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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: SUBSCRIPTION OF SHARES IN A NON-WHOLLY OWNED SUBSIDIARY

THE SUBSCRIPTION

The Company is pleased to announce that on 16 September 2020, the Company entered into the Subscription Agreement with Qima Holdings Ltd., a non-wholly owned subsidiary of the Company, in relation to the subscription of approximately 35 million Qima Shares for the consideration of US\$160 million payable in cash upon Completion.

Upon Completion, the Company will hold approximately 51.90% of the total issued shares of Qima Holdings Ltd., which will remain as a non-wholly owned subsidiary of the Company.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Qima Holdings Ltd. is a non-wholly owned subsidiary of the Company which is owned as to approximately 50.76% by the Company and 10.54% by Whitecrow Investment Ltd. Whitecrow Investment Ltd. is wholly owned by Mr. Zhu Ning, a Director and substantial shareholder of the Company. Therefore, Qima Holdings Ltd. is a connected subsidiary and connected person of the Company under Rule 20.07(5) of the GEM Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As all the applicable percentage ratios are less than 5% and the Subscription is on normal commercial terms, the Subscription is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

In addition, Qima Holdings Ltd. is also owned as to 1.77% by V5. Cui Investment Ltd., 4.52% by Youzan Teamwork Inc. and 0.36% by Rory Huang Investment Ltd. (ultimate beneficial holder is Mr. Huang Rongrong (a director of Qima Holding Ltd.)), 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 Ltd., 8% by V5.Cui Investment Ltd., 8% by Vulcan Global Holdings Inc. (100% beneficially owned by Mr. Yu Tao), 8% by Mr. Huang Rongrong (a director of Qima Holding Ltd.), 30% by Rory Huang Investment Ltd. (ultimate beneficial holder is Mr. Huang Rongrong (a director of Qima Holding Ltd.)) and 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 Subscription by virtue of their respective interests in Qima Holdings Ltd. and they therefore abstained from voting on the board resolution of the Company on approving the Subscription Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors had any material interest in the Subscription Agreement and none were required to abstain from voting on the board resolution of the Company in respect of the Subscription Agreement.

As Completion is subject to the satisfaction of conditions precedent under the Subscription Agreement, the Subscription may or may not proceed to Completion. Shareholders and potential investors of the Company should exercise caution when dealing in Shares or any securities of the Company.

INTRODUCTION

The Company is pleased to announce that on 16 September 2020, the Company entered into the Subscription Agreement with Qima Holdings Ltd., a non-wholly owned subsidiary of the Company, in relation to the subscription of approximately 35 million Qima Shares, in the consideration of US\$160 million payable in cash upon Completion. Set out below are the principal terms of the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date

16 September 2020

Parties

- (i) the Company, as Subscriber; and
- (ii) Qima Holdings Ltd.

Subscription

Pursuant to the Subscription Agreement, the Company agrees to subscribe for, and Qima Holdings Ltd. agrees to issue, sell and allot approximately 35 million Qima Shares in the consideration of US\$160 million payable in cash upon Completion.

Consideration

Consideration of US\$160 million for the subscription of approximately 35 million Qima Shares, representing 2.31% of the total issued Qima Shares as enlarged by the issue and allotment of the Subscription Shares.

Conditions precedent

A. Conditions to the Subscriber obligations at Completion

The obligation of the Subscriber to purchase the Subscription Shares at Completion is subject to the fulfillment, to the satisfaction of the Subscriber (or waiver thereof) on or prior to the Completion Date, of the following conditions:

- (a) The representations and warranties made by Qima Holdings Ltd. in the Subscription Agreement shall be true and correct and complete when made, and shall be true and correct and complete as of the Completion Date with the same force and effect as if they had been made on and as of the Completion Date.
- (b) All corporate and other proceedings in connection with the transactions to be completed at Completion and all documents incidental thereto, including without limitation, written approval from all of the then current holders of equity interests of Qima Holdings Ltd., as applicable, with respect to the Subscription Agreement and the other transaction documents and the transactions contemplated hereby and thereby, shall have been completed in accordance with the transaction documents, and the Subscriber shall have received all such counterpart copies of such documents as they may reasonably request.

- (c) Qima Holdings Ltd. shall have performed and complied with all obligations and conditions contained in the transaction documents that are required to be performed or complied with by it in all material respects, on or before Completion.

The Subscriber may at any time waive in writing any of the conditions above, on such terms as it may decide.

B. Conditions to obligations of Qima Holdings Ltd. at Completion

The obligations of Qima Holdings Ltd. under the Subscription Agreement with respect to the Subscriber are subject to the fulfillment, on or prior to the Completion Date of the following conditions:

- (a) The representations and warranties of the Subscriber shall be true and correct when made, and shall be true and correct as of the Completion Date with the same force and effect as if they had been made on and as of the Completion Date.
- (b) The Subscriber shall have performed and complied with all covenants, obligations and conditions contained in the Subscription Agreement that are required to be performed or complied with by the Subscriber in all material respects on or before Completion.

Unless otherwise agreed by the parties, the Subscription Agreement may be terminated by the Subscriber or Qima Holdings Ltd., on or after 30 September 2020 (the “**Termination Date**”), by written notice to the other parties, if Completion has not occurred on or prior to the Termination Date, provided that:

- (i) the terminating party is not in material default of any of its obligations thereunder, and
- (ii) the right to terminate the Subscription Agreement shall not be available to any party whose breach of any provision of the Subscription Agreement has been the primary cause of, or has resulted, directly or indirectly, in, the failure of the Completion to be consummated by the Termination Date.

BASIS OF DETERMINING THE STRUCTURE AND CONSIDERATION

The consideration for the Subscription Shares of US\$160 million was arrived at after arm’s length negotiation between the Company and Qima Holdings Ltd. on normal commercial terms with reference to the valuation prepared by an independent valuer using market approach. The Directors (including the independent non-executive Directors) consider that the aforesaid consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT QIMA HOLDINGS LTD. AND THE SUBSCRIBER

Information about Qima Holdings Ltd.

Qima Holdings Ltd, a company incorporated in the Cayman Islands with limited liability, is an investment holding company. Qima Holdings Ltd. and its subsidiaries are principally engaged in the e-commerce business which provides a variety of online and offline solutions and services in relation to virtual wholesaling and retailing in the PRC. Qima Group operates third party e-commerce platforms and offers comprehensive consumer management and online distribution solutions to help merchants build, operate, manage and promote their online stores.

Financial information of Qima Group

Set out below is the consolidated financial information of Qima Group:

	For the year ended	
	31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss before tax	496,913	309,747
Loss after tax	496,913	309,747
	<u>496,913</u>	<u>309,747</u>
	As at 31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net liabilities	406,676	219,770
	<u>406,676</u>	<u>219,770</u>

Information about the Company

The Company is an investment holding company. The Group, of which the Company forms part, 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.

As at the date of this announcement, the Company holds approximately 750 million Qima Shares, representing approximately 50.76% of total issued Qima Shares. It is expected that upon Completion, the Company will hold approximately 785 million Qima Shares, representing approximately 51.90% of total issued Qima Shares as enlarged by the allotment and issue of the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

To cope with the rapid development of the e-commerce industry in the PRC, additional capital is required for further expansion and to strengthen the competitiveness of Qima Group. The Directors are of the view that the Subscription is in line with the Company's business strategy of providing continuous support to the business plan and development of Qima Group.

Taking into consideration the above factors, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription 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.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Qima Holdings Ltd. is a non-wholly owned subsidiary of the Company which is owned as to approximately 50.76% by the Company and 10.54% by Whitecrow Investment Ltd. Whitecrow Investment Ltd. is wholly owned by Mr. Zhu Ning, a Director and substantial shareholder of the Company. Therefore, Qima Holdings Ltd. is a connected subsidiary and connected person of the Company under Rule 20.07(5) of the GEM Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As all the applicable percentage ratios are less than 5% and the Subscription is on normal commercial terms, the Subscription is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

In addition, Qima Holdings Ltd. is also owned as to 1.77% by V5. Cui Investment Ltd., 4.52% by Youzan Teamwork Inc. and 0.36% by Rory Huang Investment Ltd. (ultimate beneficial holder is Mr. Huang Rongrong (a director of Qima Holding Ltd.)), 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 Ltd., 8% by V5.Cui Investment Ltd., 8% by Vulcan Global Holdings Inc. (100% beneficially owned by Mr. Yu Tao), 8% by Mr. Huang Rongrong (a director of Qima Holding Ltd.), 30% by Rory Huang Investment Ltd. (ultimate beneficial holder is Mr. Huang Rongrong (a director of Qima Holding Ltd.)) and 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 Subscription by virtue of their respective interests in Qima Holdings Ltd. and they therefore abstained from voting on the board resolution of the Company on approving the Subscription Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors had any material interest in the Subscription Agreement and none were required to abstain from voting on the board resolution of the Company in respect of the Subscription Agreement.

DEFINITIONS

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

“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 the GEM
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the date of Completion
“connected person(s)”	each has the meaning ascribed to it under the GEM Listing Rules
“connected subsidiary”	has the meaning ascribed to this term under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange

“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
“normal commercial terms”	has the meaning ascribed to this term under the GEM Listing Rules
“PRC”	the People’s Republic of China
“Qima Group”	Qima Holdings Ltd. and its subsidiaries
“Qima Holdings Ltd.”	Qima Holdings Ltd., a company incorporated in the Cayman Islands with limited liability and is a non-wholly owned subsidiary of the Company as at the date of this announcement
“Qima Shares”	share(s) of US\$0.00001 per share each in the share capital of Qima Holdings Ltd.
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	the Company
“Subscription”	subscription of approximately 35 million Qima Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement in relation to the Subscription entered into among the Subscriber and Qima Holdings Ltd.

“Subscription Shares”	the approximately 35 million Qima Shares to be subscribed by the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
China Youzan Limited
Guan Guisen
Chairman

Hong Kong, 16 September 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.