

CHINA YOUZAN

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Third Quarterly Report 2023

A Better Business with Youzan



中國有贊有限公司
CHINA YOUZAN LIMITED

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of China Youzan Limited (the “Company,” together with its subsidiaries, the “Group,” “Youzan” or “We”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 report 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 this report or any statement herein misleading.



China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

HIGHLIGHTS

For the nine months ended 30 September 2023, the Group recorded a revenue of approximately RMB1,082,492,000, representing a decrease of 1.5% compared to the same period of last year. Of which, the revenue from subscription solutions was approximately RMB631,931,000, representing a decrease of 4.4% compared to the same period of last year, and the revenue from merchant solutions was approximately RMB447,873,000, representing an increase of 4.0% compared to the same period of last year.

For the nine months ended 30 September 2023, the Group recorded a gross profit of approximately RMB748,329,000, representing an increase of 8.3% compared to the same period of last year. Of which, the gross profit of subscription solutions was approximately RMB513,091,000, representing an increase of 8.2% compared to the same period of last year, and the gross profit of merchant solutions was approximately RMB234,317,000, representing an increase of 9.0% compared to the same period of last year.

For the nine months ended 30 September 2023, the Group's gross profit margin increased from 62.9% in the same period of last year to 69.1% for the current period. Of which, the gross profit margin of subscription solutions increased from 71.7% in the same period of last year to 81.2% for the current period, and the gross profit margin of merchant solutions increased from 49.9% in the same period of last year to 52.3% for the current period.

The Group recorded an operating loss of approximately RMB31,735,000 for the nine months ended 30 September 2023, representing a decrease of 93.8% compared to an operating loss of approximately RMB510,487,000 for the same period in last year.

For the three months ended 30 September 2023, the Group recorded a revenue of approximately RMB358,198,000, representing a decrease of 3.1% compared to the same period of last year. Gross profit margin for the three months ended 30 September 2023 increased from 67.5% in the same period of last year to 68.9% in the current period.

For the three months ended 30 September 2023, the Group recorded an operating loss of approximately RMB20,470,000, representing a decrease of 43.7% compared to an operating loss of approximately RMB36,375,000 for the same period of last year.

The board of directors (the "Board") does not recommend the payment of any dividend for the nine months ended 30 September 2023.

FINANCIAL RESULTS

The Board of the Company announces the unaudited condensed consolidated results of the Group for the three months and the nine months ended 30 September 2023 (the “reporting period”) together with the comparative unaudited figures for the corresponding periods in 2022 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 (Unaudited) RMB'000	2022 (Unaudited) (Restated) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) (Restated) RMB'000
Revenue	3	358,198	369,576	1,082,492	1,098,851
Cost of sales		(111,265)	(120,292)	(334,163)	(408,049)
Gross profit		246,933	249,284	748,329	690,802
Investment and other income	4	13,981	10,268	44,410	37,233
Other gains and losses, net		2,694	15,380	13,472	18,677
Selling expenses		(165,391)	(175,177)	(496,466)	(649,797)
Administrative expenses		(45,956)	(54,833)	(115,825)	(249,872)
Equity-settled share-based payments		(2,239)	(760)	(8,691)	(23,276)
Amortisation of intangible assets		(20,060)	(20,593)	(60,623)	(61,000)
Other operating expenses	5	(50,432)	(59,944)	(156,341)	(273,254)
Loss from operations		(20,470)	(36,375)	(31,735)	(510,487)
Finance costs		(7,013)	(7,157)	(20,749)	(18,196)
Share of profits/(losses) of associates		-	998	-	(1,426)
Fair value change in financial assets at fair value through profit or loss ("FVTPL")		-	-	2,482	-
Loss before taxation		(27,483)	(42,534)	(50,002)	(530,109)
Income tax (expense)/credit	6	(2,150)	6,403	1,953	8,890
Loss for the period	7	(29,633)	(36,131)	(48,049)	(521,219)
Attributable to:					
Owners of the Company		(1,952)	(1,325)	16,162	(265,612)
Non-controlling interests		(27,681)	(34,806)	(64,211)	(255,607)
		(29,633)	(36,131)	(48,049)	(521,219)
(Loss)/earnings per share (express in RMB per share)	8				
- basic		(0.0001)	(0.0001)	0.0009	(0.0154)
- diluted		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 September 2023		Nine months ended 30 September 2023	
	(Unaudited) RMB'000	(Unaudited) (Restated) RMB'000	(Unaudited) RMB'000	(Unaudited) (Restated) RMB'000
<i>Notes</i>				
Loss for the period	(29,633)	(36,131)	(48,049)	(521,219)
Other comprehensive income:				
<i>Item that may not be reclassified to profit or loss</i>				
Fair value change of equity instruments at fair value through other comprehensive income ("FVTOCI")	-	-	3,063	-
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	1,102	4,356	3,637	12,769
Other comprehensive income for the period, net of tax	1,102	4,356	6,700	12,769
Total comprehensive income for the period, net of tax	(28,531)	(31,775)	(41,349)	(508,450)
Attributable to:				
Owners of the Company	1,391	18,557	39,311	(226,595)
Non-controlling Interests	(29,922)	(50,332)	(80,660)	(281,855)
	(28,531)	(31,775)	(41,349)	(508,450)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

1. General information and basis of presentation

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business in China is Building 6, No. 698 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province, China, and the address of its principal place of business in Hong Kong is Unit 1511, 15/F, Shui On Centre, No. 6-8 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Group is principally engaged in providing merchants with online and offline e-commerce solutions (also known as SaaS (software as a service)) and various payment services.

The unaudited condensed financial information of the Group are presented in Renminbi ("RMB") which is the Group's presentation currency. The functional currency of the Company is Hong Kong Dollars ("HK\$"). The directors of the Company considered presenting the Group's condensed consolidated financial results and financial position in RMB can more closely reflect the Group's business operations and its business environment.

The unaudited condensed financial information for the three and nine months ended 30 September 2023 ("Financial Information") has been prepared by the directors of the Company (the "Directors") in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The amounts included in the Financial Information have been computed in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applicable to the periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

These Financial Information should be read in conjunction with the 2022 annual financial statements. Except as described below in note 2, the accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2022.

2. Adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

- (i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and
- (ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

For deferred tax assets and deferred tax liabilities recognised as a result of the adoption of Amendment of HKAS 12, those balances are presented on net basis if they are qualified for offset under paragraph 74 of HKAS 12.

The following table shows the adjustments for the adoption of Amendments to HKAS 12 recognised for each individual line item affected in condensed consolidated statement of financial position as at 30 September 2023 and 31 December 2022, and the income tax expenses in the condensed consolidated statement of profit or loss and other comprehensive income for nine months ended 30 September 2023 and 2022:

Condensed consolidated statement of financial position	As at			As at		As at
	30 September			31 December		31 December
	2023	Effects of	As at	2022	Effects of	2022
	(before	adoption of	30 September	(before adoption	adoption of	(before adoption
adoption of	Amendments	2023	of Amendments to	Amendments to	of Amendments to	
Amendments	to HKAS 12)	2023	to HKAS 12)	to HKAS 12	to HKAS 12	to HKAS 12
to HKAS 12)	RMB'000	RMB'000	(as presented)	HKAS 12)	HKAS 12	(as presented)
RMB'000	(unaudited)	(unaudited)	(unaudited)	RMB'000	RMB'000	RMB'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Non-current assets						
Deferred tax assets	68,773	1,748	70,521	68,772	2,577	71,349
Non-current liabilities						
Deferred tax liabilities	128,090	2,064	130,154	140,069	2,489	142,558
Equity						
Reserves	1,305,858	(316)	1,305,542	1,258,694	88	1,258,782

Condensed consolidated statement of profit or loss and other comprehensive income	For the nine months ended 30 September					
	2023			2022		2022
	(before	Effects of	As at	(before adoption of	Effects of	(before adoption of
	adoption of	adoption of	2023	Amendments	adoption of	Amendments
Amendments	to HKAS 12)	(as presented)	to HKAS 12)	Amendments to	to HKAS 12)	
to HKAS 12)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
RMB'000	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	
Income tax credit	2,357	(404)	1,953	11,805	(2,915)	8,890

Earnings per share for profit attributable to owners of the Company for the nine months period ended 30 September 2023 are RMB0.0009 as a result of the adoption of Amendments to HKAS 12 (Loss per share for loss attributable to owners of the Company for nine months period ended 30 September 2022: changed from RMB0.0151 to RMB0.0154).

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

3. Revenue

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the period is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue from contracts with customers within the scope of HKFRS 15				
Subscription solutions	209,665	221,777	631,931	660,974
Merchant solutions	147,844	146,661	447,873	430,513
Others	689	1,138	2,688	7,364
	358,198	369,576	1,082,492	1,098,851

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	General trading		Third party payment services		Onecomm		Merchant services		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Primary geographical markets												
- PRC except Hong Kong	-	-	230,331	237,407	-	-	846,311	863,455	4,073	1,058	1,080,715	1,097,920
- Japan	-	-	-	-	-	-	1,158	474	-	-	1,158	474
- Canada	-	-	-	-	-	-	1,160	923	-	-	1,160	923
Segment revenue	-	-	230,331	237,407	-	-	848,629	860,852	4,073	1,058	1,083,033	1,099,317
Intersegment revenue	-	-	-	-	-	-	(541)	(466)	-	-	(541)	(466)
Revenue from external customers	-	-	230,331	237,407	-	-	848,088	860,386	4,073	1,058	1,082,492	1,098,851
Timing of revenue recognition												
Products transferred at a point in time	-	-	57	185	-	-	188,242	185,754	1,031	-	189,330	185,939
Products and services transferred over time	-	-	230,274	237,222	-	-	659,846	674,632	3,042	1,058	893,162	912,912
Total	-	-	230,331	237,407	-	-	848,088	860,386	4,073	1,058	1,082,492	1,098,851

	General trading		Third party payment services		Onecomm		Merchant services		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Primary geographical markets												
- PRC except Hong Kong	-	-	76,770	82,670	-	-	279,102	286,289	1,487	402	357,359	369,361
- Japan	-	-	-	-	-	-	268	115	-	-	268	115
- Canada	-	-	-	-	-	-	814	277	-	-	814	277
Segment revenue	-	-	76,770	82,670	-	-	280,184	286,681	1,487	402	358,441	369,753
Intersegment revenue	-	-	-	-	-	-	(243)	(177)	-	-	(243)	(177)
Revenue from external customers	-	-	76,770	82,670	-	-	279,941	286,504	1,487	402	358,198	369,576
Timing of revenue recognition												
Products transferred at a point in time	-	-	13	33	-	-	67,815	73,567	1,031	-	68,859	73,600
Products and services transferred over time	-	-	76,757	82,637	-	-	212,126	212,937	456	402	269,339	295,976
Total	-	-	76,770	82,670	-	-	279,941	286,504	1,487	402	358,198	369,576

4. Investment and other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Interest income on:				
Bank deposits	5,841	3,102	17,229	6,050
Central Bank	3,000	2,429	9,677	8,162
Loan to other	–	171	–	171
Financial assets at FVTPL	65	–	65	1,512
Total interest income	8,906	5,702	26,971	15,895
Government grants	3,006	260	7,864	7,312
VAT super-credit	556	542	2,539	2,508
Others	1,513	3,764	7,036	11,518
	13,981	10,268	44,410	37,233

5. Other operating expenses

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Research and development expenditures	50,432	57,869	156,272	271,086
Others	–	2,075	69	2,168
	50,432	59,944	156,341	273,254

6. Income tax expense/(credit)

Income tax expense/(credit) has been recognised in profit or loss as follows:

	For the three months ended 30 September 2023		For the nine months ended 30 September 2023	
	(Unaudited) RMB'000	2022 (Unaudited) (Restated) RMB'000	(Unaudited) RMB'000	2022 (Unaudited) (Restated) RMB'000
Current tax				
– The PRC provision	4,850	1,368	10,470	1,425
– The PRC over provision for previous years	–	(863)	(849)	(863)
	4,850	505	9,621	562
Deferred tax	(2,700)	(6,908)	(11,574)	(9,452)
	2,150	(6,403)	(1,953)	(8,890)

PRC Enterprises Income Tax (“EIT”) has been provided at a rate of 25% for the three months and nine months ended 30 September 2023 (Three months and nine months ended 30 September 2022: 25%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months and nine months ended 30 September 2023 (Three months and nine months ended 30 September 2022: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

One of the Group’s subsidiaries operating in Hangzhou, the PRC, was recognised as a High and New Technology Enterprise (“HNTE”) on 30 November 2018 and renewed on 16 December 2021 and were entitled to enjoy an income tax concession at preferential rate of 15% effective from 1 January 2018 and from 1 January 2021 after the renewal for three years. In order to enjoy the preferential rate of 15%, the subsidiary was required to apply for renewal every three years from first year of approval. The applicable tax rate for this subsidiary for the nine months ended 30 September 2023 is 15%.

One of the Group's subsidiaries operating in Beijing (the "Beijing subsidiary"), was recognised as a HNTE in 2020 and was entitled to enjoy an income tax concession at preferential rate of 15% for three years starting from 1 January 2020. In order to continue enjoying the preferential tax rate of 15%, the Beijing Subsidiary has applied for renewal of the HNTE status in 2023 and the Company's Directors have assessed and concluded that the Beijing subsidiary can fulfill the requirements of HNTE status renewal. Therefore, the applicable tax rate for Beijing Subsidiary for the nine months ended 30 September 2023 is estimated to be 15%.

7. Loss for the period

Loss for the period was determined after charging/(crediting):

	For the three months ended 30 September 2023		For the nine months ended 30 September 2023	
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Amortisation of intangible assets	20,060	20,593	60,623	61,000
Amortisation of capitalised contract costs	44,471	49,309	142,025	161,728
(Reversal of allowance)/ allowance for trade receivables, net	-	(2,860)	5,944	(1,232)
(Reversal of allowance)/ allowance for prepayments, deposit and other receivables, net	(99)	(540)	(790)	1,264
Cost of goods sold	1,113	838	2,279	3,376
Depreciation of property, plant and equipment	2,138	1,988	7,260	17,541
Depreciation of right-of-use assets	3,378	6,094	10,034	27,125
Gain on disposal of an associate	-	(292)	-	(762)
Loss/(gain) on early termination of lease	-	1,724	-	(1,265)
Net gain on disposals of property, plant and equipment	(117)	(787)	(414)	(1,397)
Operating lease charges	-	3,631	-	12,313
Research and development staff costs (included in other operating expenses and equity-settled share-based payments)	50,091	57,651	155,734	267,814

8. Earnings/(loss) per share

(a) *Basic earnings/(loss) per share*

The calculation of basic earnings/(loss) per share is based on the earnings for the nine months ended 30 September 2023 attributable to owners of the Company of approximately RMB16,162,000 (for the nine months ended 30 September 2022: losses of approximately RMB265,612,000) and the weighted average number of ordinary shares of approximately 18,343,884,000 (for the nine months ended 30 September 2022: approximately 17,273,170,000) in issue during the nine months ended 30 September 2023.

The calculation of basic loss per share is based on the losses for the three months ended 30 September 2023 attributable to owners of the Company of approximately RMB1,952,000 (for the three months ended 30 September 2022: losses of approximately RMB1,325,000) and the weighted average number of ordinary shares of approximately 18,347,755,000 (for the three months ended 30 September 2022: approximately 17,346,891,000) in issue during the three months ended 30 September 2023.

(b) *Diluted earnings/(loss) per share*

Diluted earnings/(loss) per share is calculated using the weighted average number of ordinary shares outstanding, adjusted for the assumption that all potentially dilutive ordinary shares have been converted. For the three and nine months ended 30 September 2023, the number of shares under the outstanding share options of the Company that were exercisable at the fair value of the average market share price of the Company's shares for the current period was nil. Therefore, there were no ordinary shares with potential dilutive effect in the calculation of diluted earnings per share, and the diluted earnings per share was the same as basic earnings per share (three months and nine months ended 30 September 2022: there was no dilutive effect on the loss per share as the Group recorded a loss, and the exercise of the Company's outstanding share options would result in the decrease in the loss per share).

9. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2023 (nine months ended 30 September 2022: Nil).

10. Share capital

The number of issued shares of the Company was 18,421,642,097 shares as at 30 September 2023.

The number of issued shares of the Company was 18,421,642,097 shares as at the date of this report.

11. Condensed Consolidated Statement of Changes in Equity

	As at 1 January 2023 (As originally presented) RMB'000	Impact of adoption of Amendments to HKAS 12 (note 2) RMB'000	As at 1 January 2023 (As restated) RMB'000	Movements (Unaudited) RMB'000	As at 30 September 2023 (Unaudited) RMB'000
Share capital	154,484	–	154,484	–	154,484
Share premium account	6,420,355	–	6,420,355	–	6,420,355
Share option reserve	48,808	–	48,808	(1,496)	47,312
Shares held for Share Award Scheme	(24,679)	–	(24,679)	9,154	(15,525)
Share Award Scheme reserve	41,353	–	41,353	(3,499)	37,854
Capital reserve	(621,565)	–	(621,565)	(1,242)	(622,807)
Statutory reserve	8,060	–	8,060	–	8,060
Exchange reserve	1,062	–	1,062	20,086	21,148
Financial assets at FVTOCI reserve	(103,556)	–	(103,556)	8,063	(95,493)
Subsidiary's treasury share reserve	(7)	–	(7)	–	(7)
Accumulated losses	(4,511,137)	88	(4,511,049)	15,694	(4,495,355)
Total attributable to owners of the Company	1,413,178	88	1,413,266	46,760	1,460,026
Non-controlling interests	(368,183)	–	(368,183)	(79,418)	(447,601)
Total equity	1,044,995	88	1,045,083	(32,658)	1,012,425

	As at 1 January 2022 (As originally presented) RMB'000	Impact of adoption of Amendments to HKAS 12 (note 2) RMB'000	As at 1 January 2022 (As restated) RMB'000	Movements (Unaudited) RMB'000	As at 30 September 2022 (Unaudited) RMB'000
Share capital	145,036	-	145,036	9,448	154,484
Share premium account	6,098,424	-	6,098,424	321,931	6,420,355
Share option reserve	45,615	-	45,615	643	46,258
Shares held for Share Award Scheme	(43,128)	-	(43,128)	(23,826)	(66,954)
Share Award Scheme reserve	57,364	-	57,364	(37,581)	19,783
Capital reserve	(621,565)	-	(621,565)	-	(621,565)
Statutory reserve	8,060	-	8,060	-	8,060
Exchange reserve	(29,456)	-	(29,456)	39,017	9,561
Financial assets at FVTOCI reserve	(102,827)	-	(102,827)	-	(102,827)
Subsidiary's treasury share reserve	(7)	-	(7)	-	(7)
Accumulated losses	(4,211,050)	(274)	(4,211,324)	(261,007)	(4,472,331)
Total attributable to owners of the Company	1,346,466	(274)	1,346,192	48,625	1,394,817
Non-controlling interests	(9,643)	-	(9,643)	(281,855)	(291,498)
Total equity	1,336,823	(274)	1,336,549	(233,230)	1,103,319

12. Convertible bonds

As at 30 September 2023 and the date of this report, there were no outstanding convertible bonds.

13. Warrants

As at 30 September 2023 and the date of this report, there were no outstanding warrants.

14. Related party transactions

- (a) In addition to those related party transactions and balances disclosed elsewhere in the Financial Information, the Group had the following material transactions with its related parties during the period:

	For the three months ended 30 September 2023		For the nine months ended 30 September 2023	
	(Unaudited) RMB'000	2022 (Unaudited) RMB'000	(Unaudited) RMB'000	2022 (Unaudited) RMB'000
Advertising service income received from a related company (exclude VAT)	-	-	-	10
Revenue from a related company	399	401	1,945	3,535
Dividend income from an associate	369	1,641	738	1,641
Administrative expenses paid to a non-controlling interest	(208)	(152)	(580)	(840)
Loans from non- controlling shareholders of a subsidiary	-	-	849	-
Repayment of loans from non-controlling shareholders of a subsidiary	-	-	1,110	-
Commission paid to associates	(358)	(818)	(1,180)	(2,321)

- (b) The remuneration of Directors and other members of senior management during the period was as follows:

	For the three months ended 30 September 2023		For the nine months ended 30 September 2023	
	(Unaudited) RMB'000	2022 (Unaudited) RMB'000	(Unaudited) RMB'000	2022 (Unaudited) RMB'000
Salaries, bonus and allowances	3,787	3,423	11,289	10,757
Equity-settled share- based payments	184	846	1,535	3,877
Retirement benefit scheme contributions	67	88	193	219
	4,038	4,357	13,017	14,853

15. Comparative figures

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023 and certain comparative figures have been re-stated correspondingly. Details are set out in note 2 of the Notes to condensed consolidated financial statements in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Youzan provides merchants with powerful social network-based SaaS systems with multi-channel operations and integrated new retail solutions, applying PaaS cloud service to create business customization options, while providing extended services such as Youzan Worry-free Shopping, Youzan Distribution and Youzan Promotion. We help every merchant who values products and services privatize customer assets, expand internet customer base, improve business efficiency, and help their business comprehensively succeed in all aspects.

We offer a wide variety of cloud-based commerce services to merchants through our subscription solutions, a suite of SaaS products such as Youzan WeiMall, Youzan Store, Youzan Chain, Youzan Beauty and Youzan Education. In addition, leveraging our Youzan Cloud platform and our PaaS capabilities, we also provide customised services for merchants and offer applications by third-party developers on our Youzan App Market.

We also provide merchants with merchant solutions, a series of value-added services to address merchants' online and/or offline operation needs, including payment services, merchandise sourcing and distribution, consumer protection and online traffic monetisation. Merchant solutions mainly include Youzan Worry-free Shopping, Youzan Distribution, and Youzan Promotion.

In the third quarter of 2023, we continued to advance our new retail business. Youzan New Retail primarily consists of two solutions: physical store new retail solution and consumer operations solution. The physical store new retail solution focuses on bakery, coffee and tea beverages, light meals, and mid-to-high-end dining brands and its chain stores. It provides the necessary store operation tools and services for in-store management, social and content platform marketing, group buying, delivery, ordering, and membership operations, catering to the needs of in-store and at-home scenarios, and helps merchants with private domain operations. The consumer operations solution serves retail and chain brand enterprises, based on a "consumer-centric" customer management model. It supports merchants in establishing new retail CRM consumer operations system for effective customer management, empowers sales people in marketing and sales, and combines private domain retention and automated marketing to drive overall performance growth both online and offline.

In the third quarter of 2023, we gathered talents within our company who possess experience in signing and managing large clients and established the “Key Accounts Service Department”. The Key Accounts Service Department is positioned to serve the top-tier customers among all of our merchants. By strengthening our core capabilities in operational services and system implementation, we are dedicated to providing commercialized service offerings with the primary goals of assisting merchants in achieving “customer success” and “GMV growth”, while also generating revenue growth from various services provided by us. In this quarter, apart from serving existing top-tier merchants, the Key Accounts Service Department has also successfully won multiple new projects.

We are continuously exploring the integration of artificial intelligence technology with our SaaS products, reducing the barriers for merchants to learn and use our SaaS products, and improving the efficiency of merchants operating our SaaS products. Meanwhile, many departments in our company have been actively utilizing artificial intelligence. We have already seen significant assistance from artificial intelligence in improving the efficiency of our service and operations work.

In the first three quarters of 2023, the gross merchandise volume generated by the merchants through Youzan’s solutions reached approximately RMB74.9 billion, increased by approximately 1% year-on-year of 2022. The gross merchandise volume of store SaaS business was approximately RMB37.2 billion, accounting for 50% of the gross merchandise volume, representing an increase of approximately 19% year-on-year. The average sales of a single merchant were approximately RMB1,120,000 in the first three quarters of 2023, representing an increase of over 35% year-on-year.

As of 30 September 2023, we had 66,628 paying merchants, of which approximately 66% were those subscribing for e-commerce SaaS; approximately 34% were those subscribing for store SaaS.

The number of new paying merchants in the first three quarters of 2023 was 16,147, of which the new paying merchants of e-commerce SaaS accounted for 62% of the total new paying merchants and the new paying merchants of store SaaS accounted for 38% of the total new paying merchants.

As of 30 September 2023, Youzan had a total of 1,879 employees.

Business Development Strategies

In 2023, we will continue to make continuous improvement in operating efficiency as our primary business objective. While achieving a stable growth in cash income, we will continue to improve operating cash flow and operating results by investing resources in a scientific and rational manner, so as to achieve the long-term sustainable and healthy development of the Company.

We will continue to focus on our core customer base for market expansion purpose and continue to upgrade customer structure in a bid to achieving higher fee renewal rates and higher renewal revenue for the continuous optimization of business results.

We will always adhere to the vision of “customer-centric”, continue to deepen our understanding of core customer base’s business, and take “creating value for customers” as the direction to improve our solution capabilities and help merchants to increase their sales.

Financial Review

Revenue

The Group’s revenue for the period was approximately RMB1,082,492,000 (nine months ended 30 September 2022: approximately RMB1,098,851,000), representing a year-on-year of 2022 decrease of approximately 1.5%, which was mainly attributable to the decrease in revenue from subscription solutions, partially offset by the increase in revenue from merchant solutions.

The following table sets forth the revenue breakdown by major products or service lines for the period indicated.

	For the nine months ended 30 September		
	2023	2022	Changes
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	%
Subscription solutions	631,931	660,974	(4.4)
Merchant solutions	447,873	430,513	4.0
Others	2,688	7,364	(63.5)
Total	1,082,492	1,098,851	(1.5)

Subscription Solutions

Revenue from subscription solutions primarily include subscription fees for SaaS products and a per-transaction cloud service fee for each extra order beyond a pre-specified order number threshold that consumers made to such merchants through SaaS products. Revenue generated from subscription solutions decreased by 4.4% from approximately RMB660,974,000 for the nine months ended 30 September 2022 to approximately RMB631,931,000 for the reporting period, which was mainly attributable to the decrease in the number of paying merchants.

Merchant Solutions

The Group offers merchant solutions which comprise comprehensive value-added services addressing merchant needs that arise in daily operations. Revenue from merchant solutions mainly include transaction service fee charged for transaction service, service fees charged for Youzan Distribution and Youzan Worry-free Shopping. Transaction service fee and service fees for Youzan Distribution and Youzan Worry-free Shopping are determined with reference to the GMV generated by merchants through solutions.

Revenue from merchant solutions was approximately RMB447,873,000 in the reporting period (nine months ended 30 September 2022: approximately RMB430,513,000), representing a year-on-year increase of 4.0%, which was primarily due to the increase in revenue generated from private domain operation service.

Others

Revenue from other businesses was approximately RMB2,688,000 in the reporting period (nine months ended 30 September 2022: approximately RMB7,364,000), representing a year-on-year decrease of 63.5%.

Cost of Sales

The following table sets forth a breakdown of costs by nature for the periods indicated.

	For the nine months ended 30 September 2023 (Unaudited)		2022 (Unaudited)		Changes
	RMB'000	Percentage	RMB'000	Percentage	%
		(%)		(%)	
Staff costs	88,372	26.4	119,072	29.2	(25.8)
Server and SMS costs	31,764	9.5	70,072	17.2	(54.7)
Transaction costs	127,292	38.1	151,953	37.2	(16.2)
Costs of goods sold	2,279	0.7	3,376	0.8	(32.5)
Technology services expenses	16,324	4.9	13,664	3.3	19.5
Contracted operation services costs	20,909	6.3	10,747	2.6	94.6
Taxes and surcharges	5,077	1.5	5,429	1.3	(6.5)
Insurance premium costs	14,680	4.4	8,831	2.2	66.2
Others	27,466	8.2	24,905	6.2	10.3
Total	334,163	100.0	408,049	100.0	(18.1)

The Group's costs of sales in the reporting period were approximately RMB334,163,000 (nine months ended 30 September 2022: approximately RMB408,049,000), representing a year-on-year decrease of 18.1%, which was mainly because (i) staff costs decreased by 25.8% from approximately RMB119,072,000 in the same period of last year to approximately RMB88,372,000 in the reporting period, due to the decrease in headcount as a result of the optimization of the organization structure, (ii) server costs decreased by 54.7% from approximately RMB70,072,000 in the same period of last year to approximately RMB31,764,000 in the reporting period, mainly due to precise costs control measures, and (iii) transaction costs decreased by 16.2% from approximately RMB151,953,000 for the same period of last year to approximately RMB127,292,000 for the reporting period, mainly due to the Group's continuing optimization on cost structure of transaction service. Meanwhile, the decrease in cost of sales was partially offset by a 94.6% increase in contracted operation services costs from approximately RMB10,747,000 in the same period of last year to approximately RMB20,909,000 in the reporting period, which was in line with the increase in revenue from private domain operation service.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit for the reporting period of approximately RMB748,329,000 (nine months ended 30 September 2022: approximately RMB690,802,000), representing a year-on-year increase of 8.3%, due to the increase of gross profit from subscription solutions as well as merchant solutions.

The Group's gross profit margin increased from 62.9% in the same period of 2022 to 69.1% in the reporting period, which was mainly due to the increase in gross profit margin of subscription solutions as well as merchant solutions.

	For the nine months ended 30 September 2023 (Unaudited)		2022 (Unaudited)	
	RMB'000	Gross profit margin (%)	RMB'000	Gross profit margin (%)
Subscription solutions	513,091	81.2	474,043	71.7
Merchant solutions	234,317	52.3	214,893	49.9
Others	921	34.3	1,866	25.3
Total	748,329	69.1	690,802	62.9

Subscription Solutions

The gross profit of subscription solutions for the reporting period was approximately RMB513,091,000 (nine months ended 30 September 2022: approximately RMB474,043,000), representing a year-on-year increase of 8.2%. The increase in gross profit was mainly due to the decrease in staff costs and server costs brought by precise costs control measures. The gross profit margin increased from 71.7% for the nine months ended 30 September 2022 to 81.2% for the reporting period, mainly due to the decrease in the cost of sales of subscription solutions.

Merchant Solutions

The gross profit of merchant solutions for the reporting period was approximately RMB234,317,000 (nine months ended 30 September 2022: approximately RMB214,893,000), representing an increase of 9.0%, which was mainly due to the optimization of cost structure of transaction service. The gross profit margin increased from 49.9% in the nine months ended 30 September 2022 to 52.3% in the nine months ended 30 September 2023, mainly due to the increase in gross profit margin of transaction service contributed by the optimization of cost structure.

Others

Other gross profit for the reporting period was approximately RMB921,000 (nine months ended 30 September 2022: approximately RMB1,866,000).

Expenses and Others

The Group recorded a 23.6% decrease compared with the same period in 2022 in selling expenses to approximately RMB496,466,000 (nine months ended 30 September 2022: approximately RMB649,797,000). It was mainly due to the reduction in sales personnel which led to the decrease in sales staff costs and the decrease in channel commission expenses.

The Group recorded a 53.6% decrease compared with the same period in 2022 in administrative expenses to approximately RMB115,825,000 (nine months ended 30 September 2022: approximately RMB249,872,000). It was mainly due to the one-off severance compensation payments of approximately RMB90,772,000 during the nine months ended 30 September 2022, and the decrease in administrative personnel which resulted in a reduction in administrative labor expenses.

The Group recorded a 42.8% decrease compared with the same period in 2022 in other operating expenses to approximately RMB156,341,000 (nine months ended 30 September 2022: approximately RMB273,254,000). The decrease was mainly attributable to the reduction in research and development expenses as a result of the rational arrangement of research and development investment and the optimization of the organizational structure to reduce the research and development staff costs by the Group.

The Group recorded a 62.7% decrease compared with the same period in 2022 in equity-settled share-based payment to approximately RMB8,691,000 (nine months ended 30 September 2022: approximately RMB23,276,000).

The Group recorded a 19.3% increase compared with the same period in 2022 in investment and other income to approximately RMB44,410,000 (nine months ended 30 September 2022: approximately RMB37,233,000). It was mainly due to the increase in bank interest income.

The Group recorded a 27.9% decrease compared with the same period in 2022 in other net gains to approximately RMB13,472,000 (nine months ended 30 September 2022: approximately RMB18,677,000). It was mainly due to the decrease in foreign exchange gains.

The Group recorded a 14.0% increase compared with the same period in 2022 in finance costs to approximately RMB20,749,000 (nine months ended 30 September 2022: approximately RMB18,196,000), which was mainly due to the increase in interest expenses on bank loans, partially offset by the decrease in interest expenses of lease liabilities in relation to leases of office premises.

Non-HKFRS measures

	For the nine months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss from operations	(31,735)	(510,487)
– Equity-settled share-based payments	8,691	23,276
– Depreciation of property, plant and equipment	7,260	17,541
– Depreciation of right-of-use assets	10,034	27,125
– Amortization of intangible assets	60,623	61,000
– One-off severance packages	10,213	90,772
– Other (gains)/losses, net	(13,472)	(18,677)
– Investment and other income	(44,410)	(37,233)
Adjusted earnings/(loss) before interest, tax, depreciation and amortization	7,204	(346,683)
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	(Restated) RMB'000
Loss for the period	(48,049)	(521,219)
– Equity-settled share-based payments	8,691	23,276
– Amortization of intangible assets	60,623	61,000
– Impairment of investment in an associate	–	2,790
– One-off severance packages	10,213	90,772
– Adjusted for tax on non-HKFRS adjustments	(9,093)	(9,150)
Adjusted non-HKFRS earnings/(loss) for the period	22,385	(352,531)

Note: These unaudited non-HKFRS measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies.

Dividends

No dividend was distributed during the reporting period. The Board does not recommend the payment of dividend for the nine months ended 30 September 2023 (for the nine months ended 30 September 2022: Nil).

Pledge of Assets

As at 30 September 2023, the Group had no pledge of assets.

Financial Resources and Liquidity

As at 30 September 2023, the Group had cash and cash equivalents of approximately RMB853,058,000 (as at 31 December 2022: approximately RMB889,944,000).

As at 30 September 2023, the Group had bank borrowings of approximately RMB480,448,000 (as at 31 December 2022: RMB480,986,000).

Contingent Liabilities

One of the Group's subsidiaries in Hangzhou (the "Hangzhou Subsidiary") received a court summon in relation to trademark infringement dispute for which the plaintiff claimed for total economic loss and legal cost of RMB1.5 million from the Hangzhou Subsidiary and 2 other defendants. The Group's management and internal legal counsel assessed the likelihood that the Hangzhou Subsidiary needs to pay any compensation as low. The Directors of the Company are of the opinion that it is not probable that an outflow of economic benefits will be required to settle the case, and therefore disclosed as contingent liability.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 September 2023.

Foreign Exchange

Exposure Since the Group's operations are mainly located in the PRC, its transactions, monetary assets and liabilities are primarily denominated in Renminbi. The Group monitors its foreign currency risks and will consider hedging significant currency exposures should the need arises.

Employees

As at 30 September 2023, the Group has approximately 1,879 employees (as at 31 December 2022: 1,952). Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include performance bonus, share options and share awards etc.. The Directors believe that good quality of its employees is a company asset which affects growth and improves profitability. The Group recognizes the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

Significant Investment and Acquisition

On 23 May 2023, the Company entered into sale and purchase agreement with (i) Whitecrow Investment Ltd., (ii) V5.Cui Investment Ltd., (iii) Rory Huang Investment Ltd., (iv) Youzan Teamwork Inc., (v) Qima Teamwork Inc., (vi) Xincheng Investment Limited, (vii) Baidu (Hong Kong) Limited, (viii) Aves Capital, LLC, (ix) Hillhouse KDWD Holdings Limited, (x) Ralston Global Holdings Limited, (xi) Hangzhou San Ren Yan Xing Investment Partnership (LLP) (杭州三仁焱興投資合夥企業(有限合夥)), (xii) Franchise Fund LP, (xiii) Happy Zan Holdings Limited, (xiv) Tembusu HZ II Limited, (xv) Matrix Partners China III, LP, (xvi) Matrix Partners China III-A, LP, (xvii) GCYZ Holdings Limited and (xviii) GCQM Holdings Limited (collectively, the "Sellers") (the "Sale and Purchase Agreement"), pursuant to which the Company has conditionally agreed to acquire, and each of the Sellers has conditionally and severally agreed to sell 812,310,975 ordinary shares of Youzan Technology Inc. ("Youzan Technology"), representing approximately 48.10% of the issued share capital of Youzan Technology as at 23 May 2023 in aggregate, at a total consideration of HK\$2,618,999,998.02, which shall be satisfied entirely by the Company allotting and issuing the consideration shares to the Sellers at completion of the acquisition.

Upon completion of the acquisition, Youzan Technology will become a direct wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the accounts of the Company.

For further details of the Sale and Purchase Agreement and related updates, please refer to the announcements of the Company dated 23 May 2023, 13 June 2023, 15 June 2023, 5 July 2023, 12 July 2023, 4 August 2023, 4 September 2023, 29 September 2023 and 31 October 2023.

Save as disclosed above, the Group did not have any other significant investments or material acquisitions as at the date of this report.

Event after the Reporting Period

There were no significant events occurred after the reporting period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Long position in Shares

Directors	Interest in shares	Interest in underlying shares	Total interest in shares	Shareholding (%)
Mr. Zhu Ning	1,440,601,703 <i>(Note 1)</i> 363,170,101 <i>(Note 2)</i> 28,000,000	100,000,000 <i>(Note 4)</i> 1,000,000 <i>(Note 6)</i>	1,932,771,804	10.49
Mr. Cui Yusong	241,885,127 <i>(Note 3)</i> 8,900,000	20,000,000 <i>(Note 5)</i> 1,000,000 <i>(Note 6)</i>	271,785,127	1.48
Mr. Yu Tao	13,848,000	15,000,000 <i>(Note 5)</i> 1,000,000 <i>(Note 6)</i>	29,848,000	0.16
Ms. Ying Hangyan	852,000	15,000,000 <i>(Note 5)</i> 1,000,000 <i>(Note 6)</i>	16,852,000	0.09
Dr. Fong Chi Wah	1,000,000	–	1,000,000	0.01
Mr. Li Shaojie	1,000,000	–	1,000,000	0.01

Note 1: The shares are held by Whitecrow Investment Ltd. (“Whitecrow Investment”). Whitecrow Investment is a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Zhu Ning.

Note 2: The shares are held by Youzan Teamwork Inc. (“Youzan Teamwork”). Youzan Teamwork is a company incorporated in the British Virgin Islands with limited liability and is owned as to 8% by Mr. Zhu Ning and 18% by Whitecrow Investment, which is in turn 100% beneficially owned by Mr. Zhu Ning.

Note 3: The shares are held by V5.Cui Investment Ltd. (“V5.Cui”). V5.Cui is a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Cui Yusong.

Note 4: The Company granted such share options under the New Share Option Scheme on 9 September 2019, and was approved at the special general meeting on 14 October 2019. The share options are valid until 30 June 2024 and have an exercise price of HK\$1.00.

Note 5: The Company granted such share options under the New Share Option Scheme on 9 September 2019, and was approved at the special general meeting on 14 October 2019. The share options are valid until 30 June 2024 and have an exercise price of HK\$0.90.

Note 6: The Company granted such share options under the Share Option Scheme on 20 January 2023. The share options are valid until 19 January 2028 and have an exercise price of HK\$0.385.

Save as disclosed above, as at 30 September 2023, none of the Directors nor chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

Save as disclosed below, as at 30 September 2023, there was no other person (other than a director or chief executives of the Company) who had any interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long Position in Shares

Name of Substantial Shareholders	Capacity	Number of interest in shares	Shareholding (%)
Whitecrow Investment <i>(Note 1)</i>	Beneficial owner	1,440,601,703	7.82
Double Peace Limited <i>(Note 1)</i>	Interests of controlled corporation	1,440,601,703	7.82
Tricor Equity Trustee Limited <i>(Note 1)</i>	Trustee	1,440,601,703	7.82
Poyang Lake Investment Limited <i>(Note 2)</i>	Beneficial owner	1,036,766,038	5.63
Tencent Holdings Limited <i>(Note 2)</i>	Interests of controlled corporation	1,036,766,038	5.63

Note 1: Whitecrow Investment is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Double Peace Limited. Mr. Zhu Ning is the settlor of a discretionary trust which holds the entire issued share capital of Double Peace Limited. Tricor Equity Trustee Limited holds the entire issued share capital of Double Peace Limited as trustee of the discretionary trust.

Note 2: Poyang Lake Investment Limited is a wholly-owned subsidiary of Tencent Holdings Limited (Stock Exchange Stock Code: 700), which is deemed to be interested in the shares held by Poyang Lake Investment Limited for the purpose of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As at 30 September 2023, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Company's specific enquiry, each director has confirmed that during the nine months ended 30 September 2023, he/she had complied with the required standard of dealings and the code of conduct.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("Code") in Appendix 15 to the GEM Listing Rules.

The Company has complied with the provisions of the Code during the nine months period ended 30 September 2023, except for the deviation from code provision C.2.1 of the Code, details of which are set out in the paragraph headed "Chairman and Chief Executive Officer" of this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual.

Since 19 February 2021, Mr. Zhu Ning, who has been an executive director and the chief executive officer of the Company since May 2018, has also been appointed as the chairman of the Board. Such practice deviates from the code provision C.2.1 of the Code.

Mr. Zhu Ning has been the key leadership figure since joining the Group who has primarily participated in formulation of business plans, strategies and major decisions of the Group, and has been responsible for the overall management of the Group. Taking into account the continuation of the implementation of our business plans, the Directors consider that Mr. Zhu is the best candidate for both positions and this arrangement is beneficial and in the interests of our Company and the shareholders as a whole. Therefore, the Board considers the deviation from the code provision C.2.1 of the Code is appropriate in such circumstances.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) in compliance with the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Deng Tao and Mr. Li Shaojie. The Audit Committee is chaired by Dr. Fong Chi Wah. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group.

The Audit Committee has reviewed the Company’s unaudited condensed consolidated results and quarterly report for the nine months ended 30 September 2023 and is of the opinion that such results have complied with the applicable accounting standards and the requirements under the GEM Listing Rules.

By order of the Board
China Youzan Limited
Zhu Ning
Chairman

Hong Kong, 9 November 2023

As at the date of this report, the Board comprises the following Directors:

Executive Directors

Mr. Zhu Ning
Mr. Cui Yusong
Mr. Yu Tao
Ms. Ying Hangyan

Independent Non-executive Directors

Dr. Fong Chi Wah
Mr. Deng Tao
Mr. Li Shaojie

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