China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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.

This announcement, for which the directors (the "Directors") of China Youzan Limited (the "Company", together with its subsidiaries, the "Group" or "We" or "Youzan") 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 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.

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	Changes
	RMB'000	*RMB'000*	%
		(Restated)	
Revenue	**1,170,693**	586,287	99.7%
Gross profit	**607,582**	198,211	206.5%
Gross profit margin (%)	**51.9%**	33.8%	53.6%
Loss before tax	**(1,012,351)**	(772,093)	31.1%
Loss for the year	**(915,569)**	(725,907)	26.1%
Loss attributable to owners of the Company	**(591,874)**	(431,459)	37.2%

FINANCIAL POSITION HIGHLIGHTS

	As at 31 December		
	2019	2018	Changes
	RMB'000	*RMB'000*	%
		(Restated)	
Current assets	**6,337,493**	2,405,612	163.4%
Non-current assets	**4,161,367**	4,278,323	(2.7%)
Total assets	**10,498,860**	6,683,935	57.1%
Current liabilities	**6,106,953**	2,456,364	148.6%
Non-current liabilities	**492,860**	343,105	43.6%
Total liabilities	**6,599,813**	2,799,469	135.8%
Net current assets/(liabilities)	**230,540**	(50,752)	554.2%
Equity attributable to owners of the Company	**3,658,468**	3,328,439	9.9%
Non-controlling interests	**240,579**	556,027	(56.7%)
Total equity	**3,899,047**	3,884,466	0.4%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

In 2019, the number of our merchants continuously increased. As at 31 December 2019, the number of paying merchants was 82,343, increased 40% as compared with the number of 58,981 as at 31 December 2018. The number of new paying merchants is 54,702 in 2019.

The Gross Merchandise Volume ("GMV")[1] generated by merchants through Youzan's SaaS Products reached RMB64.5 billion in 2019, representing a substantial increase by 95% as compared to the GMV of 2018.

Our SaaS business is in the stage of building-up eco-system with high-speed development. The e-commerce SaaS product, Youzan Weimall, provides merchants with a one-stop solution in building up online stores for traditional merchants, internet merchants and KOLs. Registered merchants are accessible to more than 1,800 functions to manage their online stores. The store SaaS products, mainly consisting of Youzan Retail, Youzan Beauty and Youzan Education, provide merchants with one-stop solutions in improving the operation efficiency of their physical stores. At present, the store SaaS is in the stage of product updated and monetization progressed altogether.

We have charged merchants with "Cloud Service Fee" since July 2019. The Cloud Service Fee is charged on the extra orders beyond the free order number specified in the SaaS contract. The Cloud Service Fee is a milestone in the path of our monetization progress, which proves that Youzan's monetization value is positively related to merchants' business scale.

Youzan Cloud, the PaaS platform, has been improved continuously. Youzan Cloud aims to create ecological products with more value for merchants by aggregating third-party development resources to help merchants realizing customization in terms of business process, page template, visual components, business logic, and interface messages based on the existing standardized SaaS products. In 2019, the number of third party developers of Youzan Cloud reached to 42,000 and the number of merchants who ordered in Youzan Cloud APP store reached to 36,000. Besides, the ability to meet merchants' customization need in a scalable way with Youzan Cloud PaaS platform increases our ability to serve top-tier merchants.

[1] *The total value of all confirmed transactions for products and services of Qima Holdings Limited and its subsidiaries ("Youzan Group"), regardless of whether the goods are delivered or returned or how such orders are settled.*

BUSINESS OVERVIEW (Continued)

We provide multiple extended services to merchants, such as Youzan Guarantee, Youzan Distribution, in order to meet merchants' various business needs, which exercises Youzan's mission to help every merchant who values products and services to succeed. One of our extended services, Youzan Guarantee, is a service to protect consumer right and build a safe online shopping environment. Youzan Guarantee boosts consumers to make orders and increase the sales of merchants who use this service. Youzan Guarantee is very welcome among merchants in 2019. The number of merchants who use Youzan Guarantee increased significantly.

We launched "Service Market" in September 2019. Merchants with the requirements of store decoration, commodity picture, operation service, customer service, short video, can reach and make deal with professional service providers in our Service Market. The launch of the Service Market not only meet the needs of the operation service of merchants but also is a very significant move to improve our open eco-system.

As at 31 December 2019, we have 2,941 employees, with 40% of sales, 36% of product and technology, 18% of service and operation and 6% of management and support.

In 2019, Youzan sales team is getting more mature with the increased number of sales staff and increased sales efficiency. At the end of 2019, we have the direct sales team in five cities of Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou. Our distribution partners almost cover the whole country.

In 2019, Youzan guarantees of system availability rate of 99.99%, peak of process speed of over 60,000 orders per second and page opening speed within 1.05 second, therefore to ensure merchants' stable business operation and consumers' good shopping experience. This is built on the accumulation of Youzan's continuous and significant investments on both system and product technology over the years.

In April 2019, the Company issued a total of 1,719,030,188 Subscription Shares that were subscribed by five investors including a wholly-owned subsidiary of Tencent. The gross proceeds from the issue of the Subscription Shares are approximately HK$911,100,000.

In August 2019, Qima Holdings Ltd., a non-wholly owned subsidiary of Youzan, issued Qima Warrant to Baidu Online. Baidu Online was entitled to subscribe for 17,737,531 Qima Warrants shares with an aggregate exercise price of US$29,999,823 and a deposit in RMB equivalent of the aggregate exercise price of US$29,999,823 was paid in full by Baidu Online.

Future Business Strategies

Our future business plan has been made based on our mission, which is to help every merchant who values products and services to succeed. To help the merchants to succeed is to help them improve business efficiency and expand the business scale by providing better solutions to satisfy their business needs.

Youzan helps merchants to do business in multi-channels. With our SaaS products, merchants can start the storefronts in multiple platforms with only one backstage to manage products, orders, funds, inventories, members, etc. We believe that as long as there is on-line traffic, there will be e-commerce. We will continuously help merchants to open their storefronts in multi-channels to acquire more traffic. Meanwhile, we could explore more industries and serve more kinds of merchants to increase the number of our merchant by covering more operation channels.

Youzan provides merchants with live-streaming e-commerce solutions. Live-streaming e-commerce is a new trend born in 2019. Live-streaming e-commerce improves consumers' on-line shopping experience; meanwhile, a live-streaming e-commerce could broadcast to more consumers at the same time, it improves the merchant's business efficiency and increases the sales. As a pioneer in live-streaming e-commerce, Youzan provides merchants with multiple live-streaming e-commerce solutions that enable merchants to do business with live-streaming in multi-channels. In the future, we will expand our advantages in live-streaming e-commerce sector and continuously work with more platforms which have live-streaming module and help our merchants to do business in more channels with live-streaming.

Youzan improves the ability to serve top-tier merchants. With the help of Youzan Cloud PaaS platform, we could realize merchants' customization need in a scalable way, which enable us to serve top-tier merchants efficiently. The customization needs of merchants are similar in some ways. Youzan Cloud PaaS platform modulizes the solutions that meet merchants' need and reduce merchants' R&D cost and increase the R&D efficiency. Besides, we have an experienced team of merchant service with experts in multiple industries and advisors of business operation, providing guidance, training and business advice to merchants for multi-channel operation, that improves our ability to serve top-tier merchants and will draw more top-tier merchants to use Youzan's products.

BUSINESS OVERVIEW (Continued)

Future Business Strategies (Continued)

Youzan devotes to build a healthy e-commerce ecosystem. Youzan provides extended services such as Youzan Distribution and Youzan Guarantee to improve business efficiency and to satisfy merchants' requirement. Meanwhile, Youzan put resource to protect consumers' rights. A healthy e-commerce ecosystem could impel merchants to provide quality commodities and services, and improve consumers' shopping experience and then increase spending. This has positive value to attract more quality merchants to use Youzan's products and services. Besides, the ability of building-up a healthy e-commerce ecosystem is a foundation for Youzan to work with more partners.

We have great faith that our target addressable market is huge. Merchants' demand for digitalization is increasingly high and urgent. With our e-commerce SaaS, merchants can build up the on-line business to increase the sales; with our store SaaS, merchants can manage the on-line and off-line business altogether to improve operation efficiency. Youzan will endeavor to serve more merchants and provide integrated solutions for more numbers of and more comprehensive business scenarios.

FINANCIAL REVIEW

Revenue

In 2019, the Group's overall business performance were good. The Group's revenue was approximately RMB1,170,693,000 (2018: approximately RMB586,287,000 (Restated)), representing an increase of about 99.7% as compared to 2018, which was mainly attributable to the substantial increase in revenue from SaaS and Extended Services of Youzan Group.

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

	For the year ended 31 December		
	2019	2018	Changes
	RMB'000	*RMB'000*	%
		(Restated)	
SaaS and Extended Services	**744,015**	313,185	137.6%
Transaction Fees	**333,725**	235,919	41.5%
Others	**92,953**	37,183	150.0%
Total	**1,170,693**	586,287	99.7%

FINANCIAL REVIEW (Continued)

Revenue (Continued)

SaaS and Extended Services

In 2019, SaaS and extended services income was approximately RMB744,015,000 (2018: approximately RMB313,185,000 (Restated)), representing a year-on-year increase of 137.6%. SaaS income was approximately RMB593,563,000 (2018: approximately RMB242,295,000 (Restated)), representing a year-on-year increase of 145.0%, which was mainly attributable to the increase in the number of paying merchants from 58,981 in 2018 to 82,343 in 2019, and the increase in average revenue per merchant. Extended services income was approximately RMB150,452,000 (2018: approximately RMB70,890,000 (Restated)), representing a year-on-year increase of 112.2%, which was primarily attributable to the increase in GMV and the increased number of merchants using extended services.

	For the year ended 31 December				
	2019		2018		Changes
		Percentage		*Percentage*	
	RMB'000	***(%)***	*RMB'000*	*(%)*	*%*
			(Restated)		
SaaS	**593,563**	**79.8%**	242,295	77.4%	145.0%
Extended Services	**150,452**	**20.2%**	70,890	22.6%	112.2%
Total	**744,015**	**100.0%**	313,185	100.0%	137.6%

Transaction Fees

In 2019, transaction fees income was approximately RMB333,725,000 (2018: approximately RMB235,919,000 (Restated)), representing a year-on-year increase of 41.5%, which was benefited from the increase in GMV generated by merchants using SaaS systems, and was partially offset by the decrease in the original third-party payment business.

Others

In 2019, other income was approximately RMB92,953,000 (2018: approximately RMB37,183,000 (Restated)), representing a year-on-year increase of 150.0%. In 2019, while the Group continued to downsize its Onecomm and general trading businesses strategically, marketing service income of Youzan Group increased significantly, and together with other income still recorded an increase.

FINANCIAL REVIEW (Continued)

Cost

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

	For the year ended 31 December				
	2019		2018		Changes
		Percentage		*Percentage*	
	RMB'000	***(%)***	*RMB'000*	*(%)*	*%*
			(Restated)		
Staff costs	**146,064**	**25.9%**	86,735	22.3%	68.4%
Server costs	**64,136**	**11.4%**	33,218	8.6%	93.1%
Message costs	**13,690**	**2.4%**	7,989	2.1%	71.4%
Transaction costs	**321,691**	**57.1%**	218,588	56.3%	47.2%
Costs of goods sold	**7,735**	**1.4%**	30,708	7.9%	–74.8%
Others	**9,795**	**1.8%**	10,838	2.8%	–9.6%
Total	**563,111**	**100.0%**	388,076	100.0%	45.1%

In 2019, the Group's costs were approximately RMB563,111,000 (2018: approximately RMB388,076,000 (Restated)), representing a year-on-year increase of 45.1%, which was mainly attributable to the increase in transaction costs and staff costs resulted from business expansion. Transaction costs increased by 47.2% from approximately RMB218,588,000 (Restated) in 2018 to approximately RMB321,691,000 in 2019, mainly due to the growth of GMV. Staff costs increased by 68.4% from approximately RMB86,735,000 (Restated) in 2018 to approximately RMB146,064,000 in 2019, mainly due to the increase in staff costs resulted from business expansion. Server costs increased by 93.1% from approximately RMB33,218,000 (Restated) in 2018 to approximately RMB64,136,000 in 2019, primarily attributable to the increase in server usage as a results of business expansion. Message costs increased by 71.4% from approximately RMB7,989,000 (Restated) in 2018 to approximately RMB13,690,000 in 2019, which was mainly due to the expansion of business volume resulting in more message sending usage. Costs of goods sold decreased by 74.8% from approximately RMB30,708,000 (Restated) in 2018 to approximately RMB7,735,000 in 2019, mainly because the Group continued to strategically downsize its general trading business.

FINANCIAL REVIEW (Continued)

Gross Profit and Gross Profit Margin

In 2019, the Group recorded a gross profit of approximately RMB607,582,000 (2018: approximately RMB198,211,000 (Restated)), representing a year-on-year increase of 206.5%. During the Reporting Period, the Group's gross profit margin increased from 33.8% in 2018 to 51.9% in current year. The increase in gross profit and gross profit margin was mainly due to the increase in the proportion of SaaS and extended services business that have high gross profit margin.

	For the year ended 31 December			
	2019		2018	
	RMB'000	***Gross profit margin (%)***	*RMB'000* (Restated)	*Gross profit margin (%)*
SaaS and Extended Services	**534,409**	**71.8%**	191,143	61.0%
Transaction Fees	**3,190**	**1.0%**	12,086	5.1%
Others	**69,983**	**75.3%**	(5,018)	–13.5%
Total	**607,582**	**51.9%**	198,211	33.8%

SaaS and Extended Services

In 2019, the gross profit of SaaS and extended services was approximately RMB534,409,000 (2018: approximately RMB191,143,000 (Restated)), representing a year-on-year increase of 179.6%. The gross profit margin increased from 61.0% in 2018 to 71.8% in 2019. The increase in gross profit and gross profit margin of SaaS and extended services was mainly due to the substantial increase in SaaS income as well as the lower growth rate of staff costs than the growth rate of income.

Transaction Fees

In 2019, the gross profit of transaction fees was approximately RMB3,190,000 (2018: approximately RMB12,086,000 (Restated)), and the gross profit margin decreased from 5.1% in 2018 to 1.0% in 2019, which was mainly due to the Group's concentration on providing payment services for SaaS merchants and downsizing of the original payment business strategically.

FINANCIAL REVIEW (Continued)

Gross Profit and Gross Profit Margin (Continued)

Others

In 2019, other gross profit was approximately RMB69,983,000 (2018: gross loss of approximately RMB5,018,000 (Restated)). The increase in gross profit was due to the increase in the proportion of marketing services business that has high gross profit.

Expenses and Others

In 2019, the Group recorded a 191.8% year-on-year increase in selling and distribution expenses to approximately RMB532,163,000 (2018: approximately RMB182,366,000 (Restated)). The increase was mainly due to the increase in sales personnel which led to the increase in sales staff costs and travelling expenses, and an increase in channel commission expenses.

In 2019, the Group recorded a 24.6% year-on-year increase in administrative expenses to approximately RMB236,809,000 (2018: approximately RMB190,118,000 (Restated)). The increase was mainly due to the increase in staff costs and leasing costs because of business expansion.

In 2019, the Group recorded approximately RMB340,743,000 (2018: approximately RMB189,589,000 (Restated)) of other operating expenses, representing a year-on-year increase of 79.7%, which was primarily attributable to the increase in cash expenditure of research and development.

In 2019, the Group recorded an 45.5% year-on-year decrease in equity-settled share-based payment to approximately RMB136,428,000 (2018: approximately RMB250,148,000 (Restated)). The decrease was primarily due to the number of share awards and the fair value for measurement of Second Awards and Third Awards granted during the year were less than the First Awards of former year.

FINANCIAL REVIEW (Continued)

Expenses and Others (Continued)

In 2019, research and development expenditure (included other operating expenses and equity-settled share-based payments) was approximately RMB404,655,000 (2018: approximately RMB301,337,000 (Restated)). The increase was mainly due to the increase in investment in the research and development on SaaS products and PaaS cloud service products.

In 2019, the Group recorded an investment and other income of approximately RMB28,711,000 (2018: approximately RMB18,523,000 (Restated)), which was primarily attributable to the increase in government subsidies and VAT super-credit.

In 2019, the Group recorded other net losses of approximately RMB192,380,000 (2018: approximately RMB40,284,000 (Restated)), which was primarily attributable to the recognition of impairment loss of RMB193,304,000 (2018: approximately RMB47,133,000 (Restated)) for third-party payment service business.

In 2019, the Group recorded finance costs of approximately RMB22,044,000 (2018: Nil), which mainly included the interest of leasing liabilities and other liabilities.

Dividends

No dividends have been paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

Pledge of Assets

As at 31 December 2019, no unlisted equity securities were pledged as security for borrowings of the underlying investee company (2018: approximately RMB111,000,000 (Restated)). The pledge was released on 29 January 2019.

FINANCIAL REVIEW (Continued)

Financial Resources and Liquidity

As at 31 December 2019, the Company had cash and cash equivalents of approximately RMB746,194,000 (2018: approximately RMB430,726,000 (Restated)).

As at 31 December 2019, the Company had no bank borrowings (2018: Nil).

As at 31 December 2019, the total current assets over the total current liabilities was 1.04 times (2018: 0.98 times).

Capital Commitments and Contingent Liability

Capital commitments as at 31 December 2019 amounted to RMB6.2 million were mainly related to the further investment in a company.

Details of contingent liability of the Group are set out in note 20 to this announcement.

Gearing Ratio

The gearing ratio is measured by total debt as a percentage of total assets. As at 31 December 2019, the ratio of all debt (exclude lease liabilities and non-interest bearing other loan) to total assets was 0% (2018: 0%).

Foreign Exchange Exposure

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

As most sales are made in Renminbi, no hedging arrangement is made to offset the exposures to fluctuations in exchange rates.

Intellectual Property

As at 31 December 2019, the Group had 369 trademarks (2018: 261) registered, of which all trademarks have been approved. At the same time, the Group had 115 software copyrights (2018: 75) and 8 patents (2018: 15).

Employees

As at 31 December 2019, the Group has approximately 2,941 employees (2018: 2,206). 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.

FINANCIAL REVIEW (Continued)

Litigation

As at 31 December 2019, the Group has no material outstanding litigation.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2019 which has included an emphasis of matter paragraph for material uncertainty related to going concern, but without modification of opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a loss of RMB915,569,000 and recorded an operating cash outflow of RMB616,391,000 during the reporting period. As further explained in note 2 to the consolidated financial statements, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of the Company are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	**2019** *RMB'000*	2018 *RMB'000* (Restated)
Revenue	*5*	**1,170,693**	586,287
Cost of sales		**(563,111)**	(388,076)
Gross profit		**607,582**	198,211
Investment and other income	*6*	**28,711**	18,523
Other gains and losses, net	*7*	**(192,380)**	(40,284)
Selling expenses		**(532,163)**	(182,366)
Administrative expenses		**(236,809)**	(190,118)
Equity-settled share-based payments		**(136,428)**	(250,148)
Amortisation of intangible assets		**(193,366)**	(136,310)
Other operating expenses		**(340,743)**	(189,589)
Loss from operations		**(995,596)**	(772,081)
Finance costs		**(22,044)**	–
Share of profits/(losses) of associates, net		**5,289**	(12)
Loss before tax		**(1,012,351)**	(772,093)
Income tax credit	*8*	**96,782**	46,186
Loss for the year	*9*	**(915,569)**	(725,907)
Attributable to:			
Owners of the Company		**(591,874)**	(431,459)
Non-controlling interests		**(323,695)**	(294,448)
		(915,569)	(725,907)
Loss per share (expressed in RMB per share)	*10*		
Basic		**(0.0397)**	(0.0386)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Loss for the year	**(915,569)**	(725,907)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income (FVTOCI)	**(30,983)**	(47,480)
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**30,689**	19,397
Other comprehensive income for the year, net of tax	**(294)**	(28,083)
Total comprehensive income for the year	**(915,863)**	(753,990)
Attributable to:		
Owners of the Company	**(583,503)**	(461,376)
Non-controlling interests	**(332,360)**	(292,614)
	(915,863)	(753,990)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**As at 31 December 2019 *RMB'000***	As at 31 December 2018 *RMB'000* (Restated)	As at 1 January 2018 *RMB'000* (Restated)
Non-current assets				
Property, plant and equipment		**60,812**	37,564	10,621
Long term deposits		**17,490**	11,447	2,351
Right-of-use assets		**205,146**	–	–
Goodwill	*12*	**1,963,409**	2,156,713	581,763
Intangible assets	*13*	**1,632,166**	1,825,329	2,253
Investments in associates		**4,956**	4,017	12,575
Available-for-sale financial assets		**–**	–	90,133
Capitalised contract costs		**9,790**	20,993	–
Loan to an employee		**2,650**	–	–
Deferred tax assets		**167,491**	94,516	–
Financial assets at FVTOCI		**97,457**	127,744	–
Earnest money paid for potential investments		**–**	–	61,000
		4,161,367	4,278,323	760,696
Current assets				
Inventories		**1,517**	1,937	2,257
Trade receivables	*14*	**345**	13	22,289
Prepayments, deposits and other receivables	*15*	**923,581**	408,181	111,556
Capitalised contract costs		**118,793**	70,001	–
Indemnification assets		**5,814**	202,161	–
Loan to related company		**3,000**	–	–
Amount due from a non-controlling shareholder of subsidiaries		**260**	255	246
Amount due from a related company		**1,434**	–	–
Financial assets at fair value through profit or loss (FVTPL)		**–**	30,556	8,043
Restricted bank balances	*16*	**4,573**	430,609	918
Balances with central bank		**4,531,982**	861,729	–
Bank and cash balances		**746,194**	400,170	253,685
		6,337,493	2,405,612	398,994

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2019

	Note	**As at 31 December 2019 *RMB'000***	As at 31 December 2018 *RMB'000* (Restated)	As at 1 January 2018 *RMB'000* (Restated)
Current liabilities				
Trade payables	*17*	**4,013**	6,150	4,150
Accruals and other payables		**383,591**	229,531	27,124
Amount due to a director		**–**	45	3
Contract liabilities		**406,706**	258,969	–
Lease liabilities		**31,477**	–	–
Other loan		**201,337**	–	–
Settlement obligations		**5,069,559**	1,757,313	99,835
Current tax liabilities		**4,456**	2,195	2,104
Withholding tax payables		**5,814**	202,161	–
		6,106,953	2,456,364	133,216
Net current assets/(liabilities)		**230,540**	(50,752)	265,778
Total assets less current liabilities		**4,391,907**	4,227,571	1,026,474
Non-current liabilities				
Contract liabilities		**47,567**	55,921	–
Lease liabilities		**184,148**	–	–
Deferred tax liabilities		**261,145**	287,184	–
		492,860	343,105	–
NET ASSETS		**3,899,047**	3,884,466	1,026,474
Capital and reserves				
Equity attributable to owners of the Company				
Share capital	*18*	**128,665**	111,350	59,217
Reserves		**3,529,803**	3,217,089	975,377
		3,658,468	3,328,439	1,034,594
Non-controlling interests		**240,579**	556,027	(8,120)
TOTAL EQUITY		**3,899,047**	3,884,466	1,026,474

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital *RMB'000*	**Share premium account** *RMB'000*	**Share option reserve** *RMB'000*	**Shares held for Share Award Scheme** *RMB'000*	**Share Award Scheme reserve** *RMB'000*	**Warrant reserve** *RMB'000*	**Other reserves** *(note 19)* *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2018 (Restated)	59,217	1,342,353	98,868	–	–	789	24,632	(491,265)	1,034,594	(8,120)	1,026,474
Adjustments on initial application of – HKFRS 9	–	–	–	–	–	–	21,867	–	21,867	–	21,867
Restated balance at 1 January 2018	59,217	1,342,353	98,868	–	–	789	46,499	(491,265)	1,056,461	(8,120)	1,048,341
Total comprehensive income for the year	–	–	–	–	–	–	(29,917)	(431,459)	(461,376)	(292,614)	(753,990)
Acquisition of interest in a subsidiary without change of control	–	–	–	–	–	–	(56,569)	–	(56,569)	125,174	68,605
Issuance of placing shares	3,085	146,937	–	–	–	–	–	–	150,022	–	150,022
Issuance of Consideration Shares	44,146	2,339,742	–	–	–	–	–	–	2,383,888	–	2,383,888
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	731,587	731,587
Issuance of warrant shares	82	5,798	–	–	–	(15)	–	–	5,865	–	5,865
Allotment of Awarded Shares to Trustee	4,820	294,017	–	(298,837)	–	–	–	–	–	–	–
Equity-settled share-based payments	–	–	1,375	–	248,773	–	–	–	250,148	–	250,148
Release upon lapse of share options	–	–	(12,666)	–	–	–	–	12,666	–	–	–
Fully-vested Awarded Shares transfer to awardees	–	–	–	117,387	(117,387)	–	–	–	–	–	–
Changes in equity for the year	52,133	2,786,494	(11,291)	(181,450)	131,386	(15)	(86,486)	(418,793)	2,271,978	564,147	2,836,125
At 31 December 2018 (Restated)	111,350	4,128,847	87,577	(181,450)	131,386	774	(39,987)	(910,058)	3,328,439	556,027	3,884,466
At 1 January 2019	111,350	4,128,847	87,577	(181,450)	131,386	774	(39,987)	(910,058)	3,328,439	556,027	3,884,466
Total comprehensive income for the year	–	–	–	–	–	–	8,371	(591,874)	(583,503)	(332,360)	(915,863)
Other loan	–	–	–	–	–	–	14,787	–	14,787	–	14,787
Issuance of subscription shares	14,717	764,512	–	–	–	–	–	–	779,229	–	779,229
Allotment of Awarded Shares to Trustee	2,598	132,479	–	(135,077)	–	–	–	–	–	–	–
Issuing shares of a subsidiary to stock incentive plan	–	–	–	–	–	–	(16,912)	–	(16,912)	16,912	–
Equity-settled share-based payments	–	–	9,541	–	126,887	–	–	–	136,428	–	136,428
Release upon lapse of share options	–	–	(32,784)	–	–	–	–	32,784	–	–	–
Fully-vested Awarded Shares transfer to awardees	–	–	–	179,938	(179,938)	–	–	–	–	–	–
Changes in equity for the year	17,315	896,991	(23,243)	44,861	(53,051)	–	6,246	(559,090)	330,029	(315,448)	14,581
At 31 December 2019	128,665	5,025,838	64,334	(136,589)	78,335	774	(33,741)	(1,469,148)	3,658,468	240,579	3,899,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

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 (effective from 15 July 2019) (former address was Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda). The address of its principal place of business is Unit 2708, 27/F, The Center, 99 Queen's Road Central, 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 functional currency of the Company is Hong Kong Dollars ("HK$") and accordingly, the consolidated financial statements of the Group was presented in HK$ in prior years. Starting from 1 January 2019, the Group has changed its presentation currency for the preparation of its consolidated financial statement from HK$ to Renminbi ("RMB"). The directors of the Company considered presenting the Group's consolidated financial results and financial position in RMB can reflect more closely of the Group's business operations and its business environment.

The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if RMB had always been the presentation currency of the consolidated financial statements. The Group has also presented the consolidated statement of financial position as at 1 January 2018 without related notes.

For the purpose of presenting the consolidated financial statement of the Group in RMB, the assets and liabilities for the consolidated statement of financial position are translated into RMB at the closing rate at the respective reporting dates. Income and expenses for the consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Share capital, share premium and other reserves are translated at the exchange rate at the date when the respective amounts were determined. The non-controlling interests presented in the consolidated statement of financial position are translated into RMB at the closing rate at the respective reporting dates.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

2. BASIS OF PREPARATION (Continued)

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

During the reporting period, the Group incurred a net loss of RMB915,569,000 and recorded an operating cash outflow of RMB616,391,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has prepared cash flow projections which cover a period of twelve months from the end of reporting period. The directors of the Company have reviewed the Group's cash flow projections and consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 7.54%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 51 in consolidated financial statement as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018 (HK$369,146,000)	324,458
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(19,886)
– VAT exclude in HKFRS 16 calculation	(14,219)
	290,353
Less: total future interest expenses	(76,473)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019 and lease liabilities recognised as at 1 January 2019	213,880
Of which are:	
Current lease liabilities	31,087
Non-current lease liabilities	182,793
	213,880

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of HKFRS 16		
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	**Carrying amount as at 31 December 2018** *RMB'000*	**Reclassification** *RMB'000*	**Recognition of leases** *RMB'000*	**Carrying amount as at 1 January 2019** *RMB'000*
Assets				
Right-of-use assets	–	1,616	213,880	215,496
Prepayment	1,616	(1,616)	–	–
Liabilities				
Lease liabilities	–	–	(213,880)	(213,880)

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(c) Impact of the financial results and cash flows of the Group (Continued)

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 *RMB'000*	**Add back: HKFRS 16 depreciation and interest expense** *RMB'000*	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(note 1)* *RMB'000*	**Hypothetical amounts for 2019 as if under HKAS 17** *RMB'000*	**Compared to amounts reported for 2018 under HKAS 17** *RMB'000*
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operation	(995,596)	47,072	(51,310)	(999,834)	(772,081)
Finance costs	(22,044)	15,701	–	(6,343)	–
Loss before tax	(1,012,351)	62,773	(51,310)	(1,000,888)	(772,093)
Loss for the year	(915,569)	62,773	(51,310)	(904,106)	(725,907)

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(c) Impact of the financial results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16 *RMB'000*	**Estimated amounts related to operating leases as if under HKAS 17** *(note 1)* *RMB'000*	**Hypothetical amounts for 2019 as if under HKAS 17** *RMB'000*	**Compared to amounts reported for 2018 under HKAS 17** *RMB'000*
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(608,098)	(51,310)	(659,408)	(1,020,639)
Interest element of lease rentals paid	(15,701)	15,701	–	–
Net cash used in operating activities	(616,391)	(35,609)	(652,000)	(1,013,519)
Capital element of lease rentals paid	(35,609)	35,609	–	–
Net cash generated from financing activities	953,607	35,609	989,216	224,492

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The Group has four (2018: four) operating segments as follows:

General trading	–	trading of watches and other goods
Third party payment services	–	provision of third party payment services and related consultancy services in the People's Republic of China (the "PRC")
Onecomm	–	provision of third party payment management services and sales of integrated smart point of sales ("POS") devices
Merchant services	–	provision of e-commerce platform with a variety of SaaS products and comprehensive services in the PRC through Qima Holdings Limited and its subsidiaries ("Youzan Group"), which owns Youzan WeiMall, Youzan Retail, Youzan Beauty and other SaaS products

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's other reportable segment includes certain inactive operations. None of the segments meets any of the quantitative thresholds for determining reportable segment. The information of the other operating segments is included in the 'others' column.

Segment profits or losses do not include equity-settled share-based payments and impairment of goodwill. Segment assets do not include investments in associates, indemnification assets, goodwill, financial assets at FVTOCI, deposits for investments and other corporate assets. Segment non-current assets do not include financial instruments, deferred tax assets and goodwill.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

4. SEGMENT INFORMATION (Continued)

Information about operating segment profit or loss, assets and liabilities:

	General trading *RMB'000*	Third party payment services *RMB'000*	Onecomm *RMB'000*	Merchant services *RMB'000*	Total *RMB'000*
Year ended 31 December 2019					
Revenue from external customers	**1,064**	**169,592**	**430**	**999,607**	**1,170,693**
Intersegment revenue	**–**	**101,077**	**–**	**–**	**101,077**
Segment profit/(loss)	**9**	**(30,018)**	**1,724**	**(625,116)**	**(653,401)**
Interest income	**208**	**339**	**1**	**3,437**	**3,985**
Finance costs	**–**	**(729)**	**–**	**(21,189)**	**(21,918)**
Depreciation and amortisation	**–**	**(15,443)**	**–**	**(240,029)**	**(255,472)**
Share of (losses)/profits of associates	**–**	**(330)**	**–**	**5,619**	**5,289**
Other material items of non-cash items:					
– Allowance for trade receivable	**(821)**	**–**	**–**	**–**	**(821)**
– Reversal of allowance of prepayment, deposits and other receivables	**–**	**2,830**	**1,600**	**–**	**4,430**
– Impairment of prepayment, deposits and other receivables	**–**	**(265)**	**(117)**	**–**	**(382)**
– Impairment of goodwill	**–**	**(193,304)**	**–**	**–**	**(193,304)**
Income tax credit	**–**	**–**	**–**	**96,782**	**96,782**
Additions to segment non-current assets	**–**	**3,721**	**–**	**90,515**	**94,236**
As at 31 December 2019					
Segment assets	**992**	**4,796,011**	**290**	**3,152,248**	**7,949,541**
Investments in associates	**–**	**–**	**–**	**4,956**	**4,956**

4. SEGMENT INFORMATION (Continued)

	General trading *RMB'000*	Third party payment services *RMB'000*	Onecomm *RMB'000*	Merchant services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2018 (Restated)						
Revenue from external customers	23,371	130,416	14	432,486	–	586,287
Intersegment revenue	–	47,293	–	–	–	47,293
Segment loss	(29,214)	(19,636)	(671)	(392,995)	(15)	(442,531)
Interest income	19	1,797	1	11,683	–	13,500
Depreciation and amortisation	(1,270)	(3,849)	(89)	(141,690)	–	(146,898)
Shares of (losses)/profits of associates	–	(3,113)	–	3,101	–	(12)
Other material items of non-cash items:						
– Impairment of prepayment, deposits and other receivables	(380)	(364)	–	–	–	(744)
– Reversal of allowance for other receivables	–	15,205	500	–	–	15,705
– Allowance for trade receivables	(8,498)	(18)	–	–	–	(8,516)
– Allowance for inventories	(2,672)	–	–	–	–	(2,672)
– Impairment of goodwill	–	(47,133)	–	–	–	(47,133)
– Impairment of investments in associates	–	(11,632)	–	–	–	(11,632)
Income tax credit	–	–	–	46,186	–	46,186
Additions to segment non-current assets	3,469	7,417	–	17,920	–	28,806
As at 31 December 2018 (Restated)						
Segment assets	46,032	1,656,497	1,466	2,270,607	–	3,974,602
Investments in associates	–	330	–	3,687	–	4,017

4. SEGMENT INFORMATION (Continued)

Reconciliations of segment revenue, profit or loss and assets:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Total revenue of reportable segments	**1,271,770**	633,580
Elimination of intersegment revenue	**(101,077)**	(47,293)
Consolidated revenue	**1,170,693**	586,287
Profit or loss		
Total loss of reportable segments	**(653,401)**	(442,531)
Equity-settled share-based payments	**(136,428)**	(250,148)
Unallocated amounts:		
Corporate income and expenses, net	**(29,218)**	(32,281)
Impairment of goodwill	**(193,304)**	(47,133)
Consolidated loss before income tax	**(1,012,351)**	(772,093)
Assets		
Total assets of reportable segments	**7,949,541**	3,974,602
Unallocated amounts:		
Goodwill	**1,963,409**	2,156,713
Investment in associates	**4,956**	4,017
Deferred tax assets	**167,491**	94,516
Financial assets at FVTOCI	**97,457**	127,744
Indemnification assets	**5,814**	202,161
Other corporate assets	**310,192**	124,182
Consolidated total assets	**10,498,860**	6,683,935

Geographical information:

No separate analysis of segment information by geographical information is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is the PRC.

Revenue from major customers:

No any customer accounted for 10 percent or more of the Group's revenue for both years 2019 and 2018.

5. REVENUE

(a) Disaggregation of revenue

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

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers within the scope of HKFRS 15		
SaaS and Extended Services	**744,015**	313,185
Transaction fees	**333,725**	235,919
Others	**92,953**	37,183
	1,170,693	586,287

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		Total	
For the year ended 31 December	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Primary geographical markets										
– PRC except Hong Kong	**1,064**	23,371	**270,669**	177,709	**430**	14	**999,607**	432,486	**1,271,770**	633,580
Segment revenue	**1,064**	23,371	**270,669**	177,709	**430**	14	**999,607**	432,486	**1,271,770**	633,580
Intersegment revenue										
– PRC except Hong Kong	**–**	–	**(101,077)**	(47,293)	**–**	–	**–**	–	**(101,077)**	(47,293)
Revenue from external customers	**1,064**	23,371	**169,592**	130,416	**430**	14	**999,607**	432,486	**1,170,693**	586,287
Timing of revenue recognition										
Products transferred at a point in time	**1,064**	23,333	**90**	4,569	**430**	–	**204,669**	49,954	**206,253**	77,856
Products and services transferred over time	**–**	38	**169,502**	125,847	**–**	14	**794,938**	382,532	**964,440**	508,431
Total	**1,064**	23,371	**169,592**	130,416	**430**	14	**999,607**	432,486	**1,170,693**	586,287

5. REVENUE (Continued)

(b) Transaction price allocation to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue as follows:

	SaaS 2019 *RMB'000*	SaaS 2018 *RMB'000* (Restated)
Within 1 year	**406,706**	258,969
More than 1 year but not more than 2 years	**38,370**	40,731
More than 2 years	**9,197**	15,190
	454,273	314,890

6. INVESTMENT AND OTHER INCOME

	2019 *RMB'000*	2018 *RMB'000* (Restated)
Interest income on:		
Bank deposits	**7,408**	7,156
Financial assets at FVTPL	**2,808**	7,435
Total interest income	**10,216**	14,591
Government grants	**6,551**	1,397
VAT super-credit	**8,364**	–
Others	**3,580**	2,535
	28,711	18,523

7. OTHER GAINS AND LOSSES, NET

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Fair value gains on PRC money market fund	–	513
Impairment of investments in associates	–	(11,632)
Impairment of goodwill *(note 12)*	(193,304)	(47,133)
Net foreign exchange (losses)/gains	(3,506)	2,263
Reversal of allowance for other receivables	4,430	15,705
	(192,380)	(40,284)

8. INCOME TAX CREDIT

Income tax has been recognised in profit or loss as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Current tax – the PRC		
Provision for the year	2,232	13
Deferred tax	(99,014)	(46,199)
	(96,782)	(46,186)

PRC Enterprises Income Tax has been provided at a rate of 25% (2018: 25%).

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the year (2018: 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.

8. INCOME TAX CREDIT (Continued)

One of the Group's subsidiary operating in Hangzhou, the PRC, was recognised as an advance technology enterprise（高新技術企業）in 2019 and were entitled to enjoy an income tax concession at preferential rate of 15% effective from 1 January 2019. 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 EIT rate was changed from 25% to 15% since the year beginning 1 January 2019 to 2021.

One of the Group's subsidiary operating in Beijing, the PRC, was recognised as an advance technology enterprise（高新技術企業）in 2017 and were entitled to enjoy an income tax concession at preferential rate of 15% effective from 1 January 2017. 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 EIT rate was changed from 25% to 15% since the year beginning 1 January 2017 to 2019.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Loss before tax	**(1,012,351)**	(772,093)
Tax at the PRC Enterprise Income Tax rate of 25% (2018: 25%)	**(253,088)**	(193,024)
Tax effect of expenses that are not deductible	**114,529**	102,600
Tax effect of income that are not taxable	**(30,116)**	(4,529)
Tax effect of temporary differences not recognised	**4,902**	(14)
Tax effect of unused tax losses not recognised	**9,883**	46,049
Tax effect of utilisation of tax losses not previously recognised	**(7,660)**	(2,321)
Effect of different tax rates of subsidiaries	**64,768**	5,053
Income tax credit	**(96,782)**	(46,186)

9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2019 *RMB'000*	2018 *RMB'000* (Restated)
Amortisation of intangible assets *(note 13)*	**193,366**	136,310
Amortisation of capitalised contract costs	**161,438**	63,367
Acquisition-related cost (included in administrative expenses)	**–**	3,853
Auditor's remuneration	**2,185**	2,112
Allowance for inventories (included in other operating expenses)	**–**	2,672
Allowance for trade receivables *(note 14)*	**821**	8,516
Reversal of allowance for prepayments, deposit and other receivables, net of allowance *(note 15)*	**(4,048)**	(14,961)
Cost of inventories sold	**8,056**	27,916
Depreciation of property, plant and equipment	**16,720**	10,594
Depreciation of right-of-use assets (included in selling expenses and administrative expenses)	**47,072**	–
Impairment of goodwill *(note 12)*	**193,304**	47,133
Impairment of investments in associates	**–**	11,632
Loss on disposals of property, plant and equipment	**107**	–
Loss on early termination of right-of-use assets	**1,194**	–
Operating lease charges (included in selling expenses and administrative expenses)	**12,760**	37,240
Property, plant and equipment written off	**2,321**	1,739
Research and development expenditure (included in other operating expenses and equity-settled share-based payments)	**404,655**	301,337

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately RMB591,874,000 (2018: approximately RMB431,459,000 (Restated)) and the weighted average number of ordinary shares of approximately 14,896,270,000 (2018: approximately 11,189,740,000) in issue during the year.

(b) Diluted loss per share

As exercise of the Group's outstanding share options and warrants for the years ended 31 December 2018 and 2019 would be anti-dilutive, no diluted loss per share was presented for the years ended 31 December 2018 and 2019.

11. DIVIDENDS

No dividends have been paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period. (2018: Nil).

12. GOODWILL

	Third party payment services ("CGU A") *RMB'000*	**Merchant services ("CGU B")** *RMB'000*	**Total** *RMB'000*
Cost			
At 1 January 2018 (Restated)	762,288	–	762,288
Acquisition of subsidiaries	–	1,622,083	1,622,083
At 31 December 2018 (Restated), 1 January 2019 and 31 December 2019	762,288	1,622,083	2,384,371
Accumulated impairment losses			
At 1 January 2018 (Restated)	180,525	–	180,525
Impairment loss recognised in the year	47,133	–	47,133
At 31 December 2018 (Restated) and 1 January 2019	227,658	–	227,658
Impairment loss recognised in the year	193,304	–	193,304
At 31 December 2019	420,962	–	420,962
Carrying amount			
At 31 December 2019	341,326	1,622,083	1,963,409
At 31 December 2018 (Restated)	534,630	1,622,083	2,156,713

12. GOODWILL (Continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill (before any impairment) had been allocated as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Third Party Payment Services (CGU A)	**762,288**	762,288
Merchant Services (CGU B)	**1,622,083**	1,622,083
	2,384,371	2,384,371

Computer software is allocated to third party payment services segment (CGU A). E-commerce applications and distribution network are also allocated to merchant services segment (CGU B). Trademarks with indefinite useful lives are allocated to merchant services segment (CGU B), and its carrying value at end of reporting period is RMB941,331,000 (2018: RMB941,331,000 (Restated)). Details of these intangible assets are set out in note 13 in this announcement.

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method include those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are determined on industry growth rate in foreseeable period based on management experience and on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using terminal growth rate of 3% (2018: 3%). This terminal growth rate does not exceed the average long-term growth rate for the relevant markets. The Group has engaged independent external valuers to assist management to estimate the recoverable amounts of CGUs.

12. GOODWILL (Continued)

At end of reporting period, the pre-tax rates used to discount the forecast cash flows in each CGU of the Group are as follows:

	2019	2018
Third Party Payment Services (CGU A)	**18.6%**	20.5%
Merchant Services (CGU B)	**21.9%**	21.7%

In 2018 interim reporting, management assessed whether there was any indication that the carrying amounts of CGU A and CGU B may be impaired. Revenues from certain customers of CGU A in second quarter of year 2018 had not met previous forecasts principally due to the impact of a policy change by the People's Bank of China prohibiting direct settlement with banks. Management revised the revenue forecast downward and determined the CGU A value in use to be approximately RMB577,137,000 (Restated), and the pre-tax discount rate used to calculate the value in use was 21.6%. As a result, an impairment loss of approximately RMB47,133,000 (Restated) was recognised for CGU A in accordance with HKAS 36 "Impairment of Assets". The impairment loss was fully charged against the goodwill attributable to CGU A. However, the performance of CGU A in the second half of the year 2018 started to recover and the value in use of CGU A estimated at end of reporting period exceeded the carrying amount of CGU A. No impairment amount of the goodwill provided for CGU A in the interim reporting period was reversed by end of the reporting period as such reversal is not permitted by HK(IFRIC) Interpretation 10.

At 31 December 2019, before impairment testing, goodwill of RMB534,630,000 was allocated to CGU A within third party payment services segment. Due to the higher than expected operation risk associated with certain market expansion plans, management decided to abandon these plans during the year and has revised its cash flow forecasts for CGU A. CGU A has been reduced to its recoverable amount of RMB354,000,000 and an impairment loss of RMB193,304,000 was recognised on goodwill.

At 31 December 2019, in CGU B within merchant services segment, the recoverable amount calculated based on value in use exceeded carrying value by approximately RMB1,429 million. Compound annual growth rate "CAGR" of CGU B accounting revenue for year 2019 to year 2024 change from 45.5% to 40.7%, all changes taken in isolation, would remove the remaining headroom.

13. INTANGIBLE ASSETS

	Computer software (internally generated) *RMB'000*	E-commerce applications *RMB'000*	Distribution network *RMB'000*	Trademark *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2018 (Restated)	4,490	–	–	–	4,490
Acquisition of subsidiaries	37	832,949	185,069	941,331	1,959,386
At 31 December 2018 (Restated) and 1 January 2019	4,527	832,949	185,069	941,331	1,963,876
Additions	203	–	–	–	203
At 31 December 2019	4,730	832,949	185,069	941,331	1,964,079
Accumulated amortisation and impairment loss					
At 1 January 2018 (Restated)	2,237	–	–	–	2,237
Charge for the year	468	87,579	48,263	–	136,310
At 31 December 2018 (Restated) and 1 January 2019	2,705	87,579	48,263	–	138,547
Charge for the year	441	124,381	68,544	–	193,366
At 31 December 2019	3,146	211,960	116,807	–	331,913
Carrying amount					
At 31 December 2019	1,584	620,989	68,262	941,331	1,632,166
At 31 December 2018 (Restated)	1,822	745,370	136,806	941,331	1,825,329

The average remaining amortisation period of computer software, E-commerce applications and distribution network are 3 years (2018: 4 years), 5 years (2018: 6 years) and 1 year (2018: 2 years) respectively.

Computer software is allocated to third party payment services segment (CGU A). E-commerce applications and distribution network are allocated to merchant services segment (CGU B).

13. INTANGIBLE ASSETS (Continued)

The trademarks are used in the merchant services segment (CGU B) to enhance products' perceived value and corporate image. The trademarks have legal life of ten years but is renewable every ten years at little cost and is well established. The Group intends to renew the trademark continuously and evidence supports its ability to do so. The trademarks are regarded and assessed to have indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

14. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**17,075**	15,922
Allowance for doubtful debts	**(16,730)**	(15,909)
	345	13

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 25 to 90 days (2018: 25 to 90 days).

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
0 to 90 days	**345**	13
91 to 180 days	**–**	–
181 to 365 days	**–**	–
	345	13

As at 31 December 2019, an allowance was made for estimated irrecoverable trade receivables of approximately RMB16,730,000 (2018: approximately RMB15,909,000 (Restated)).

14. TRADE RECEIVABLES (Continued)

Reconciliation of allowance for trade receivables:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
At 1 January	**15,909**	7,393
Allowance for the year	**821**	8,516
At 31 December	**16,730**	15,909

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Prepayments in relation to advertising services	**412,127**	–
Other prepayments	**120,534**	219,800
Deposits	**30,458**	21,595
Other receivables	**377,952**	178,233
	941,071	419,628
Long term deposits classified as non-current assets	**(17,490)**	(11,447)
	923,581	408,181

As at 31 December 2019, an allowance was made for estimated irrecoverable prepayment, deposits and other receivables of approximately RMB27,576,000 (2018: RMB31,624,000 (Restated)).

Reconciliation of allowance for prepayments, deposits and other receivables:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
At 1 January	**31,624**	46,585
Allowance for the year	**382**	744
Reversal of allowance for the year	**(4,430)**	(15,705)
At 31 December	**27,576**	31,624

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The carrying amounts of the Group's prepayments, deposits and other receivables are denominated in the following currencies:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
RMB	**932,845**	417,657
HKD	**2,011**	1,971
Japanese Yen	**6,215**	–
	941,071	419,628

16. RESTRICTED BANK BALANCES

As at 31 December 2019, the Group had bank balances of approximately RMB266,000 (2018: approximately RMB5,957,000 (Restated)) frozen by a PRC District People's Procuratorate to facilitate legal investigation not related to the Group.

As at 31 December 2019, the Group had bank balances of approximately RMB4,307,000 (2018: Nil) pledged as security of banking facilities.

As at 31 December 2018, the Group had bank balances of approximately RMB424,652,000 (Restated) restricted for fulfillment of settlement obligation.

All restricted bank balances were denominated in RMB.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

17. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
0 to 90 days	**–**	2,666
91 to 180 days	**–**	2,032
181 to 365 days	**–**	–
Over 365 days	**4,013**	1,452
	4,013	6,150

The carrying amounts of the Group's trade payables are denominated in RMB as at 31 December 2018 and 2019.

18. SHARE CAPITAL

		2019			2018		
		Number of shares	**Amount**	**Amount**	Number of shares	Amount	Amount
		'000	***HK'000***	***RMB'000***	*'000*	*HK'000*	*RMB'000*
Authorised:							
Ordinary shares of HK$0.01 each		**20,000,000**	**200,000**	**N/A**	20,000,000	200,000	N/A
Ordinary, issued and fully paid:							
At 1 January		**13,442,530**	**134,425**	**111,350**	6,978,955	69,790	59,217
Share issued under placing	*(a)*	**–**	**–**	**–**	386,000	3,860	3,085
Share issued under subscription	*(b)*	**1,719,030**	**17,190**	**14,717**	–	–	–
Share issued for Consideration Sale Shares		**–**	**–**	**–**	5,516,053	55,160	44,146
Share issued for warrant shares		**–**	**–**	**–**	10,000	100	82
Allotment of Awarded Shares to Trustee		**304,247**	**3,043**	**2,598**	551,522	5,515	4,820
At 31 December		**15,465,807**	**154,658**	**128,665**	13,442,530	134,425	111,350

Note:

(a) The Company entered into placing agreements under Specific Mandate ("SM") with the Placing Agent on 17 March 2017 followed by a supplemental agreement dated 27 March 2017, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, up to 460,000,000 SM Placing Shares. The placing was completed on 16 April 2018, a total of 386,000,000 SM Placing Shares were issued at a price of HK$0.5 per share and the net proceeds from the placing was approximately HK$187,692,000 (approximate RMB150,022,000).

(b) On 2 April 2019, the Company entered into subscription agreements with 5 subscribers in respect of 1,719,030,188 new shares of the Company to be allotted and issued at HK$0.53 per share. The subscriptions were subsequently completed in April 2019 and the net proceeds from the placing was approximately HK$910,175,000 (approximate RMB779,229,000).

18. SHARE CAPITAL (Continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. During current reporting period, the Group refines the definition of debt-to-adjusted capital ratio so as to simplify the calculation process.

Net debt, as newly defined, includes interest-bearing bank loans, other borrowings, accruals and other payables, less cash and cash equivalents. Adjusted capital comprises all components of the Group's equity excluding non-controlling interests. The Group's policy is to maintain a low debt-to-adjusted capital ratio and this policy is unchanged. This policy will be reviewed on an annual basis.

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Other loan	**201,337**	–
Accruals and other payables	**383,591**	229,531
Less: Cash and cash equivalents	**(746,194)**	(430,726)
Excess cash and cash equivalents	**(161,266)**	(201,195)
Total equity excluding non-controlling interests	**3,658,468**	3,328,439
Debt-to-adjusted capital ratio	**N/A**	N/A

The externally imposed capital requirements for the Group is to have a public float of at least 25% of the Company's shares in order to maintain its listing on the Stock Exchange. Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public.

19. OTHER RESERVES

	Capital reserve *RMB'000*	**Statutory reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Financial assets at FVTOCI reserve** *RMB'000*	**Subsidiary's treasury share reserve** *RMB'000*	**Total** *RMB'000*
At 1 January 2018 (Restated)	(830)	8,060	17,402	–	–	24,632
Adjustments on initial application of – HKFRS 9	–	–	–	21,867	–	21,867
Restated balance at 1 January 2018	(830)	8,060	17,402	21,867	–	46,499
Total comprehensive income for the year	–	–	19,399	(49,316)	–	(29,917)
Acquisition of interest in a subsidiary without change of control	(56,569)	–	–	–	–	(56,569)
Changes in equity for the year	(56,569)	–	19,399	(49,316)	–	(86,486)
At 31 December 2018 (Restated)	(57,399)	8,060	36,801	(27,449)	–	(39,987)
At 1 January 2019	(57,399)	8,060	36,801	(27,449)	–	(39,987)
Total comprehensive income for the year	–	–	37,226	(28,855)	–	8,371
Other loan	14,787	–	–	–	–	14,787
Issuing shares of a subsidiary to stock incentive plan	(16,905)	–	–	–	(7)	(16,912)
Changes in equity for the year	(2,118)	–	37,226	(28,855)	(7)	6,246
At 31 December 2019	(59,517)	8,060	74,027	(56,304)	(7)	(33,741)

20. CONTINGENT LIABILITIES

(a) Pursuant to Article 3, Article 37 and Article 39 of the Corporate Income Tax Law of the People's Republic of China (the "Corporate Income Tax Law"), Article 9 of the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprise (State Administration of Taxation Announcement [2017] No. 37, the "No. 37 Announcement"), and Article 62 and Article 69 of the Law of the People's Republic of China on the Administration of Tax Collection (the "Tax Collection Law"), the Company's acquisition of 51% equity interest in Youzan Group during the year ended 31 December 2018 had led to an indirect acquisition of Hangzhou Youzan. Such arrangement shall be re-characterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to Corporate Income Tax ("CIT"). The Group is obliged to act as CIT withholding agent and report the indirect equity transfer (and settle the CIT, if applicable) to the tax authority and the Company may be subject to a fine of not less than 50% but not more than 300% of the amount of CIT that should have been withheld or collected.

The Company has already adequately provided for the withholding tax payables and the sellers agreed to report to the relevant authorities and pay the relevant taxes related to their disposal of 51% equity interest in Youzan Group subject to the Company not being able to perform its withholding obligations under the relevant tax laws and regulations. The sellers further agreed that if any of them does not comply with the relevant tax laws and regulations which lead to the Company being requested to pay such CIT, relevant interests and/or penalties ("Taxes and Penalties") as a tax withholding agent, such seller shall be responsible to the Company for such Taxes and Penalties up to three times of the CIT.

The remaining CIT amounted to RMB5,814,000 as at 31 December 2019 were paid by the seller to relevant tax authority in January 2020.

(b) The Group's operations are under regulating authorities' supervision in the PRC and the Group has not received any material penalty notice during the year. It should be noted that internal regulatory compliance assessment conducted by the Group had identified instance of non-compliance to administrative measures of relevant authority. The possible consequence could be a fine and/or an order to terminate the relevant operation. After consulting the Group's legal counsel, management assessed that the possible fine, if any, could be in the range of RMB100,000 to RMB500,000. The Group's legal counsel also is of the opinion that the risk of being ordered by the authority to terminate the relevant operation without a grace period is not material. Management has already started to implement remedial measures to improve the relevant operation in order to achieve full compliance within reasonable time and to mitigate the possible impact to the Group. The management is of the opinion that this non-compliance will not lead to serious consequence.

Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2019 and 2018.

21. EVENT AFTER REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation as the directors of the Company consider that the new presentation is more relevant and appropriate to the consolidated financial statements. The changes included the reclassification of certain revenue and expenditure items presented in the consolidated statement of profit or loss and other comprehensive income.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Directors' interest in shares

As at the date of this announcement, the interests or short positions of the Directors in the Shares, underlying shares and debentures of the Company or any associated corporation (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 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. Guan Guisen *(Note 1)*	411,592,000	–	411,592,000	2.66%
Mr. Cao Chunmeng	67,420,000	36,000,000 *(Note 2)*	103,420,000	0.67%
Mr. Yan Xiaotian	21,640,000	25,000,000 *(Note 2)*	46,640,000	0.30%
Dr. Fong Chi Wah	1,000,000	3,000,000 *(Note 2)*	4,000,000	0.03%
Mr. Gu Jiawang	1,000,000	3,000,000 *(Note 2)*	4,000,000	0.03%
Mr. Zhu Ning	1,440,601,703 *(Note 3)*	100,000,000 *(Note 6)*	1,903,771,804	12.31%
	363,170,101 *(Note 4)*			
Mr. Yu Tao	363,170,101 *(Note 4)*	20,000,000 *(Note 7)*	383,170,101	2.48%
Mr. Cui Yusong	241,885,127 *(Note 5)*	20,000,000 *(Note 7)*	261,885,127	1.69%
Ms. Ying Hangyan	363,170,101 *(Note 4)*	20,000,000 *(Note 7)*	383,170,101	2.48%

Note 1: The shares are held by Mighty Advantage Enterprises Limited ("Mighty Advantage"). Mighty Advantage is incorporated in the British Virgin Islands and is beneficially owned by Mr. Guan Guisen.

Note 2: The Company granted the share options under New Share Option Scheme on 11 June 2015.The share options is valid until 10 June 2020 and has an exercise price of HK$1.25.

Note 3: The shares are held by Whitecrow Investment Ltd. ("Whitecrow"). Whitecrow is a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Zhu Ning.

Note 4: 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 40% by Mr. Zhu Ning, 10% by Mr. Yu Tao and 10% by Ms. Ying Hangyan.

Note 5: 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 6: The Company granted the share options under New Share Option Scheme on 9 September 2019, and was approved at the extraordinary general meeting on 14 October 2019. The share options is valid until 8 September 2024 and has an exercise price of HK$1.00.

Note 7: The Company granted the share options under New Share Option Scheme on 9 September 2019, and was approved at the extraordinary general meeting on 14 October 2019. The share options is valid until 8 September 2024 and has an exercise price of HK$0.90.

Save as disclosed above, as at the date of this announcement, none of the Directors 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.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the date of this announcement, there was no other person (other than a director or chief executive officer 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.

Name of Directors	Long Position in Shares: Interest in shares	Interest in underlying shares	Total interest in shares	% Shareholding
Mr. Zhu Ning	1,440,601,703 *(Note 1)* 363,170,101 *(Note 2)*	100,000,000 *(Note 3)*	1,903,771,804	12.31%
Poyang Lake Investment Limited *(Note 4)*	1,036,766,038	–	1,036,766,038	6.70%

Note 1: The shares are held by Whitecrow Investment Ltd. ("Whitecrow"). Whitecrow 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 Inc. is incorporated in the British Virgin Islands and is owned as to 40% by Mr. Zhu Ning.

Note 3: The Company granted the share options under New Share Option Scheme on 9 September 2019, and was approved at the extraordinary general meeting on 14 October 2019.The share options is valid until 8 September 2024 and has an exercise price of HK$1.00.

Note 4: Poyang Lake Investment Limited is a wholly-owned subsidiary of Tencent Holdings Limited (Stock Code: 700).

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the Director's interest in shares as at 31 December 2019, the Company was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe the securities of the Company, or had exercised any such right.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2019.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income presented in the preliminary announcement and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Board hereby presents the Corporate Governance Report in the Company's annual report for the year ended 31 December 2019.

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 complied with the Code for the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required 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 had confirmed that during the year ended 31 December 2019, they had fully complied with the required standard of dealings and there was no event of non-compliance.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full information about the Company's performance to shareholders through the publication of quarterly reports and annual reports. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the websites of the Stock Exchange and the Company, which is updated regularly. The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 business days' notice as stipulated in the Company bye-laws. The Chairman, Directors and external auditors are available to answer questions on the Company's businesses at the meeting. The Company values feedback from shareholders on its effort to promote transparencies and foster investor relationships.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board of Directors as set out in Chapter 5 of the GEM Listing Rules throughout year ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors who possess the appropriate business and financial experience and skills to understand financial statements. The current Committee is chaired by Dr. Fong Chi Wah, and the other Audit Committee members are Mr. Gu Jiawang and Mr. Deng Tao. Under its terms of reference for audit committee passed under a directors' resolution dated 30 June 2005, is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements and to monitor compliance with statutory and listing requirements, to engage independent legal or other advisers as it determines is necessary and to perform any investigations. The Audit Committee members held six meetings in 2019.

AUDITORS

At the Company's last Annual General Meeting, RSM Hong Kong was re-appointed as auditor of the Company.

RSM Hong Kong retires, and, being eligible, offers themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong will be put at the forthcoming Annual General Meeting.

By Order of the Board
China Youzan Limited
Guan Guisen
Chairman

Hong Kong, 27 March 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 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.