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China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

CONNECTED TRANSACTION – PROVISION OF WARRANTY FOR CONNECTED SUBSIDIARIES

The Board is pleased to announce that, on 15 May 2019, the Warrantor entered into the Warranty in favour of Tencent Culture Media, pursuant to which the Company agreed, as the Warrantor, to provide warranty for the Agreements for the due performance of the obligations (including but not limited to payment obligations) of the Advertising Subsidiaries should the Advertising Subsidiaries fail to perform any of the terms of the Agreements. The amount of the Warranty shall be subject to a cap of RMB28 million and the term of the Warranty shall be two years from the date of expiry of the Agreements.

IMPLICATIONS UNDER THE LISTING RULES

Youzan Dining and Tianjin Youzan are both wholly-owned by Qima, which is in turn a non wholly-owned subsidiary of the Company and held as to 51.48% by the Company. Whitecrow Investment Ltd. is a substantial shareholder of the Company and it holds more than 10% in Qima as at the date of this announcement. Therefore, Youzan Dining and Tianjin Youzan are connected subsidiaries and connected persons of the Company under Rule 20.07(5) of the GEM Listing Rules.

As the provision of a warranty by a subsidiary of the Company for the performance of obligations (including but not limited to payment obligations) of connected subsidiaries of the Company under agreements entered into by the latter constitute “financial assistance”, the entering into of the Warranty constitutes a connected transaction as defined under the GEM Listing Rules 20.21 & 20.22.

As all the applicable percentage ratios in respect of the Warranty exceed 0.1% but are less than 5%, the Warranty is subject to the reporting and announcement requirements under the GEM Listing Rules, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

On 15 May 2019, the Warrantor entered into the Warranty in favour of Tencent Culture Media, pursuant to which the Company agreed, as the Warrantor, to provide warranty for the Agreements for the due performance of the obligations (including but not limited to payment obligations) of the Advertising Subsidiaries should the Advertising Subsidiaries fail to perform any of the terms of the Agreements. The main content of the Warranty is as follows:

The Warranty

Date: 15 May 2019

Parties: (1) the Warrantor; and
(2) Tencent Culture Media.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Tencent Culture Media and its ultimate beneficial owner are third parties independent of the Company and the Company's connected persons.

Principal Terms

Mode of warranty: The Warranty is a joint liability warranty.

Term of warranty: Within two years from the date of expiry of the Agreements.

Scope of warranty: Any performance obligations (including but not limited to payment obligations) of the Advertising Subsidiaries according to the terms of the Agreements.

Amount of warranty: Not more than RMB28 million.

REASONS FOR AND BENEFITS OF THE WARRANTY

Each of the Advertising Subsidiaries is a party to the Agreements as advertising agent. Under the Agreements, the Advertising Subsidiaries shall procure advertising traffic for their Advertising Customers on the Tencent Advertising Service Platform and are required to make a prepayment to Tencent Culture Media.

As the Company would prefer to amend the payment arrangement from prepayment to credit limit of RMB28 million, Tencent Culture Media had proposed to have a subsidiary of the Company with sufficient net assets and business operations in the PRC act as warrantor (subject to a cap of RMB28 million) responsible for the due performance of the obligations (including but not limited to payment obligations) of the Advertising Subsidiaries should they fail to perform any of the terms of the Agreements. In this connection, the Company nominated the Warrantor.

The entering into of the Warranty would enable the Advertising Subsidiaries to enjoy vendor credits of RMB28 million from Tencent Culture Media, thus easing the working capital requirements of the Advertising Subsidiaries.

The Board (including the independent non-executive Directors) is of the view that the terms of the Warranty and the transactions contemplated thereunder are entered into on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for Mr. Zhu Ning (the ultimate shareholder of Whitecrow Investment Ltd.), Mr. Cui Yusong (who is interested in approximately 1.86% in Qima through V5. Cui Investment Ltd.), Mr. Yu Tao (who holds 10% interest in Youzan Teamwork Inc. which in turn holds 4.75% interest in Qima) and Ms. Ying Hangyan (who holds 10% interest in Youzan Teamwork Inc. which in turn holds 4.75% interest in Qima), none of the Directors have a material interest in the transactions contemplated under the Warranty 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 Warranty.

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GENERAL INFORMATION

1. Information on the Group

The Group mainly focuses on offering online and offline merchants suites of comprehensive solutions comprising third-party payments and variety of SaaS (Software as a Service) products and comprehensive service through its e-commerce platform, like marketing and customer engagement tools to facilitate the process of transactions between merchants and their customers.

2. Information on the Warrantor

The Warrantor is principally engaged in the business of trading of goods.

3. Information on Youzan Dining and Tianjin Youzan

Youzan Dining and Tianjin Youzan are principally engaged in procuring advertisement services provided by third parties for customers using the Group’s SaaS products.

4. Information on Tencent Culture Media

Tencent Culture Media is principally engaged in the design and production of advertisement in the PRC.

DEFINITIONS

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

“Agreements”	the two separate existing social advertisement co-operation agreements entered into between (i) Youzan Dining and Tencent Culture Media and (ii) Tianjin Youzan and Tencent Culture Media as advertising agents;
“Advertising Subsidiaries”	Tianjin Youzan and Youzan Dining together;
“Board”	the board of Directors;
“Company”	China Youzan Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM;
“Director(s)”	the director(s) of the Company;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes the Hong Kong, the Macao Special Administrative Region and Taiwan;

“Qima”

Qima Holdings Ltd., a non-wholly owned subsidiary of the Company which is owned as to 51.48% in its issued share capital by the Company, with the remaining 48.52% interest owned by: (i) Whitecrow Investment Limited, whose ultimate shareholder is Mr. Zhu Ning, as to approximately 11.09%; (ii) V5. Cui Investment Ltd., whose ultimate shareholder is Mr. Cui Yusong, as to approximately 1.86%; (iii) Youzan Teamwork Inc., which is held by Mr. Zhu Ning, Mr. Huang Rongrong (a director of Qima Holdings Ltd.), Mr. Yu Tao and Ms. Ying Hangyan as to 40%, 40%, 10% and 10% respectively, as to approximately 4.76%; (iv) Xincheng Investment Limited, whose ultimate shareholder is Li Zhiguo (a director of Qima Holdings Ltd.) as to approximately 2.45%; (v) Rory Huang Investment Ltd., which is held by Mr. Huang Rongrong, as to 0.38%; (vi) Qima Teamwork Inc., which is held by Mr. Zhu Ning, as to approximately 5.57%; (vii) Aves Capital, LLC which is wholly owned by Mr. Xiong Minghua (an Independent Third Party), as to approximately 1.55%; (viii) Hillhouse KDWD Holdings Limited whose beneficial owner is Hillhouse Fund II, L.P. as to approximately 5.39%; (ix) E&A Amigne Investments Limited, which is wholly owned by Vipshop Holdings Limited (a company listed on the New York Stock Exchange), as to approximately 2.59%; (x) Ralston Global Holdings Limited, which is wholly owned by Ms. Wen Qun (an Independent Third Party), as to approximately 0.60%; (xi) Hangzhou San Ren Yan Xing Investment Partnership whose beneficial owner is Mr. Cao Guoxiong (an Independent Third Party) as to approximately 0.60%; (xii) Franchise Fund Limited, a discretionarily-managed fund managed by Franchise Capital Limited, as to approximately 1.75%; (xiii) Happy Zan Holdings Limited which is ultimately controlled by Mr. Wang Haining (an Independent Third Party) as to approximately 0.50%; (xiv) 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)) as to approximately 6.42%; (xv) Matrix Partners China III, L.P. whose beneficial owner is Matrix China Management III, L.P. as to approximately 2.71%; and (xvi) Matrix Partners China III-A, L.P. whose beneficial owner is Matrix China Management III, L.P. as to approximately 0.30%;

“RMB”

Renminbi, the lawful currency of the PRC;

“Shareholders”	holder(s) of the Share(s);
“Shares”	share(s) of HK\$0.01 each in the share capital of the Company;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere;
“Tencent Culture Media”	Beijing Tencent Culture Media Company Limited (北京騰訊文化傳媒有限公司), a member of Tencent Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 700). Through its wholly owned subsidiary, Tencent Holdings Limited currently owns as to 6.70% in the issued share capital of the Company;
“Tianjin Youzan”	Tianjin Youzan Information Technology Co., Ltd.* (天津有贊資訊技術有限公司), a wholly owned subsidiary of Qima and an indirectly non wholly owned subsidiary of the Company;
“Warrantor”	Beijing Shangyin Investment Consultancy Co., Ltd.* (商銀融通(北京)投資諮詢有限公司), a wholly owned subsidiary of the Company;
“Warranty”	the warranty provided by the Warrantor for the due performance of the obligations (including but not limited to payment obligations) of the Advertising Subsidiaries should the Advertising Subsidiaries fail to perform any of the terms of the Agreements;
“Youzan Dining”	Hangzhou Youzan Dining Co., Ltd.* (杭州有贊餐飲管理有限公司), a wholly owned subsidiary of Qima and an indirect non wholly-owned subsidiary of the Company.

By Order of the Board
China Youzan Limited
Guan Guisen
Chairman

Hong Kong, 17 May 2019

* *The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

As at the date of this announcement, the Board comprises seven executive Directors, Mr. Guan Guisen, Mr. Cao Chunmeng, Mr. Yan Xiaotian, Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan; and four independent non-executive Directors, Dr. Fong Chi Wah, Mr. Gu Jiawang, Mr. Xu Yanqing and Mr. Deng Tao.

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 “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the Company’s website at www.chinayouzan.com.