Award Grant**”). Details of the Proposed Share Award Grant are as follows:

Number of Grantees : 401 Grantees who are currently employees of the Youzan Technology Group and none of them is an existing Shareholder.

Number of Awards granted : 106,428,391 Awards (each Award shall entitle the Grantees to obtain one share of Youzan Technology).

Number of shares underlying the Awards : 106,428,391 existing shares of Youzan Technology (representing approximately 6.29% of the total issued share capital of Youzan Technology as at the date of this announcement) which are currently held by Qima Teamwork pursuant to the Youzan Technology Share Award Plan A.

Pursuant to the Acquisition as detailed in the Announcement, Qima Teamwork would sell 106,428,391 existing shares of Youzan Technology to the Company in consideration of 1,906,330,379 Consideration Shares being allotted and issued to Qima Teamwork (representing (i) approximately 10.35% of the total issued share capital of the Company as at the date of this announcement and (ii) approximately 5.78% of the total issued share capital of the Company as enlarged by the issuance of all Consideration Shares and Fee shares). Upon Completion, 106,428,391 existing shares of Youzan Technology currently held by Qima Teamwork would then be exchanged into 1,906,330,379 shares of the Company (the “**Exchanged Shares**”) for the purpose of satisfying the Awards granted (the “**Conversion**”) and each Award shall then entitle the Grantees to obtain the corresponding number of Exchanged Shares in proportion to the Grantees’ entitlement to each existing share of Youzan Technology. The change in subject matter underlying the Awards granted as detailed above will be specified in the relevant grant letters to be issued to the Grantees.

Purchase price payable by the Grantees : None.

Proposed timing of vesting : Subject to Completion taking place, the Awards will be vested as follows: (i) (approximately 65% of the Awards) subject to a vesting period of 1 to 3 years, the portions vested in each year of the vesting period would vary amongst the Grantees depending on the Grantees' position and seniority; (ii) (approximately 20% of the Awards) subject to a vesting period of 4 years with proportionate vesting throughout the period; and (iii) (approximately 15% of the Awards) would be vested immediately as the nature of such grants are intended to be as the bonus portion of the relevant Grantees' remuneration. For the avoidance of doubt, no shares of Youzan Technology would be vested before Completion.

The Board and the remuneration committee of the Company are of the view that the shorter vesting period described under (iii) above is appropriate and aligns with the purpose of the Youzan Technology Share Award Plan A as it serves to reward historical contributions and exceptional performers with accelerated vesting and incentivise the relevant Grantees through providing a more competitive remuneration package.

Performance targets and clawback mechanism : No performance targets and clawback provisions are stipulated. The Board and the remuneration committee of the Company consider that it is not necessary to attach any performance targets or clawback conditions to the Proposed Share Award Grant having considered that (i) the Grantees are employees of the Youzan Technology Group who have contributed directly to the overall business performance, sustainable development and/or good corporate governance of the Group in the past; (ii) such grants, on their own, represent a means of direct encouragement and form part of the remuneration package for relevant Grantees, which is commensurate with their progression within the Group; and (iii) the grants, without any performance targets or clawback mechanism attached thereto, will serve as a more attractive reward for the Grantees' historical contributions to the success of the Youzan Technology Group and the Group, and are expected to bring about immediate incentivization and motivation effect to the relevant Grantees to reinforce their commitment to long term services with the Group, which is in line with the purpose of the Youzan Technology Share Award Plan A.

Rights attached to the Awards : The Grantees are not entitled to any interest or right in the awarded shares prior to the vesting of such Awards.

The Proposed Share Award Grant would not result in the options and awards granted and to be granted to each Grantee under share option or share award schemes of the Group in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the Shares in issue. None of the Grantees is a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company or an associate (as defined in the GEM Listing Rules) of any of them or an existing Shareholder. In the event that Completion of the Acquisition does not take place, the Proposed Share Award Grant will not proceed.

As detailed in the section headed “THE ACQUISITION – Sellers’ lock-up undertakings” in the Announcement, pursuant to the Sale and Purchase Agreement, the Exchanged Shares are subject to a lock-up period of six months from the Completion Date during which Qima Teamwork shall not, unless with the prior written approval from the Company, directly dispose of any of its Consideration Shares. Accordingly, after Completion, it is intended that Qima Teamwork will obtain the requisite consent from the Company to transfer all the Exchanged Shares held by it to Computershare Hong Kong Trustees Limited, the trustee (the “**Proposed Trustee**”) proposed to be appointed under the Youzan Technology Share Award Plan A after Completion, for the purpose of satisfying the Awards granted thereunder (the “**Proposed Transfer**”).

UTILISATION OF THE 2023 AGM SCHEME MANDATE LIMIT

As disclosed above, upon Completion, 106,428,391 existing shares of Youzan Technology currently held by Qima Teamwork would be exchanged for 1,906,330,379 Shares for the purpose of satisfying the Awards granted under the Proposed Share Award Grant, and each Award shall then entitle the Grantees to obtain the corresponding number of the Exchanged Shares in proportion to the Grantees’ entitlement to each existing share of Youzan Technology.

Since the Proposed Share Award Grant essentially involves the grant of new Shares to the relevant Grantees, such grants will utilise the existing scheme mandate limit of the Company approved at 1,842,164,209 Shares (the “**2023 AGM Scheme Mandate Limit**”) at the annual general meeting of the Company held on 29 June 2023 (the “**2023 AGM**”), representing 10% of the Shares in issue as at the date of the 2023 AGM. As no option or award was granted by the Company since the 2023 AGM, the maximum number of Shares available for grant under the 2023 AGM Scheme Mandate Limit remains at 1,842,164,209 Shares.

As the total number of Shares to be issued as part of the Consideration Shares and for the purpose of the Proposed Share Award Grant and upon Conversion will exceed the available 2023 AGM Scheme Mandate Limit, the Board will therefore seek separate approval from the Shareholders at the SGM for making the part of the Proposed Share Award Grant (i.e. 64,166,170 Shares in excess of the 2023 AGM Scheme Mandate Limit) beyond the 2023 AGM Scheme Mandate Limit in accordance with Rule 23.03C(3) of the GEM Listing Rules (the “**Scheme Specific Mandate**”).

Subject to the passing of the relevant resolution to approve the Scheme Specific Mandate, the Scheme Specific Mandate will be utilised to partially satisfy the Awards proposed to be granted to Mr. Huang Rongrong (“**Mr. Huang**”) which comprises a total of 10,000,000 Awards with 179,118,594 Shares (representing approximately 0.97% of the issued Shares as at the date of this announcement) underlying such Awards upon Conversion (among which 64,166,170 Shares are subject to the Shareholders approving the Scheme Specific Mandate) for the purpose of rewarding Mr. Huang, who was one of the founding members of Youzan Technology, for his contributions to the success of the business of the Youzan Technology Group throughout the years. The Board believes that the proposed grant of Awards to Mr. Huang will incentivise Mr. Huang to continue to contribute to the long-term growth of the Group and to ensure that his interests are aligned with those of the Group and the Shareholders, and therefore serves the purposes of the Youzan Technology Share Award Plan A.

In the event that the Scheme Specific Mandate is not approved by the Shareholders in general meeting, the number of Awards to be granted to Mr. Huang shall be accordingly reduced from 10,000,000 to 6,417,471 such that the Proposed Share Award Grant to Mr. Huang shall comprise 114,952,424 Shares upon Conversion. In addition, it is proposed that each of Qima Teamwork and Mr. Hong Bo (the nominee shareholder of Qima Teamwork as to 100%) will give an undertaking in favour of the Company, pursuant to which each of them will undertake that, after Completion and having obtained the prior written approval from the Company under the Sale and Purchase Agreement to waive the lock-up requirement, Qima Teamwork shall (and Mr. Hong Bo shall procure Qima Teamwork to) (i) transfer only a portion of the Exchanged Shares held by Qima Teamwork (i.e. 1,842,164,209 Shares) to the Proposed Trustee under the Proposed Transfer; and (ii) dispose of the remaining portion of the Exchanged Shares (i.e. 64,166,170 Shares) in the open market and transfer the net sale proceeds to the Group afterwards.

After completion of the Proposed Share Award Grant, the 2023 AGM Scheme Mandate Limit will be fully utilised and accordingly, no further grant of award or option could be made by the Company under its share option or share award schemes. The Company will seek the approval of the Shareholders to refresh the scheme mandate limit as and when desirable in accordance with the GEM Listing Rules.

IMPLICATIONS UNDER THE GEM LISTING RULES

Pursuant to Rule 23.13 of the GEM Listing Rules, Rules 23.02 to 23.04 and Rules 23.06 to 23.09 of the GEM Listing Rules (with appropriate modifications) apply to share schemes of a principal subsidiary (as defined under Rule 23.14 of the GEM Listing Rules) of a listed issuer (whether they involve new or existing shares of the principal subsidiary) as if they were share schemes of the issuer as described in Rule 23.01(1) of the GEM Listing Rules. As at the date of this announcement, Youzan Technology is such a principal subsidiary of the Company and accordingly, the Youzan Technology Share Award Plan A is a share award scheme falling within the ambit of Chapter 23 of the GEM Listing Rules.

In addition, given the total number of Shares underlying the Proposed Share Award Grant will exceed the maximum number of Shares available for grant under the 2023 AGM Scheme Mandate Limit, the Board will therefore seek separate approval from the Shareholders for making the part of the Proposed Share Award Grant (i.e. 64,166,170 Shares in excess of the 2023 AGM Scheme Mandate Limit) beyond the 2023 AGM Scheme Mandate Limit in accordance with Rule 23.03C(3) of the GEM Listing Rules.

None of the Directors is a trustee under the Youzan Technology Share Award Plan A or has a direct or indirect interest in the Proposed Trustee.

THE SGM

The SGM will be convened to consider, among other things, and, if thought fit, approve the Acquisition and the transactions contemplated thereunder (including the issuance of the Consideration Shares under the Specific Mandate), the Whitewash Waiver and the Scheme Specific Mandate. A circular of the Company containing, among other things, (i) further details of the Acquisition, the Specific Mandate, the application for the Whitewash Waiver and the Proposed Share Award Grant; and (ii) a notice convening the SGM are expected to be despatched to the Shareholders in accordance with the requirements of the GEM Listing Rules and the Takeovers Codes.

By order of the Board
China Youzan Limited
Zhu Ning
Chairman

Hong Kong, 29 November 2023

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

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its publication and on the Company's website at www.chinayouzan.com.