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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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the Company's announcement dated 29 March 2022 in relation to the consolidated annual results of the Group for the year ended 31 December 2021 (the “**Results Announcement**”) and annual report of the Company for year ended 31 December 2021 published on 30 March 2022 (the “**2021 Annual Report**”). Unless defined in this announcement or the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Results Announcement and the 2021 Annual Report.

The Company would like to supplement the Result Announcement and the 2021 Annual Report with the additional information as follows:

## **IMPAIRMENT LOSS FOR MERCHANT SERVICE BUSINESS (“CGU B”)**

### **Reasons for and the circumstances leading to the Impairment Loss**

The impairment of goodwill and relative assets for CGU B (the “**Impairment Losses**”) was mainly due to the challenging market competitions in the e-commerce platform industry and the continuing impact brought by the unexpected prolonged domestic COVID-19 pandemic. From February to March 2022, the domestic epidemic situation have getting worse in many cities where have successively implemented regional and phased isolation and control policies, which will disrupted the normal work of the Company and its cooperative agents in major office locations and caused significant uncertainties in the normal recovery of business activities and subscription demand of merchants. The Company’s management is of the view that market competition is becoming more challenging due to (1) the scale of China’s mobile Internet and the growth rate of total retail sales of consumer goods in China are tending stabilizing and (2) China’s large-scale short video and live streaming service providers completed the construction of their own e-commerce platforms and entered the competition of e-commerce platform market which led to one of the foresaid providers with relevant cooperation not continued with the Company after November 2021. However, there was no material impact caused by the above-mentioned discontinuation of cooperation on the Company’s operation as the proportion of the business related to CGU B is consistently decreasing and has been reduced to a lower level and therefore, there was only a temporary impact to the Company’s financial results.

In view of the overall situation above-mentioned, the management has lowered its expectations for future revenue and growth rate conservatively which affects the cash flow forecast derived from the most recent financial budgets.

### **Value of inputs used or key assumptions adopted in the valuation and reason for its adoption**

With reference to the valuation of the business related to CGU B, the Company would like to disclose the following information as follows:

- 1) For the change in the value of inputs or assumptions, there are no significant changes in the adopted pretax discount rate and terminal growth rate in comparison with those adopted previously. These changes did not have significant impact on the overall result. However, the cash flow forecast adopted was prepared on a more conservative basis in comparison with the previous due to the challenging market competition in the e-commerce platform industry and the continuing impact brought by the unexpected prolonged domestic COVID-19 pandemic.

- 2) For the adopted of valuation method, the valuer has considered three generally accepted approached, namely income approach, market approach and cost approach. Based on the definition and the elements of value in use, the value in use of the CGU in this valuation is therefore developed through the application of the discounted cash flow (“**DCF**”) method, which is a method under the income approach. In addition, the valuation method and basis of value were applied consistently with no change.
- 3) There are no other reasons for, or events and circumstances materially leading to, the recognition of the Impairment Losses.

The above additional information does not affect other information contained in the Results Announcement and the 2021 Annual Report and save as disclosed above, all other information contained in the Results Announcement and the 2021 Annual Report remain unchanged.

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

Hong Kong, 29 April 2022

*As at the date of this announcement, the Board comprises four executive Directors, Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan; and three independent non-executive Directors, 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 “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](http://www.chinayouzan.com).*