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China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTION

RENEWAL OF THIRD PARTY PAYMENT SERVICES FRAMEWORK AGREEMENT

Reference is made to the circular of the Company dated 2 January 2018 in relation to, among other things, the 2017 Third Party Payment Services Framework Agreement. Reference is also made to the announcement of the Company dated 31 December 2019 in relation to the New Third Party Payment Services Framework Agreement (the “**Announcement**”). Unless the context otherwise requires, capitalized terms in this announcement shall have the same meanings as defined in the Announcement.

The Board wishes to provide the Shareholders and potential investors of the Company with additional information in relation to the New Third Party Payment Services Framework Agreement as follows:

FURTHER INFORMATION ABOUT QIMA

Qima is an investment holding company which indirectly holds the entire issued share capital of Hangzhou Youzan, which is principally engaged in the e-commerce applications related business in the PRC. Qima is a non wholly-owned subsidiary of the Company which is owned as to 50.76% by the Company. To the best knowledge of the Directors having made reasonable enquiry, as at the date of this announcement, the remaining 49.24% interest in Youzan is held by: (i) Whitecrow Investment Limited, whose ultimate shareholder is Mr. Zhu Ning, as to approximately 10.54%; (ii) Rory Huang Investment Ltd., whose ultimate shareholder is Mr. Huang Rongrong (a director of Qima), as to approximately 0.36%; (iii) V5. Cui Investment Ltd., whose ultimate shareholder is Mr. Cui Yusong, as to approximately 1.77%; (iv) Youzan Teamwork Inc., which is held by Mr. Zhu Ning, Mr. Huang Rongrong, Mr. Yu Tao and Ms. Ying Hangyan as to 40%, 40%, 10% and 10% respectively, as to approximately 4.52%; (v) Qima Teamwork Inc., which is held by Mr. Hong Bo, as to approximately 7.20%; (vi) Xincheng Investment Limited, whose ultimate shareholder is Li Zhiguo (a director of Qima) as to approximately 2.33%; (vii) Aves Capital, LLC which is wholly owned by Mr. Xiong Minghua (an Independent Third Party), as to approximately 1.47%; (viii) 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 6.11%; (ix) Matrix Partners China III, L.P. whose beneficial owner is Matrix China Management III, L.P. as to approximately 2.58%; (x) Matrix Partners China III-A, L.P. whose beneficial owner is Matrix China Management III, L.P. as to approximately 0.29%; (xi) Hillhouse KDWD Holdings Limited whose beneficial owner is Hillhouse Fund II, L.P. as to approximately 5.13%; (xii) 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 2.47%; (xiii) Ralston Global Holdings Limited, which is wholly owned by Ms. Wen Qun (an Independent Third Party), as to approximately 0.57%; (xiv) Hangzhou San Ren Yan Xing Investment Partnership whose beneficial owner is Mr. Cao Guoxiong (an Independent Third Party) as to approximately 0.57%; (xv) Franchise Fund Limited, a discretionarily-managed fund managed by Franchise Capital Limited, as to approximately 1.66%; (xvi) Happy Zan Holdings Limited which is ultimately controlled by Mr. Wang Haining (an Independent Third Party) as to approximately 0.47%; and (xvii) Fresco Mobile Limited which is ultimately wholly owned by Baidu Inc., a company listed on NASDAQ, as to 1.20%.

INTERNAL CONTROL AND PRICING POLICY

In order to ensure that the service fee charged under the New Third Party Payment Services Framework Agreement shall not (i) be less favourable than those available to independent third parties for similar quotation arrangement of similar payment services provided by Beijing Gaohuitong or (ii) be lower than the upstream channel costs and operating costs incurred in relation to the provision of similar payment services by Beijing Gaohuitong plus a markup of 20%, the Company has adopted the following measures:

1. the Company will monitor and make sure the continuing connected transactions in accordance with the procedures set forth in the Company's internal control procedure on continuing connected transactions. In particular, designated personnel of the operation department of the Company will (i) collect and analyse the monthly data including the service fees and operating costs of similar services provided to independent third parties; (ii) conduct regular checks to review and assess whether relevant transactions are conducted in accordance with the terms of the New Third Party Payment Services Framework Agreement; and (iii) monitor the changes in the relevant upstream channel costs, in order to determine the service fee charged under the New Third Party Payment Services Framework Agreement on a monthly basis. The Company will notify such changes in the upstream channel costs to Hangzhou Youzan as soon as practicable and the relevant service fees will be adjusted accordingly on a monthly basis to ensure that such service fee will be no less favourable than the service fees of similar services provided to independent third parties;
2. the Company's external auditors will conduct a review on the pricing and the proposed cap of the continuing connected transactions;
3. the Company's Audit Committee will review the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company; and
4. the independent non-executive Directors will conduct review of the implementation and enforcement of the continuing connected transactions.

In view of the above, the Directors consider that such methods and procedures can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

By Order of the Board
China Youzan Limited
Guan Guisen
Chairman

Hong Kong, 4 February 2020

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.