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China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Sole Global Coordinator

Jefferies

Joint Bookrunners and Placing Agents

Jefferies

廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

THE PLACING AGREEMENT

On 8 April 2020, the Company entered into the Placing Agreement with the Placing Agents pursuant to which the Company has appointed the Placing Agents on a several (but not joint or joint and several) basis as its agents to arrange, on a best effort basis, and facilitate the subscription of up to 1,240,000,000 Placing Shares by the Placees at the Placing Price of HK$0.64 per Placing Share on the terms and subject to the conditions of the Placing Agreement.

The maximum of 1,240,000,000 Placing Shares represent approximately (i) 8.0% of the existing number of Shares in issue as at the date of this announcement; and (ii) 7.4% of the number of Shares in issue as enlarged by the issue of a maximum of 1,240,000,000 Placing Shares (assuming that the Placing Shares are fully subscribed for by the Placees and there will be no change in the issued share capital of the Company between the date of this announcement and the date of completion of the Placing save for the issue of the Placing Shares).

Assuming all the 1,240,000,000 Placing Shares are successfully allotted and issued to the Placees, the gross proceeds from the Placing will be HK$793.6 million. After taking into account the estimated expenses of approximately HK$9.8 million in relation to the Placing, the net proceeds from the Placing will be approximately HK$783.8 million. The Company intends to apply the net proceeds from the Placing as to (i) approximately HK$705.4 million for system upgrade, product development and marketing expenses; and (ii) the remaining approximately HK$78.4 million as general working capital of the Group. The net price per Placing Share is expected to be approximately HK$0.63.

Shareholders and potential investors should note that completion of the Placing is subject to the fulfillment of the conditions precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

GEM LISTING RULES IMPLICATION

The Placing Shares will be issued under the General Mandate which was granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the AGM. The issue of the Placing Shares pursuant to the General Mandate is not subject to the approval of the Shareholders.

Set out below is the principal terms of the Placing Agreement:–

THE PLACING AGREEMENT

Date

8 April 2020

Issuer

The Company

Placing Agents

(1) Jefferies Hong Kong Limited; and

(2) GF Securities (Hong Kong) Brokerage Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agents and their ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Placing Shares

The Placing Agents, on a several (but not joint or joint and several) basis, agreed to arrange, on a best effort basis, and facilitate the subscription of up to 1,240,000,000 Placing Shares by the Placees at the Placing Price.

Ranking of Placing Shares

The Placing Shares will rank, upon issue and fully paid, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares, free and clear from all encumbrances and together with all rights attaching thereto at the date of their issue.

Placing Price

The Placing Price is HK$0.64 per Placing Share.

Placees

The Placing Shares will be placed to not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons. It is expected that none of the Placees will become a substantial shareholder of the Company immediately after the completion of the Placing.

The Company will make a further announcement in accordance with the GEM Listing Rules if the number of Placees shall be less than six.

Conditions precedent to the Placing

Completion of the Placing is conditional upon fulfillment of the following conditions:

(i) there shall not have occurred any breach or any event render untrue or inaccurate, any of the representations, warranties or undertakings given by the Company under the Placing Agreement; and

(ii) listing of and permission to deal in all the Placing Shares being granted (subject only to allotment) by the Listing Division of the Stock Exchange and dealings of the Placing Shares being allowed by the Stock Exchange (and such listing and permission not subsequently being revoked).

The Company shall use its best endeavours to procure the fulfillment of the above conditions precedent by not later than 15 business days after the date of the Placing Agreement or such later date as the Company and the Placing Agents may agree in writing (the "**Long-stop Date**"). If the conditions above are not be fulfilled on or before the Long-stop Date, all the rights, obligations and liabilities of the Placing Agents and the Company under the Placing Agreement shall cease and determine and none of the parties thereto shall have any claim against any of the other parties in respect of the Placing save for all reasonable costs, charges, and expenses already incurred in accordance with the terms of the Placing Agreement.

Termination

The Placing Agreement may be terminated by the Placing Agents by giving written notice to the Company at any time on or prior to the date of completion of the Placing in accordance with the terms thereof, such as on the grounds of a breach of any of the representations, warranties and undertakings by the Company as set out in the Placing Agreement or the occurrence of certain force majeure events.

Completion

Completion of the Placing shall take place on any date no later than the fourth Business Day immediately after the date of the fulfillment of last condition precedent to the Placing Agreement (or such later date as the Company and the Placing Agents may agree in writing).

Lock up

The Company has undertaken to the Placing Agents that for a period from the date of the Placing Agreement up to 90 days after completion, except for the allotment and issue of Placing Shares neither the Company nor any person acting on its behalf will (i) sell, transfer, dispose, allot or issue or offer to sell, transfer, dispose, allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interests in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agents.

PLACING SHARES

The maximum of 1,240,000,000 Placing Shares represent approximately (i) 8.0% of the existing number of Shares in issue as at the date of this announcement; and (ii) 7.4% of the number of Shares in issue as enlarged by the issue of a maximum of 1,240,000,000 Placing Shares (assuming that the Placing Shares are fully subscribed for by the Placees and there will be no change in the issued share capital of the Company between the date of this announcement and the date of completion of the Placing save for the issue of the Placing Shares). Assuming all the 1,240,000,000 Placing Shares are fully subscribed for by the Placees, the aggregate nominal value of the Placing Shares is HK$793.6 million.

PLACING PRICE

The Placing Price of HK$0.64 per Placing Share represents:

(i) a discount of approximately 11.1% to the closing price of HK$0.720 per Share as quoted on the Stock Exchange on 7 April 2020 (being the last trading day before the Placing Agreement was entered into); and

(ii) a discount of approximately 9.1% to the average closing price of HK$0.704 per Share in the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agents with reference to the prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider that the terms of the Placing (including the Placing Price) are fair and reasonable based on the current market conditions. Hence, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE TO ALLOT AND ISSUE THE PLACING SHARES

The Placing Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM, subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 3,093,161,523 new Shares.

Up to the date of this announcement, no new Shares were issued or proposed to be issued under the General Mandate other than the Placing Shares. Accordingly, the issue of up to 1,240,000,000 Placing Shares under the General Mandate is not subject to the approval of the Shareholders.

APPLICATION FOR LISTING

The Company will apply to the Listing Division for the listing of, and permission to deal in, the Placing Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the possible effects of the Placing on the shareholding structure of the Company assuming all the Placing Shares are successfully allotted and issued and no Shares will be issued or repurchased during the period between the date of this announcement and the date of completion of the Placing:–

	As at the date of this announcement		Immediate upon completion of the Placing	
	Number of Shares	*Percentage (approx.)*	*Number of Shares*	*Percentage (approx.)*
Whitecrow Investment Ltd. *(note 1)*	1,440,601,703	9.31%	1,440,601,703	8.62%
Mighty Advantage Enterprises Limited *(note 2)*	411,592,000	2.66%	411,592,000	2.46%
Youzan Teamwork Inc. *(note 3)*	363,170,101	2.35%	363,170,101	2.17%
V5.Cui Investment Ltd. *(note 4)*	241,885,127	1.56%	241,885,127	1.45%
Mr. Gu Jiawang	1,000,000	0.01%	1,000,000	0.01%
Dr. Fong Chi Wah	1,000,000	0.01%	1,000,000	0.01%
Mr. Yan Xiaotian	21,640,000	0.14%	21,640,000	0.13%
Mr. Cao Chunmeng	67,420,000	0.44%	67,420,000	0.40%
Public Shareholders				
The Placees	–	–	1,240,000,000	7.42%
Other Public Shareholders	12,917,498,686	83.52%	12,917,498,686	77.33%
Total	15,465,807,617	100%	16,705,807,617	100.00%

Notes:

1. Whitecrow Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Zhu Ning, who is an executive Director.

2. Mighty Advantage Enterprises Limited is incorporated in the British Virgin Islands and is beneficially owned by Mr. Guan Guisen, who is an executive Director.

3. Youzan Teamwork Inc. is a company incorporated in the British Virgin Islands with limited liability and is owned as to 40% by Mr. Zhu Ning, 10% by Mr. Yu Tao and 10% by Ms. Ying Hangyan, all of whom are executive Directors.

4. V5.Cui Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Cui Yusong, who is an executive Director.

REASONS FOR THE PLACING

The Group is a renowned investment holding company committed to providing innovative and technological advancement in technology services, payment service for merchants as well as online and offline e-commerce solutions which also known as SaaS (Software as a Service).

The Directors consider that the Placing represents a good opportunity to raise capital for the Company and broaden the Shareholder base and capital base of the Company. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement are fair and reasonable and that the Placing is in the interests of the Company and the Shareholders as a whole.

Assuming all the 1,240,000,000 Placing Shares are successfully allotted and issued to the Placees, the gross proceeds from the Placing will be HK$793.6 million. After taking into account the estimated expenses of approximately HK$9.8 million in relation to the Placing, the net proceeds from the Placing will be approximately HK$783.8 million. The Company intends to apply the net proceeds from the Placing as to (i) approximately HK$705.4 million for system upgrade, product development and marketing expenses; and (ii) the remaining approximately HK$78.4 million as general working capital of the Group. The net price per Placing Share is expected to be approximately HK$0.63.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities in the past 12 months before the date of this announcement:–

Date of announcements	**Fund raising activity**	**Net proceeds raised** *(approximate HK$ in million)*	**Proposed use of proceeds as disclosed in the relevant announcement**	**Actual use of proceeds**
2 April 2019, 16 April 2019 and 23 April 2019	Issuance of new shares under general mandate	HK$910.0 million	System upgrade, product development, marketing, promotion of advertising services and general working capital for the Group	Same as original purpose*

* *Please refer to the annual report of the Company issued on 31 March 2020 for detail breakdown and utilisation of proceeds.*

Save as disclosed above, the Company had not carried out any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

Shareholders and potential investors should note that completion of the Placing is subject to the fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

GEM LISTING RULES IMPLICATION

The Placing Shares will be issued under the General Mandate which was granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the AGM. The issue of the Placing Shares pursuant to the General Mandate is not subject to the approval of the Shareholders.

DEFINITIONS

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

"AGM"	the annual general meeting of the Company held on 9 May 2019 at which (among others) resolution for the grant of the General Mandate to the Directors was passed by the Shareholders
"Board"	the board of Directors
"Business Day"	any day on which banks in Hong Kong are generally open for business (other than Saturday and any day on which a tropical cyclone warning No.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
"Company"	China Youzan Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the GEM (stock code: 8083)
"connected person"	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 the GEM
"General Mandate"	the general mandate which was granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the AGM to issue and allot up to 3,093,161,523 new Shares, representing approximately 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the AGM
"GF"	GF Securities (Hong Kong) Brokerage Limited, a corporation licensed to carry on type 1 (dealing in securities), and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Jefferies"	Jefferies Hong Kong Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Listing Division"	has the meaning ascribed to it under the GEM Listing Rules
"Placee(s)"	any person or entity facilitated or arranged by the Placing Agents to subscribe for the Placing Shares
"Placing"	the private placing of the Placing Shares to the Placees pursuant to the Placing Agreement

“Placing Agents”	Jefferies and GF
“Placing Agreement”	the agreement entered into between the Company and the Placing Agents dated 8 April 2020 in respect of the Placing
“Placing Price”	HK$0.64 per Placing Share (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable by the Placees)
“Placing Shares”	up to a maximum of 1,240,000,000 new Shares to be issued under the Placing
“Share(s)”	ordinary share(s) of HK$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“HK$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

By order of the Board of
China Youzan Limited
Guan Guisen
Chairman

Hong Kong, 8 April 2020

As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. Guan Guisen, Mr. Cao Chunmeng and Mr. Yan Xiaotian; Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao, 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.