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China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

CONTINUING CONNECTED TRANSACTION – LOAN AGREEMENT

LOAN AGREEMENT

Reference is made to the announcements of the Company dated 8 April 2017, 29 November 2017 and 26 January 2018 and the circular of the Company dated 2 January 2018 in relation to, among others, the Previous Loan Agreement.

On 27 April 2019, the Company entered into the Loan Agreement with Youzan, pursuant to which the Company has conditionally agreed to grant to Youzan an unsecured loan facility up to HK\$900,000,000 (inclusive of the principal loan amount and interest) which supersedes the Previous Loan Agreement and subject to the terms and conditions set out therein.

IMPLICATIONS UNDER THE GEM LISTING RULES

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

In respect of the proposed annual caps under the Loan Agreement, as one or more applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transactions contemplated under the Loan Agreement is more than 25% and the annual caps in respect of the transactions contemplated under the Loan Agreement are expected to be more than HK\$10,000,000, the transactions contemplated under each of the Loan Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will seek approval from the Independent Shareholders for the Loan Agreement and the proposed annual caps thereto at the SGM.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Loan Agreement and the proposed annual caps thereto. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders of the same.

The SGM will be convened to consider and, if thought fit, to approve, among other matters, (i) the Loan Agreement and the transactions contemplated thereunder; and (ii) the proposed annual caps in respect of the transactions contemplated under the Loan Agreement.

A circular containing, among other matters, (i) further information on the Loan Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser; and (iv) the notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 17 May 2019.

Reference is made to the announcements of the Company dated 8 April 2017, 29 November 2017 and 26 January 2018 and the circular of the Company dated 2 January 2018 in relation to, among others, the Previous Loan Agreement.

On 8 April 2017, the Company entered into the Previous Loan Agreement with Youzan, pursuant to which the Company has conditionally agreed to grant to Youzan an unsecured loan facility up to HK\$200,000,000 (inclusive of the principal loan amount and interest) and subject to the terms and conditions set out therein. On 29 November 2017, the Company entered into a supplemental agreement with Youzan to supplement the Previous Loan Agreement.

On 27 April 2019, the Company entered into the Loan Agreement with Youzan, pursuant to which the Company has conditionally agreed to grant to Youzan an unsecured loan facility up to HK\$900,000,000 (inclusive of the principal loan amount and interest) which supersedes the Previous Loan Agreement and subject to the terms and conditions set out therein.

LOAN AGREEMENT

Major terms

The principal terms of the Loan Agreement are as follows:

Date	27 April 2019
Lender	The Company
Borrower	Youzan
Loan amount	Not exceeding HK\$900,000,000 at any time, inclusive of the principal loan amount and interest
Terms	From the Loan Effective Date until 31 December 2021
Interest rate	Youzan shall pay interest on any outstanding principal of the loan at the interest rate of 2% per annum above the Prime Rate from time to time, which shall be calculated and charged on a monthly basis.
Repayment terms	Youzan shall fully repay any outstanding principal and any accrued but unpaid interest and any other monies due under the Loan Agreement on the expiry of the term of the Loan Agreement.
Conditions precedent	The commencement of the Loan Agreement is conditional upon fulfillment of (i) the obtaining of the approval from the Independent Shareholders by the Company in relation to the transactions contemplated under the Loan Agreement in accordance with the GEM Listing Rules; and (ii) the approval from the board of directors of Youzan in relation to the Loan Agreement and the transactions contemplated thereunder.
Other terms	The Company has sole discretion to refuse to advance any part of the loan if the Company is not satisfied with the use of the loan specified in the executed notice of drawdown by Youzan.

Reasons for and benefits of entering into the Loan Agreement

As disclosed in the Company's announcement dated 2 April 2019, the Company recently raised the net proceeds of approximately HK\$910 million from the issue of the new Shares. It is intended that the Company will use part of such proceeds in the sum of approximately HK\$792 million to the business development of Youzan Group.

To facilitate Youzan's business expansion, which includes product development, marketing and the promotion of advertising services, the Company expects that a HK\$900 million annual cap for the Loan Agreement is appropriate, after considering (i) the aforementioned HK\$792 million proceeds raised from the issue of new Shares and (ii) the US\$10 million (equivalent to approximately HK\$78 million) advanced to Youzan under the Previous Loan Agreement.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser) are of the view that the Loan Agreement has been entered into after arm's length negotiations on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Proposed annual cap amounts for the Loan Agreement

The amount of the loan provided by the Company to Youzan under the Previous Loan Agreement from 1 January 2019 to the date of this announcement is US\$10 million (equivalent to approximately HK\$78 million).

The proposed annual caps in respect of the transactions contemplated under the Loan Agreement for each of the three years ended 31 December 2021 is HK\$900 million, HK\$900 million and HK\$900 million respectively.

The abovementioned annual caps are determined with reference to, among others, the current business plan of Youzan Group.

INFORMATION OF THE GROUP AND YOUZAN

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.

Youzan is an investment holding company and its subsidiaries are principally engaged in the e-commerce applications related business in the PRC.

IMPLICATIONS UNDER THE GEM LISTING RULES

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

In respect of the proposed annual caps under the Loan Agreement, as one or more applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transactions contemplated under the Loan Agreement is more than 25% and the annual caps in respect of the transactions contemplated under the Loan Agreement are expected to be more than HK\$10,000,000, the transactions contemplated under each of the Loan Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will seek approval from the Independent Shareholders for the Loan Agreement and the proposed annual caps thereto at the SGM.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Loan Agreement and the proposed annual caps thereto. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders of the same.

The SGM will be convened to consider and, if thought fit, to approve, among other matters, (i) the Loan Agreement and the transactions contemplated thereunder; and (ii) the proposed annual caps in respect of the transactions contemplated under the Loan Agreement.

A circular containing, among other matters, (i) further information on the Loan Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser; and (iv) the notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 17 May 2019.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall 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
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market 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
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors
“Independent Financial Adviser”	Advent Corporate Finance Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the proposed annual caps thereto
“Independent Shareholders”	the Shareholders other than Whitecrow Investment Ltd. and its associates and those Shareholders who have material interest in the Loan Agreement
“Loan Agreement”	the loan agreement entered into between the Company and Youzan on 27 April 2019
“Loan Effective Date”	the date when the Loan Agreement shall take effect immediately after the satisfaction of the conditions precedent thereunder

“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Loan Agreement”	the loan agreement entered into between the Company and Youzan on 8 April 2017 (as supplemented by a supplemental agreement dated 29 November 2017)
“Prime Rate”	Hone Kong dollar prime rate as quoted by the Hongkong and Shanghai Banking Corporation Limited
“SGM”	a special general meeting of the Company to be convened to approve (i) the Loan Agreement and the transactions contemplated thereunder; and (ii) the proposed annual caps in respect of the transactions contemplated under the Loan Agreement
“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
“Youzan”	Qima Holdings Ltd., a company incorporated in the Cayman Islands with limited liability
“Youzan Group”	Youzan and its subsidiaries
“%”	per cent

In this announcement, amounts in US\$ are translated to HK\$ on the basis of US\$1 = HK\$7.8. The conversion is for illustration purpose only and should not be taken as a representation that US\$ could actually be converted into HK\$ at that rate or at other rates or at all.

By Order of the Board
China Youzan Limited
Guan Guisen
Chairman

Hong Kong, 29 April 2019

As at the date of this announcement, the Board comprises seven executive Directors, namely 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, namely 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.