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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 – SERVICES FRAMEWORK AGREEMENT AND ADVERTISING SERVICE FRAMEWORK AGREEMENT

SERVICES FRAMEWORK AGREEMENT

On 31 July 2020, Hangzhou Youzan (an indirect non-wholly-owned subsidiary of the Company) entered into the Services Framework Agreement with Hangzhou Aiguang Network, pursuant to which Hangzhou Youzan shall provide various services to Hangzhou Aiguang Network, including but not limited to workplace leasing, computer and server leasing, customer service advisory, administrative management consulting and other services.

ADVERTISING SERVICE FRAMEWORK AGREEMENT

On 31 July 2020, Tianjin Youzan (an indirect non-wholly-owned subsidiary of the Company) entered into the Advertising Service Framework Agreement with Hangzhou Aiguang Network, pursuant to which Tianjin Youzan shall provide advertising services to Hangzhou Aiguang Network.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Hangzhou Aiguang Network is held (through contractual arrangements) as to 100% by Guang Holdings. Guang Holdings, in turn, is owned as to approximately 48% by Mr. Zhu and his associates and 8% by Mr. Huang Rongrong. Mr. Zhu is an executive Director and substantial Shareholder of the Company, whereas Mr. Huang Rongrong is a director of two subsidiaries of the Company. Each of Mr. Zhu and Mr. Huang Rongrong is a connected person of the Company. Therefore, the transactions contemplated under both the Services Framework Agreement and the Advertising Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

In respect of the aggregate proposed annual caps under both the Services Framework Agreement and the Advertising Service Framework Agreement, as all applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) are above 0.1% but less than 5%, the transactions contemplated under the Services Framework Agreement and the Advertising Service Framework Agreement will be subject to the reporting, annual review and announcement requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, under Chapter 20 of the GEM Listing Rules.

Mr. Zhu, who has a material interest in both the Services Framework Agreement and the Advertising Service Framework Agreement, has abstained from voting on the relevant board resolution(s) approving both the Services Framework Agreement and the Advertising Service Framework Agreement and the transactions contemplated thereunder.

INTRODUCTION

On 31 July 2020, Hangzhou Youzan (an indirect non-wholly-owned subsidiary of the Company) entered into the Services Framework Agreement with Hangzhou Aiguang Network, pursuant to which Hangzhou Youzan shall provide various services to Hangzhou Aiguang Network, including but not limited to workplace leasing, computer and server leasing, customer service advisory, administrative management consulting and other services.

On 31 July 2020, Tianjin Youzan (an indirect non-wholly-owned subsidiary of the Company) entered into the Advertising Service Framework Agreement with Hangzhou Aiguang Network, pursuant to which Tianjin Youzan shall provide advertising services to Hangzhou Aiguang Network.

THE SERVICES FRAMEWORK AGREEMENT

The principal terms of the Services Framework Agreement are set out below:

Date

31 July 2020

Parties

- (i) Hangzhou Youzan; and
- (ii) Hangzhou Aiguang Network

Term

The Services Framework Agreement is of a term commencing from 1 August 2020 and ending on 31 December 2022 (both days inclusive).

Scope of services

Hangzhou Youzan shall provide the following types of services to Hangzhou Aiguang Network subject to the terms and conditions of the Services Framework Agreement:

1. *Workplace leasing services*

Hangzhou Youzan shall provide office space and equipment for Hangzhou Aiguang Network's staff to carry out its day-to-day business activities.

2. *Computer and server leasing services*

Hangzhou Youzan shall provide computer and server facilities for Hangzhou Aiguang Network to carry out its day-to-day business activities.

3. *Customer service advisory services*

Hangzhou Youzan shall assist Hangzhou Aiguang Network in resolving customer enquiries.

4. *Administrative management consulting services*

Hangzhou Youzan shall provide consultation services to Hangzhou Aiguang Network concerning administrative management issues.

5. *Other services*

Hangzhou Youzan shall provide other miscellaneous services to Hangzhou Aiguang Network pertaining to its day-to-day operations.

Pricing policy and payment term

Workplace leasing services

The service fee was determined principally by arm's length commercial negotiations between the parties with reference to and shall not be lower than the quotations obtained (from time to time) from Independent Third Parties in relation to similar services provided by them.

Computer and server leasing services, customer service advisory services, administrative management consulting services and other service

The service fees was determined principally by arm's length commercial negotiations between the parties with reference to (i) the operating costs incurred in relation to the provision of the services by Hangzhou Youzan to Hangzhou Aiguang Network and (ii) the service fees of similar services provided by the Group (including Hangzhou Youzan) to Independent Third Parties (if any).

The service fees shall not be lower than (i) the service fees charged to Independent Third Parties for similar services provided by the Group (including Hangzhou Youzan) and (ii) the operating costs incurred in relation to the provision of the services by Hangzhou Youzan to Hangzhou Aiguang Network plus a markup of 5%.

Proposed annual caps

The proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement for each of the three years ending 31 December 2022 is RMB9,100,000, RMB29,000,000 and RMB29,000,000 respectively.

Basis of the proposed annual caps

The proposed annual caps for the continuing connected transactions contemplated under the Services Framework Agreement have been determined based on factors affecting the expected service fee amounts in relation to the services to be provided by Hangzhou Youzan, which include but are not limited to, the business growth estimation provided by Hangzhou Aiguang Network, prevailing market rate of office space rental and relevant operating costs in providing the services such as labour costs.

THE ADVERTISING SERVICE FRAMEWORK AGREEMENT

The principal terms of the Advertising Service Framework Agreement are set out below:

Date

31 July 2020

Parties

- (i) Tianjin Youzan; and
- (ii) Hangzhou Aiguang Network

Term

The Advertising Service Framework Agreement is of a term commencing from 1 August 2020 and ending on 31 December 2022 (both days inclusive).

Scope of services

Tianjin Youzan shall provide advertising services to Hangzhou Aiguang Network subject to the terms and conditions of the Advertising Service Framework Agreement. Pursuant to the agreement, Tianjin Youzan will assist Hangzhou Aiguang Network or its designated third parties in obtaining traffic for its shopping platform.

Pricing policy and payment terms

The service fees for the service contemplated under the Advertising Service Framework Agreement are determined principally by arm's length commercial negotiations between the parties with reference to the service fees of similar services provided by the Group (including Tianjin Youzan) to Independent Third Parties.

In any event, the service fees charged under the Advertising Service Framework Agreement shall not be lower than the service fees charged to Independent Third Parties for similar services provided by the Group (including Tianjin Youzan).

Proposed annual caps

The proposed annual caps in respect of the transactions contemplated under the Advertising Service Framework Agreement for each of the three years ending 31 December 2022 is RMB10,000,000, RMB29,000,000 and RMB29,000,000 respectively.

Basis of the proposed annual caps

The proposed annual caps for the continuing connected transactions contemplated under the Advertising Service Framework Agreement have been determined based on the business plan provided by Hangzhou Aiguang Network.

INTERNAL CONTROL AND PRICING POLICY

In order to ensure that the service fees charged under both the Services Framework Agreement and the Advertising Service Framework Agreement (depending on the type of service) shall be consistent with the abovementioned respective pricing policies, the Company has adopted the following measures:

1. the Company will monitor and make sure that the continuing connected transactions are conducted 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 quarterly data including the service fees (or at least two quotations, where appropriate) of similar services provided to and by Independent Third Parties; (ii) conduct regular checks to review and assess whether relevant transactions are conducted in accordance with the terms of the Services Framework Agreement and the Advertising Service Framework Agreement; and (iii) monitor the changes in the relevant operating costs incurred in relation to the provision of the services (if applicable), in order to determine the service fee charged under the Services Framework Agreement on a quarterly basis. The Company will notify such changes in, where appropriate, the market quotations from the Independent Third Parties or service fees charged to the Independent Third Parties or operating costs incurred in relation to the provision of the services to Hangzhou Aiguang Network as soon as practicable and the relevant service fees will be adjusted accordingly on a quarterly basis;
2. the Company's external auditors will conduct a review on the pricing policy and the proposed annual caps of all 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.

REASONS FOR AND BENEFITS OF ENTERING INTO SERVICES FRAMEWORK AGREEMENT AND THE ADVERTISING SERVICE FRAMEWORK AGREEMENT

The Company considers that the provision of services to Aiguang Group, which the Group owns a minority interest, could foster business integration between the Group and Aiguang Group, which in turn is ultimately beneficial to the value of the Group.

The Directors consider that the terms of the Services Framework Agreement (including the proposed annual caps) and the Advertising Service Framework Agreement (including the proposed annual caps) and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES TO THE TRANSACTION

The Group

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.

Hangzhou Youzan

Hangzhou Youzan was incorporated under the laws of the PRC and is an indirect non-wholly-owned subsidiary of the Company. It provides administrative supports and handles the employment matters for Qima Group.

Tianjin Youzan

Tianjin Youzan was incorporated under the laws of the PRC and is an indirect non-wholly-owned subsidiary of the Company. It provides internet information services and conducts wholesale and retail businesses in the PRC.

Hangzhou Aiguang Network

Hangzhou Aiguang Network was established in the PRC on 20 December 2018. It operates a shopping platform that applies live streaming and short video technologies to provide consumers with a “cloud shopping”-style scenery. It dedicates to help consumers discover needs, technology and content-rich live streaming content and merchandise. As at the date of this announcement, Hangzhou Aiguang Network is owned as to 100% by Guang Holdings.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Hangzhou Aiguang Network is held (through contractual arrangements) as to 100% by Guang Holdings. Guang Holdings, in turn, is owned as to approximately 48% by Mr. Zhu and his associates and 8% by Mr. Huang Rongrong. Mr. Zhu is an executive Director and substantial Shareholder of the Company, whereas Mr. Huang Rongrong is a director of two subsidiaries of the Company. Each of Mr. Zhu and Mr. Huang Rongrong is a connected person of the Company. Therefore, the transactions contemplated under both the Services Framework Agreement and the Advertising Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

In respect of the aggregate proposed annual caps under both the Services Framework Agreement and the Advertising Service Framework Agreement, as all applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) are above 0.1% but less than 5%, the transactions contemplated under the Services Framework Agreement and the Advertising Service Framework Agreement will be subject to the reporting, annual review and announcement requirements, but exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements, under Chapter 20 of the GEM Listing Rules.

Mr. Zhu, who has a material interest in both the Services Framework Agreement and the Advertising Service Framework Agreement, has abstained from voting on the relevant board resolution(s) approving both the Services Framework Agreement and the Advertising Service Framework Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

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| “Advertising Service Framework Agreement” | the framework agreement dated 31 July 2020 and entered into between Tianjin Youzan and Hangzhou Aiguang Network in relation to the provision of advertising services for a term commencing from 1 August 2020 and ending on 31 December 2022 (both days inclusive) |
| “Aiguang Group” | the group operating under the Aiguang (愛逛) brand and comprises Guang Holdings and Hangzhou Aiguang Network, among other entities |
| “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 |
| “connected person(s)” | each has the meaning ascribed to it 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 |
| “Guang Holdings” | Guang Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands and held directly by the Company as to approximately 9% |
| “Hangzhou Aiguang Network” | 杭州愛逛網絡信息服務有限公司, a limited liability company established under the laws of the PRC |

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|--------------------------------|---|
| “Hangzhou Youzan” | 杭州有贊科技有限公司, a company incorporated in the PRC and is indirectly wholly-owned by Qima |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/ are not a connected person(s) of the Company within the meaning of the GEM Listing Rules |
| “Mr. Zhu” | Zhu Ning (朱寧), a Director and substantial shareholder of the Company |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macao and Taiwan |
| “Qima” | 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 Group” | Qima and its subsidiaries |
| “Services Framework Agreement” | the framework agreement dated 31 July 2020 and entered into between Hangzhou Youzan and Hangzhou Aiguang Network in relation to the provision of various services for a term commencing from 1 August 2020 and ending on 31 December 2022 (both days inclusive) |
| “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 |

“Tianjin Youzan”

天津有贊信息技術有限公司, a company incorporated in the PRC and is wholly-owned by Hangzhou Youzan

“%”

per cent.

By Order of the Board
China Youzan Limited
Guan Guisen
Chairman

Hong Kong, 31 July 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.