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China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Financial adviser to the Company



SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 2 April 2019 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 1,719,030,188 Subscription Shares at the Subscription Price of HK\$0.53 per Subscription Share. The Subscription Shares represent (i) approximately 12.5% of the existing total number of issued Shares of the Company, being 13,746,777,429 Shares, as at the date of this announcement; and (ii) approximately 11.1% of the enlarged total number of issued Shares of 15,465,807,617 Shares immediately following Completion, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the date of this announcement and Completion. The gross proceeds and net proceeds from the issue of the Subscription Shares are estimated to be approximately HK\$911.1 million and HK\$910.0 million, respectively. The Company intends to use the net proceeds for system upgrade, product development, marketing, promotion of advertising services and general working capital for the Group.

Completion of each of the Subscription Agreements are not inter-conditional but it is intended that completion of all the Subscription Agreements will take place simultaneously.

Completion is subject to fulfilment of the conditions under the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 2 April 2019 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 1,719,030,188 Subscription Shares at the Subscription Price of HK\$0.53 per Subscription Share.

The Subscription Agreement I

Date: 2 April 2019 (after trading hours)

Parties: (1) the Company, as issuer; and
(2) Poyang Lake Investment Limited, as Subscriber I

Subscription Shares: 1,036,766,038 Subscription Shares

Subscription Price: HK\$0.53 per Subscription Share

Poyang Lake Investment Limited is a company incorporated in British Virgin Islands with limited liability which primarily engages in equity investment and is a wholly-owned subsidiary of Tencent Holdings Limited (stock code: 700).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Subscriber I, Tencent Holdings Limited and its ultimate beneficial owner are Independent Third Parties.

The Subscription Agreement II

Date:	2 April 2019 (after trading hours)
Parties:	(1) the Company, as issuer; and (2) Mega Prime Development Limited, as Subscriber II
Subscription Shares:	64,150,943 Subscription Shares
Subscription Price:	HK\$0.53 per Subscription Share

Mega Prime Development Limited is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Greater Bay Area Homeland Investments Limited. Mega Prime Development Limited is principally engaged in the business of investments.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Subscriber II and all of its ultimate beneficial owners are Independent Third Parties.

The Subscription Agreement III

Date:	2 April 2019 (after trading hours)
Parties:	(1) the Company, as issuer; and (2) GCYZ Holdings Limited, as Subscriber III
Subscription Shares:	117,735,849 Subscription Shares
Subscription Price:	HK\$0.53 per Subscription Share

GCYZ Holdings Limited is a company incorporated in the Cayman Islands with limited liability and wholly-owned by Gaocheng Fund I, L.P., a private equity fund focusing on growth-stage private equity investment opportunities in technological innovation and enterprise service sectors.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Subscriber III and its ultimate beneficial owner are Independent Third Parties.

The Subscription Agreement IV

Date:	2 April 2019 (after trading hours)
Parties:	(1) the Company, as issuer; and (2) Franchise Fund Limited, as Subscriber IV
Subscription Shares:	250,188,679 Subscription Shares
Subscription Price:	HK\$0.53 per Subscription Share

Franchise Fund Limited is an investment holding company established in the Cayman Islands with limited liabilities and is principally engaged in the asset management business. Franchise Fund Limited, managed by Franchise Capital Limited, is a value-oriented long/short hedge fund, seeking to invest in great business and great companies with innovation and franchise.

As at the date of this announcement, Franchise Fund Limited holds approximately 1.75% of the total issued shares in 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, Franchise Fund Limited holds approximately 0.53% of the total issued Shares in the Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for the abovementioned relationship between the Company, Qima Holdings Ltd. and Subscriber IV, Subscriber IV and its ultimate beneficial owner are Independent Third Parties.

The Subscription Agreement V

Date:	2 April 2019 (after trading hours)
Parties:	(1) the Company, as issuer; and (2) Elephas Global Master Fund, as Subscriber V
Subscription Shares:	250,188,679 Subscription Shares
Subscription Price:	HK\$0.53 per Subscription Share

Elephas Global Master Fund (the “**Fund**”) is an exempted company incorporated in the Cayman Islands with limited liability. The principal investment objective of the Fund is to achieve sustainable risk-adjusted returns over time and to efficiently allocate risks across multiple global markets. The Fund may invest in a broad range of securities and instruments to achieve its investment objective.

The Fund is solely managed by Elephas Investment (Cayman) Limited (the “**Manager**”), an exempted company incorporated in the Cayman Islands. The Manager has appointed Elephas Investment Management Limited (the “**Advisor**”), a company incorporated in Hong Kong and regulated by the Securities and Futures Commission of Hong Kong since 2015, to provide portfolio advisory and management services to the Manager in relation to the management of the asset of the Fund.

As at the date of this announcement, the Fund holds approximately 1.22% of the total issued Shares in the Company.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, save for the abovementioned relationship between the Company and the Fund, the Manager and the Advisor and their ultimate beneficial owners are Independent Third Parties.

The Subscription Shares

Pursuant to the Subscription Agreements, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 1,719,030,188 Subscription Shares, representing:

- (1) approximately 12.5% of the existing total number of issued Shares of the Company, being 13,746,777,429 Shares, as at the date of this announcement; and
- (2) approximately 11.1% of the enlarged total number of issued Shares of 15,465,807,617 Shares immediately following Completion, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the date of this announcement and Completion.

The aggregate nominal value of the Subscription Shares is HK\$17,190,301.88.

Subscription Price

The Subscription Price of HK\$0.53 per Subscription Share represents:

- (1) a discount of approximately 17.19% over the closing price of HK\$0.640 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;
- (2) a discount of approximately 19.45% over the average closing price of HK\$0.658 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreements; and
- (3) a discount of approximately 20.18% over the average closing price of HK\$0.664 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Subscription Agreements.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market price of the Shares.

Taking into account the expenses of the Subscriptions in the amount of approximately HK\$1.04 million, the net price per Subscription Share will be approximately HK\$0.529.

Ranking of the Subscription Shares

The Subscription Shares shall be free from any liens, charges, encumbrances, option, warrant, preemptive right or security interest or third-party right whatsoever and together with all rights attaching to them as at the date of Completion, with rights which rank *pari passu* to the Shares in issue, including the right to receive all dividends declared, made or paid on or after the date of Completion.

Lock-up period

Each of the Subscribers unconditionally and irrevocably undertakes with the Company that within a period of twelve (12) months from the date of issue of the Subscription Shares, it will not, save with the prior written consent of the Company (provided that such consent shall not be unreasonably withheld or delayed), dispose of any of the Subscription Shares allotted and issued to it pursuant to Subscription Agreement I, Subscription Agreement II, Subscription Agreement III, Subscription Agreement IV or Subscription Agreement V (as the case may be) or any interests therein.

Conditions

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (1) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval has not been revoked prior to Completion;
- (2) the representations and warranties given by the Company in the Subscription Agreements remaining true, accurate and correct from the date of the Subscription Agreements and at any time before Completion;
- (3) the Company having performed all its obligations in each of the Subscription Agreements expressed to be performed on or before Completion;
- (4) prior to Completion, there being no occurrence of any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, legal environment, business or properties of the Company and its subsidiaries which, in the reasonable opinion of the Subscribers, is material and adverse to the issue of the Subscription Shares; and
- (5) there not having come to the attention of the Subscribers at any time prior to Completion (i) any breach of, or any event rendering untrue, incorrect or misleading in any respect, any of the representations, warranties or undertakings made by the Company referred to in the Subscription Agreements or (ii) any breach of, or failure to perform, any of the other obligations of the Company as required to be performed at or before Completion

The Subscribers may at any time in writing waive in part or in full any of the above Conditions Precedent, save for (1). If the above conditions are not fulfilled or waived (as the case may be) by 12 April 2019 (or such later date as the parties to the Subscription Agreements may agree in writing), all rights, obligations and liabilities of the parties to the Subscription Agreements shall cease and terminate and none of the parties to the Subscription Agreements shall have any claim against any other in respect of the Subscriptions, save for any antecedent breaches thereof.

Completion

Completion will take place on the sixth Business Day following the fulfillment or waiver (as the case may be) of all Conditions Precedent, or such other date as the parties to the Subscription Agreements may agree in writing.

Completion of each of the Subscription Agreements are not inter-conditional but it is intended that completion of all the Subscription Agreements will take place simultaneously.

GENERAL MANDATE

The Subscription Shares will be allotted and issued by the Company pursuant to the General Mandate, which has been granted to the Directors to allot and issue up to 2,576,201,565 Shares, representing 20% of the total number of Shares in issue as at the date of the AGM.

Reference is made to the announcement of the Company dated 7 September 2018 in relation to the grant of award shares of the Company under the Scheme (the “**Share Award Announcement**”). The Company wishes to clarify that the Company could allot and issue up to a total of 2,576,201,565 Shares under the General Mandate and that the remaining balance of the General Mandate mentioned in the Share Award Announcement should be 2,024,679,165 Shares as at 7 September 2018.

Reference is also made to the supplemental announcement of the Company dated 24 January 2019 in relation to the further information regarding such grant of award shares of the Company (the “**Supplemental Announcement**”). The Company wishes to clarify that the remaining balance of the General Mandate mentioned in the Supplemental Announcement should be 1,720,431,965 Shares as at 24 January 2019.

As at the date of this announcement, the Company has allotted or issued 855,769,600 Shares under the General Mandate, and the balance of the General Mandate is 1,720,431,965 Shares. Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares, and the issue of the Subscription Shares is not subject to the approval of the Shareholders.

Upon Completion, the Company will have unused General Mandate to issue up to 1,401,777 Shares.

APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 13,746,777,429 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the date of this announcement and Completion:

Name of Shareholders	As at the date of this announcement		Immediately after Completion	
	Number of Shares	Approximate % shareholding	Number of shares	Approximate % shareholding
Mighty Advantage Enterprises Limited	711,592,000	5.18	711,592,000	4.60
Cao Chunmeng	67,420,000	0.49	67,420,000	0.44
Yan Xiaotian	21,640,000	0.16	21,640,000	0.14
Fong Chi Wah	1,000,000	0.01	1,000,000	0.01
Gu Jiawang	1,000,000	0.01	1,000,000	0.01
Whitecrow Investment	1,440,601,703	10.48	1,440,601,703	9.31
Rory Huang	407,543,167	2.96	407,543,167	2.64
V5. Cui Investment	241,885,127	1.76	241,885,127	1.56
Youzan Teamwork	363,170,101	2.64	363,170,101	2.35
Xincheng Investment	370,607,335	2.70	370,607,335	2.40
Aves Capital	201,123,478	1.46	201,123,478	1.30
Tembusu HZ	905,961,684	6.59	905,961,684	5.86
Matrix Partners China III L.P.	352,661,880	2.57	352,661,880	2.28
Matrix Partners China III-A, L.P.	39,184,653	0.29	39,184,653	0.25
Hillhouse KDWD	700,848,478	5.10	700,848,478	4.53
E&A Amigne	337,131,570	2.45	337,131,570	2.18
Ralston Global	77,666,728	0.56	77,666,728	0.50
Puhua Investment	77,666,728	0.56	77,666,728	0.50
Sub-total	6,318,704,632	45.97	6,318,704,632	40.86
Subscriber I	–	–	1,036,766,038	6.70
Subscriber II	–	–	64,150,943	0.41
Subscriber III	–	–	117,735,849	0.76
Subscriber IV	73,060,000	0.53	323,248,679	2.09
Subscriber V	167,592,000	1.22	417,780,679	2.71
Sub-total	240,652,000	1.75	1,959,682,188	12.67
Other public Shareholders	7,187,420,797	52.28	7,187,420,797	46.47
Total	13,746,777,429	100.00	15,465,807,617	100.00

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

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.

The gross proceeds and net proceeds from the issue of the Subscription Shares are estimated to be approximately HK\$911.1 million and HK\$910.0 million respectively. The Company intends to use the net proceeds as follows:

- approximately 3% of the proceeds from the Subscriptions, which represents approximately HK\$28.3 million, will be used towards system upgrade;
- approximately 6% of the proceeds from the Subscriptions, which represents approximately HK\$55.7 million, will be used towards product development;
- approximately 31% of the proceeds from the Subscriptions, which represents approximately HK\$281.0 million, will be used towards marketing;
- approximately 50% of the proceeds from the Subscriptions, which represents approximately HK\$455.3 million, will be used towards the promotion of advertising services; and
- approximately 10% of the proceeds from the Subscriptions, which represents approximately HK\$89.7 million, will be used towards general working capital for the Group.

The Directors consider that the Subscription represents a good opportunity to raise additional funds for the future development of the Group and to broaden the capital base of the Company.

The Board has reviewed other alternative fundraising methods such as debt financing, rights issue or open offer. The Board has considered that debt financing may incur interest burden on the Group and may be subject to lengthy due diligence process and negotiations with banks as well as the prevailing financial market condition, which may be relatively uncertain and time-consuming. On the other hand, rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and additional administrative cost to complete as compared to the equity financing by way of issuing of new Shares under the General Mandate.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreements (including the Subscription Price) were entered into on normal commercial terms after arm's length negotiations and the terms therein are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the fundraising activities mentioned below, the Company has not conducted any equity fundraising activities in the past twelve months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds	Use of proceeds
16 April 2018 and 16 July 2018	SM Placing	Approximately HK\$187.0 million	All the net proceeds from the SM Placing was used towards the subscription of new shares in Qima Holdings Ltd., a non-wholly owned subsidiary of the Company

GENERAL

Completion is subject to fulfilment of the Conditions Precedent. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company convened on 4 May 2018;
“Board”	the board of Directors;
“Business Day”	a day on which banks of Hong Kong are open for ordinary banking business (excluding Saturdays and Sundays);
“Company”	China Youzan Limited (stock code: 8083), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the GEM;
“Completion”	completion of the Subscriptions;
“Conditions precedent”	the conditions to the Subscription Agreements as set out in the section headed “Conditions” in this announcement;
“Director(s)”	the director(s) of the Company;
“GEM”	GEM operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM, with a remaining balance of 1,720,431,965 Shares as at the date of this announcement;
“Group”	the Company and its subsidiaries;

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company in accordance with the GEM Listing Rules;
“Listing Committee”	the listing committee of the Stock Exchange;
“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;
“Scheme”	the share award scheme approved by the Board on 31 May 2018, as amended from time to time in accordance with the provisions thereof;
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“SM Placing”	the placing under specific mandate of the Company completed on 16 April 2018;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	collectively, Subscriber I, Subscriber II, Subscriber III, Subscriber IV and Subscriber V;
“Subscriber I”	Poyang Lake Investment Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Tencent Holdings Limited (stock code: 700);
“Subscriber II”	Mega Prime Development Limited is a company incorporated in the British Virgin Islands with limited liability;
“Subscriber III”	GCYZ Holdings Limited, a company incorporated in the Cayman Islands with limited liability and wholly-owned by Gaocheng Fund I, L.P.;

“Subscriber IV”	Franchise Fund Limited, a company incorporated in Cayman Islands with limited liability and managed by Franchise Capital Limited;
“Subscriber V”	Elephas Global Master Fund, an exempted company incorporated in the Cayman Islands with limited liability and solely managed by Elephas Investment (Cayman) Limited;
“Subscription Agreements”	collectively, Subscription Agreement I, Subscription Agreement II, Subscription Agreement III, Subscription Agreement IV and Subscription Agreement V;
“Subscription Agreement I”	the conditional subscription agreement dated 2 April 2019 entered into between the Company as issuer and Subscriber I as subscriber for the subscription of 1,036,766,038 Shares at the Subscription Price;
“Subscription Agreement II”	the conditional subscription agreement dated 2 April 2019 entered into between the Company as issuer and Subscriber II as subscriber for the subscription of 64,150,943 Shares at the Subscription Price;
“Subscription Agreement III”	the conditional subscription agreement dated 2 April 2019 entered into between the Company as issuer and Subscriber III as subscriber for the subscription of 117,735,849 Shares at the Subscription Price;
“Subscription Agreement IV”	the conditional subscription agreement dated 2 April 2019 entered into between the Company as issuer and Subscriber IV as subscriber for the subscription of 250,188,679 Shares at the Subscription Price;

“Subscription Agreement V”	the conditional subscription agreement dated 2 April 2019 entered into between the Company as issuer and Subscriber V as subscriber for the subscription of 250,188,679 Shares at the Subscription Price;
“Subscriptions”	subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreements;
“Subscription Price”	HK\$0.53 per Subscription Share;
“Subscription Shares”	an aggregate of 1,719,030,188 Shares to be subscribed by the Subscribers pursuant to the Subscription Agreements; and
“%”	per cent.

By Order of the Board
China Youzan Limited
Guan Guisen
Chairman

Hong Kong, 2 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.