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China Youzan Limited
中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

FURTHER SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL REPORT AND INTERIM REPORT REGARDING ADDITIONAL INFORMATION ON THE USAGE OF THE PROCEEDS FROM (I) THE PLACING UNDER GENERAL MANDATE COMPLETED ON 26 APRIL 2017 AND (II) THE PLACING UNDER SPECIFIC MANDATE COMPLETED ON 16 APRIL 2018

References are made to announcements regarding the placing under general mandate (the "**GM placing**") dated 28 March 2017 and 26 April 2017 and the announcement regarding change of use of proceeds from the placing under specific mandate completed on 16 April 2018 (the "**SM placing**") dated 16 July 2018 (collectively the "**Announcements**") and Company's annual report 2018 ("**Annual Report**") issued on 27 March 2019 and the interim report for the six months ended 30 June 2019 published on 12 August 2019 (the "**Interim Report**") (collectively, the "**Reports**"). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcements and the Reports.

In addition to the information already disclosed, the Board would like to provide additional information in relation to the use of net proceeds of HK$390,156,000 raised from the GM placing and the use of net proceeds of approximately HK$187,500,000 raised from the SM placing respectively as follows:–

USE OF NET PROCEEDS RAISED FROM THE GM PLACING

Original allocation of the net proceeds as disclosed in the GM placing announcement dated 26 April 2017	Actual use of net proceeds up to 31 December 2018	Actual use of net proceeds up to 30 June 2019	Remaining balance of net proceeds up to 30 June 2019
(I) Approximately HK$50 million for expansion of the onshore prepaid cards business of the Company, including but not limited to (a) additional security fund; (b) expansion of virtual prepaid card system capacity; and (c) development of procedures in supporting China UnionPay docking and on-line support for UnionPay pin system;	Approximately HK$32.23 million was used for the original purpose.	Approximately HK$1.08 million was used for the original purpose.	Approximately HK$16.69 million to be used for the original purpose.
(II) Approximately HK$80 million on expansion of the internet business of the Company, including but not limited to (a) expansion of processing and storage capacity of the internet payment system; (b) research on the development of artificial intelligence risk management system; (c) recruitment of staff; and (d) expansion of internet payment channels;	Approximately HK$45.52 million was used for the original purpose.	Approximately HK$33.94 million was used for the original purpose.	Approximately HK$0.54 million to be used for the original purpose.

Original allocation of the net proceeds as disclosed in the GM placing announcement dated 26 April 2017	Actual use of net proceeds up to 31 December 2018	Actual use of net proceeds up to 30 June 2019	Remaining balance of net proceeds up to 30 June 2019
(III) Approximately HK$70 million on the development of the cross-border payment business of the Company, including but not limited to (a) strengthening working capital for cross-border payment business; (b) enhancing existing processing and storage capacity of cross-border systems; and (c) increasing cross-border business channels;	Approximately HK$3.48 million was used for the original purpose, and the remaining net proceeds of approximately HK$22.23 million was re-allocated and applied as expansion for general trading business, approximately HK$13.00 million was re-allocated and applied as investing in companies engaged in the upstream and downstream business of the Company, approximately HK$19.55 million was re-allocated and applied as transaction fee paid.	Approximately HK$0.02 million was used for original purpose. Approximately HK$6.36 million was re-allocated and applied as transaction fee.	Approximately HK$5.36 million was re-allocated and to be applied as general working capital.
(IV) Approximately HK$50 million on maintenance and upgrade of the core payment systems of the Company, including (a) enhancing the core system and disaster backup system; and (b) purchase of new equipment for network processing;	Approximately HK$14.27 million was used for the original purpose.	Approximately HK$1.98 million was used for the original purpose. HK$27.19 million was re-allocated as general working capital.	Approximately HK$6.56 million to be used for the original purpose.

Original allocation of the net proceeds as disclosed in the GM placing announcement dated 26 April 2017	Actual use of net proceeds up to 31 December 2018	Actual use of net proceeds up to 30 June 2019	Remaining balance of net proceeds up to 30 June 2019
(V) Approximately HK$70 million in acquiring or investing in companies engaged in the upstream and downstream business of the Company, including business with strong capacity and/or capability in (a) research and development in electronic payment technologies; (b) data processing capacity; (c) design and manufacturing of intelligent devices and; (d) research and development in customers relationship management and management information systems;	Approximately HK$83.00 million was used for the original purpose. Excess amount was re-allocated from (III).	Nil	Nil
(VI) Approximately HK$40 million on the expansion of the offshore prepaid cards business of the Company, including but not limited to (a) additional security deposit for card issuance; and (b) recruitment of staff and purchase of risk management system; and	Approximately HK$33.81 million was re-allocated and applied as general working capital.	Approximately HK$6.19 million was re-allocated and applied as general working capital	Nil
(VII) Approximately HK$30.16 million as the general working capital of the Company.	Approximately HK$63.97 million was used for the original purpose. Excess Amount was re-allocated from (VI).	Approximately HK$27.19 million and 6.19 million excess amount was used and re-allocated from (IV) and (VI) respectively	Approximately HK$5.36 million was re-allocated from (III).

USE OF NET PROCEEDS RAISED FROM THE SM PLACING

As disclosed in the announcement regarding change of use of proceeds from the SM placing, the Directors decided to use all the net proceeds from the SM Placing for subscription of shares of Qima Holdings Ltd. pursuant to the Subscription Agreement (the "**Subscription**"). Following the completion of the Subscription on 6 August 2018, all the net proceeds from the SM Placing has been utilized as intended.

By Order of the Board
China Youzan Limited
Guan Guisen
Chairman

Hong Kong, 25 October 2019

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.