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China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of China Youzan Limited (the “**Company**”) is pleased to announce the unaudited third quarterly results of the Company and its subsidiaries for the nine months ended 30 September 2022. This announcement, containing the full text of the 2022 third quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of third quarterly results.

By Order of the Board
China Youzan Limited
Zhu Ning
Chairman

Hong Kong, 14 November 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhu Ning, Mr. Cui Yusong, Mr. Yu Tao and Ms. Ying Hangyan; and three independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Deng Tao and Mr. Li Shaojie.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange’s website at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its publication and on the Company’s website at www.chinayouzan.com.

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

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

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

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This report, for which the directors (the “Directors”) of China Youzan Limited (the “Company,” together with its subsidiaries, the “Group,” “Youzan” or “We”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this report or any statement herein misleading.



China Youzan Limited

中國有贊有限公司

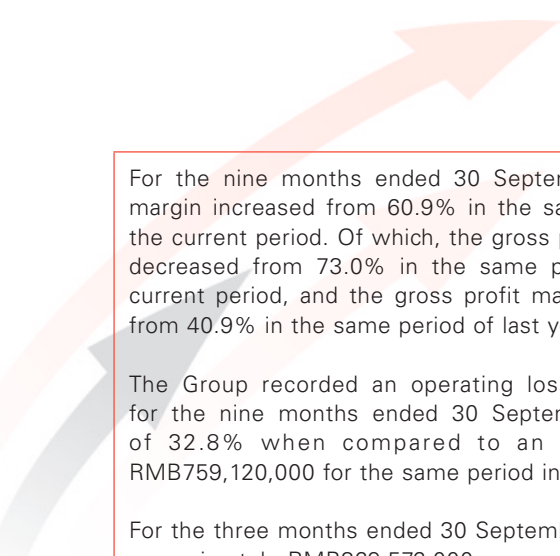
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HIGHLIGHTS

For the nine months ended 30 September 2022, the Group recorded a revenue of approximately RMB1,098,851,000, representing a decrease of 6.6% compared to the same period of last year. Of which, the revenue from subscription solutions was approximately RMB660,974,000, representing a decrease of 10.4% compared to the same period of last year, and the revenue from merchant solutions was approximately RMB430,513,000, representing an increase of 0.7% compared to the same period of last year.

For the nine months ended 30 September 2022, the Group recorded a gross profit of approximately RMB690,802,000, representing a decrease of 3.5% compared to the same period of last year. Of which, the gross profit of subscription solutions was approximately RMB474,043,000, representing a decrease of 12.0% compared to the same period of last year, and the gross profit of merchant solutions was approximately RMB214,893,000, representing an increase of 23.0% compared to the same period of last year.



For the nine months ended 30 September 2022, the Group's gross profit margin increased from 60.9% in the same period of last year to 62.9% for the current period. Of which, the gross profit margin of subscription solutions decreased from 73.0% in the same period of last year to 71.7% for the current period, and the gross profit margin of merchant solutions increased from 40.9% in the same period of last year to 49.9% for the current period.

The Group recorded an operating loss of approximately RMB510,487,000 for the nine months ended 30 September 2022, representing a decrease of 32.8% when compared to an operating loss of approximately RMB759,120,000 for the same period in last year.

For the three months ended 30 September 2022, the Group made revenue of approximately RMB369,576,000, representing a decrease of 0.9% compared to the same period of last year. Gross profit margin for the three months ended 30 September 2022 increased from 61.3% in the same period of last year to 67.5% in the current period.

The board of directors (the "Board") does not recommend the payment of any dividend for the nine months ended 30 September 2022.

FINANCIAL RESULTS

The Board of the Company announces the unaudited consolidated results of the Group for the three months and the nine months ended 30 September 2022 (the “reporting period”) together with the comparative unaudited figures for the corresponding periods in 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue	3	369,576	373,090	1,098,851	1,176,489
Cost of sales		(120,292)	(144,397)	(408,049)	(460,394)
Gross profit		249,284	228,693	690,802	716,095
Investment and other income	4	10,268	12,454	37,233	49,271
Other gains and losses, net		15,380	(1,345)	18,677	(4,025)
Selling expenses		(175,177)	(248,773)	(649,797)	(687,322)
Administrative expenses		(54,833)	(87,864)	(249,872)	(236,850)
Equity-settled share-based payments		(760)	(6,824)	(23,276)	(31,911)
Amortisation of intangible assets		(20,593)	(31,499)	(61,000)	(93,164)
Other operating expenses	5	(59,944)	(174,443)	(273,254)	(471,214)
Loss from operations		(36,375)	(309,601)	(510,487)	(759,120)
Finance costs		(7,157)	(5,591)	(18,196)	(16,826)
Share of profits/(losses) of associates		998	(56)	(1,426)	60
Fair value change in financial assets at fair value through profit or loss ("FVTPL")		-	12,370	-	16,075
Loss before taxation		(42,534)	(302,878)	(530,109)	(759,811)
Income tax credit	6	6,025	2,993	11,805	89,873
Loss for the period	7	(36,509)	(299,885)	(518,304)	(669,938)
Attributable to:					
Owners of the Company		(1,703)	(157,193)	(262,697)	(355,939)
Non-controlling interests		(34,806)	(142,692)	(255,607)	(313,999)
		(36,509)	(299,885)	(518,304)	(669,938)
Loss per share (express in RMB per share)	8				
- basic		(0.0001)	(0.0092)	(0.0152)	(0.0208)
- diluted		N/A	N/A	N/A	N/A

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

	Three months ended 30 September		Nine months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<i>Notes</i>				
Loss for the period	(36,509)	(299,885)	(518,304)	(669,938)
Other comprehensive income:				
<i>Item that may not be reclassified to profit or loss</i>				
Fair value change of equity instruments at fair value through other comprehensive income ("FVTOCI")	-	(3,925)	-	-
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	4,356	(502)	12,769	(7,679)
Other comprehensive income for the period, net of tax	4,356	(4,427)	12,769	(7,679)
Total comprehensive income for the period, net of tax	(32,153)	(304,312)	(505,535)	(677,617)
Attributable to:				
Owners of the Company	18,179	(162,219)	(223,680)	(363,037)
Non-controlling Interests	(50,332)	(142,093)	(281,855)	(314,580)
	(32,153)	(304,312)	(505,535)	(677,617)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

1. General information and basis of presentation

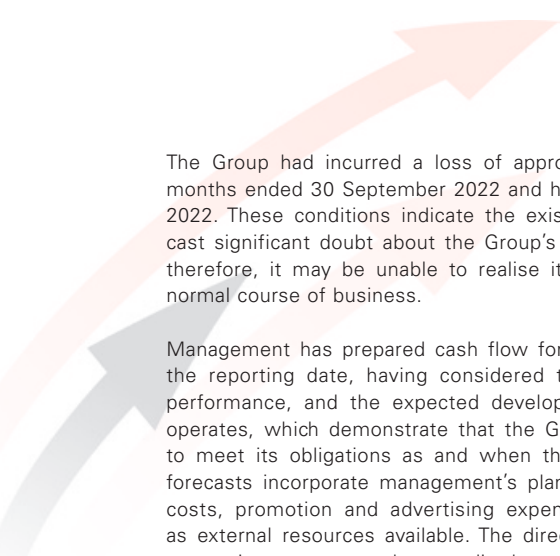
The Company was incorporated in Bermuda with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business in China is Building 6, No. 698 Xixi Road, Xihu District, Hangzhou City, Zhejiang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

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

The unaudited condensed financial information for the nine months ended 30 September 2022 ("Financial Information") has been prepared by the directors of the Company (the "Director") in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

These Financial Information should be read in conjunction with the 2021 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2021.



The Group had incurred a loss of approximately RMB518,304,000 during the nine months ended 30 September 2022 and had net current liabilities as at 30 September 2022. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has prepared cash flow forecasts for a period of twelve months from the reporting date, having considered the Group's historical and expected future performance, and the expected development of the markets in which the Group operates, which demonstrate that the Group will have sufficient financial resources to meet its obligations as and when they fall due for the foreseeable future. The forecasts incorporate management's plans to control operating costs (such as staff costs, promotion and advertising expenses and capital expenditures etc) as well as external resources available. The directors are therefore of the opinion that it is appropriate to prepare the unaudited condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2. Adoption of new and revised Hong Kong Financial Reporting Standard ("HKFRSs")

The accounting policies applied in the financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021. In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these Financial Information.

3. Revenue

Disaggregation of revenue

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue from contracts with customers within the scope of HKFRS 15				
Subscription solutions	221,777	229,484	660,974	737,292
Merchant solutions (note (i))	146,661	138,162	430,513	427,420
Others	1,138	5,444	7,364	11,777
	369,576	373,090	1,098,851	1,176,489

Note:

- (i) Merchant solutions include transaction fee of approximately nil (three months ended 30 September 2021: Nil and nine months ended 30 September 2021: RMB21,603,000) generated from Hangzhou Youzan Technology Co., Ltd. (杭州有贊科技有限公司) (“Hangzhou Youzan”), a subsidiary of the Group, for the three months ended 30 September 2022 and nine months ended 30 September 2022 respectively. Hangzhou Youzan ceased its transaction service in February 2021 and no transaction fee income would be generated afterwards.

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

	General trading		Third party payment services		Onecomm		Merchant services		Others		Total	
	2021		2021		2021		2021		2021		2021	
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
For the nine months ended 30 September												
Primary geographical markets												
- PRC except Hong Kong	-	3,558	237,407	207,760	-	-	859,455	967,526	1,058	5,272	1,097,920	1,184,116
- Japan	-	-	-	-	-	-	474	748	-	-	474	748
- Canada	-	-	-	-	-	-	923	426	-	-	923	426
Segment revenue	-	3,558	237,407	207,760	-	-	860,852	968,700	1,058	5,272	1,099,317	1,185,290
Intersegment revenue	-	-	-	(7,044)	-	-	(466)	(1,757)	-	-	(466)	(8,801)
Revenue from external customers	-	3,558	237,407	200,716	-	-	860,386	966,943	1,058	5,272	1,098,851	1,176,489
Timing of revenue recognition												
Products transferred at a point in time	-	3,558	185	48	-	-	185,754	192,952	-	-	185,939	196,558
Products and services transferred over time	-	-	237,222	200,668	-	-	674,632	773,991	1,058	5,272	912,912	979,931
Total	-	3,558	237,407	200,716	-	-	860,386	966,943	1,058	5,272	1,098,851	1,176,489

	General trading		Third party		Merchant services		Others		Total	
	2021		2021		2021		2021		2021	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the three months ended 30 September										
Primary geographical markets										
– PRC except Hong Kong	-	3,558	82,670	69,279	-	286,289	298,119	402	1,501	369,361
– Japan	-	-	-	-	-	115	748	-	-	115
– Canada	-	-	-	-	-	277	426	-	-	277
Segment revenue	-	3,558	82,670	69,279	-	286,681	299,293	402	1,501	369,753
Intersegment revenue										
– PRC except Hong Kong	-	-	-	-	-	(177)	(541)	-	-	(177)
Revenue from external customers	-	3,558	82,670	69,279	-	286,504	298,752	402	1,501	369,576
Timing of revenue recognition										
Products transferred at a point in time	-	3,558	33	17	-	73,567	63,304	-	-	73,600
Products and services transferred over time	-	-	82,637	69,262	-	212,937	235,448	402	1,501	295,976
Total	-	3,558	82,670	69,279	-	286,504	298,752	402	1,501	369,576
										373,090

4. Investment and other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest income on:				
Bank deposits	3,102	3,329	6,050	11,955
Central Bank	2,429	3,294	8,162	9,629
Loan to other	171	–	171	–
Financial assets at FVTPL	–	396	1,512	3,540
Total interest income	5,702	7,019	15,895	25,124
Government grants	260	1,511	7,312	4,811
VAT super-credit	542	1,515	2,508	10,909
Others	3,764	2,409	11,518	8,427
	10,268	12,454	37,233	49,271

5. Other operating expenses

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Research and development expenditures	57,869	174,431	271,086	471,135
Others	2,075	12	2,168	79
	59,944	174,443	273,254	471,214

6. Income tax credit

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current tax				
– The PRC provision	1,368	224	1,425	242
– The PRC over provision for previous years	(863)	–	(863)	–
	505	224	562	242
Deferred tax	(6,530)	(3,217)	(12,367)	(90,115)
	(6,025)	(2,993)	(11,805)	(89,873)

PRC Enterprises Income Tax (“EIT”) has been provided at a rate of 25% for the three months and nine months ended 30 September 2022 (Three months and nine months ended 30 September 2021: 25%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months and nine months ended 30 September 2022 (Three months and nine months ended 30 September 2021: Nil).

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

One of the Group’s subsidiary operating in Hangzhou, the PRC, was recognised as a High and New Technology Enterprise (高新技術企業) on 30 November 2018 and renewed on 16 December 2021 and were entitled to enjoy an income tax concession at preferential rate of 15% effective from 1 January 2018 and from 1 January 2021 after the renewal for three years. In order to enjoy the preferential rate of 15%, the subsidiary was required to apply for renewal every three years from first year of approval. The EIT rate was changed from 25% to 15% since the year beginning 1 January 2018.

One of the Group's subsidiary operating in Beijing, the PRC, was recognised as a High and New Technology Enterprise (高新技術企業) on 21 October 2021 and were entitled to enjoy an income tax concession at preferential rate of 15% effective from 1 January 2021. 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 2021.

7. Loss for the period

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Amortisation of intangible assets	20,593	31,499	61,000	93,164
Amortisation of capitalised contract costs	49,309	60,239	161,728	181,812
(Reversal of allowance)/ allowance for trade receivables, net	(2,860)	486	(1,232)	707
(Reversal of allowance)/ allowance for prepayments, deposit and other receivables, net	(540)	–	1,264	517
Cost of goods sold	838	1,967	3,376	5,004
Depreciation of property, plant and equipment	1,988	5,235	17,541	15,715
Depreciation of right-of-use assets	6,094	13,846	27,125	39,342
Gain on disposal of an associate	(292)	–	(762)	–
Loss/(gain) on early termination of lease	1,724	–	(1,265)	–
Net gain on disposals of property, plant and equipment	(787)	(11)	(1,397)	(55)
Operating lease charges	3,631	3,159	12,313	8,307
Research and development expenditures (included in other operating expenses and equity-settled share-based payments)	57,651	176,141	267,814	480,078

8. Loss per share

The calculation of basic and diluted loss per share is based on the following:

	For the three months ended 30 September 2022 (Unaudited) RMB'000		For the nine months ended 30 September 2022 (Unaudited) RMB'000	
		2021 (Unaudited) RMB'000		2021 (Unaudited) RMB'000
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	(1,703)	(157,193)	(262,697)	(355,939)

	For the three months ended 30 September 2022 (Unaudited) '000		For the nine months ended 30 September 2022 (Unaudited) '000	
		2021 (Unaudited) '000		2021 (Unaudited) '000
Weighted average number of ordinary shares used in diluted loss per share calculation	17,346,891	17,188,398	17,273,170	17,286,894

For the three months and nine months ended 30 September 2022 and 2021, there is no dilutive effect on the loss per share as the exercise of the Company's outstanding share options would result in the decrease in the loss per share.

9. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

10. Share capital

The number of issued shares of the Company was 18,421,642,097 shares as at 30 September 2022.

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

11. Condensed Consolidated Statement of Changes in Equity

	As at 1 January 2022	Movements (Unaudited)	As at 30 September 2022
	RMB'000	RMB'000	RMB'000
Share capital	145,036	9,448	154,484
Share premium account	6,098,424	321,931	6,420,355
Share option reserve	45,615	643	46,258
Shares held for Share Award Scheme	(43,128)	(23,826)	(66,954)
Share Award Scheme reserve	57,364	(37,581)	19,783
Capital reserve	(621,565)	–	(621,565)
Statutory reserve	8,060	–	8,060
Exchange reserve	(29,456)	39,017	9,561
Financial assets at FVTOCI reserve	(102,827)	–	(102,827)
Subsidiary's treasury share reserve	(7)	–	(7)
Accumulated losses	(4,211,050)	(258,092)	(4,469,142)
Total attributable to owners of the Company	1,346,466	51,540	1,398,006
Non-controlling interests	(9,643)	(281,855)	(291,498)
Total equity	1,336,823	(230,315)	1,106,508

	As at 1 January 2021 RMB'000	Movements (Unaudited) RMB'000	As at 30 September 2021 (Unaudited) RMB'000
Share capital	144,981	55	145,036
Share premium account	6,093,115	5,309	6,098,424
Share option reserve	33,492	9,828	43,320
Shares held for Share Award Scheme	(75,524)	21,006	(54,518)
Share Award Scheme reserve	50,067	(237)	49,830
Capital reserve	(620,234)	(1,332)	(621,566)
General reserves	–	291	291
Statutory reserve	8,060	–	8,060
Exchange reserve	(15,710)	(7,098)	(22,808)
Financial assets at FVTOCI reserve	(57,812)	–	(57,812)
Subsidiary's treasury share reserve	(7)	–	(7)
Accumulated losses	(1,701,633)	(355,858)	(2,057,491)
Total attributable to owners of the Company	3,858,795	(328,036)	3,530,759
Non-controlling interests	771,304	(308,919)	462,385
Total equity	4,630,099	(636,955)	3,993,144

12. Convertible bonds

As at 30 September 2022 and the date of this report, there were no outstanding convertible bonds.

13. Warrants

As at 30 September 2022 and the date of this report, there were no outstanding warrants.

14. Related party transactions

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Advertising service income received from a related company (exclude VAT)	–	472	10	472
Revenue from a related company	401	1,134	3,535	3,318
Dividend income from an associate	1,641	–	1,641	725
Administrative expenses paid to a non-controlling interest	(152)	(444)	(840)	(1,525)
Commission paid to associates	(818)	(1,057)	(2,321)	(4,401)

- (b) In June 2022, Hangzhou Youzan, a subsidiary of the Company, entered into a three year agreement with Hangzhou United Rural Commercial Bank where a loan facility up to RMB500,000,000 was made available to the Group for three years which is guaranteed by a pledge provided by a related party of the Group.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Salaries, bonus and allowances	3,423	4,821	10,757	13,970
Equity-settled share-based payments	846	1,826	3,877	7,763
Retirement benefit scheme contributions	88	86	219	268
	4,357	6,733	14,853	22,001



MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

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

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

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

In the first three quarters of 2022, Youzan announced that its business has been fully upgraded from “store opening marketing solutions” to “private domain operation solutions”, which is to help customers to make plans and strategic priorities for private domain business based on the customer's overall business planning and phased business challenges, and provide a suitable portfolio of products and services to help customers who are treasuring private domain to create incremental value and achieve digital upgrades. The new “private domain operation model” of Youzan is consumer-centered, which opens up the consumer journey of “connection, reach, conversion and loyalty”. It clarifies the value creation, key indicators and key actions of each step to help customers opening up online and offline business scenarios and improve consumers' end-to-end experience. For e-commerce customers, we focus on the four core scenarios of distribution, community, membership, and live streaming to develop e-commerce private domain operation solutions through offering product and service portfolios. For store customers, we focus on integrating online and offline operations to develop store private domain solutions through offering product and service portfolios.

We divide core customers into three categories: content monetization, brand DTC and store digitization. Our sales teams are more focused on the precise expansion of target customers. Our product development teams are more focused on the demand in business scenarios of target customers and the development and iteration of product capabilities. Our service teams, in addition to providing basic delivery services, also provide private domain onboarding services and private domain operation consulting services according to the merchants' respective industry attributes, development stages and business goals, so as to help their private domain operations to run smoothly.

As of 30 September 2022, the gross merchandise volume (GMV) generated by the merchants through Youzan's solutions reached approximately RMB74.1 billion, increased by approximately 3% year-on-year as compared with the same period of 2021. The GMV from channels other than Kuaishou increased by approximately 24% year-on-year as compared with the same period of 2021. The GMV of store SaaS business reached approximately RMB31.2 billion, approximately 42% of the total GMV. In the third quarter of 2022, the GMV generated by the merchants through Youzan's solutions reached approximately RMB26.2 billion, increased by approximately 11% year-on-year as compared with RMB23.7 billion in the same period of 2021.

As of 30 September 2022, we had 89,178 paying merchants, of which approximately 61% were those subscribing for e-commerce SaaS and approximately 39% were those subscribing for store SaaS, including Youzan Retail, Youzan Chain, Youzan Beauty, Youzan Education and WowShop.

In the first three quarters of 2022, the number of new paying merchants was 31,591. The new paying merchants of store SaaS accounted for approximately 50% of the total new paying merchants.

In the first three quarters of 2022, we achieved significant improvements in operating efficiency as we developed a more focused business and continued to optimise our organisational structure. Our per capita output, operating cash flow and operating results had improved significantly. As at 30 September 2022, Youzan had a total of 2,028 employees.

Development Strategies

The Group's business development strategies are as follows:

1. Reasonably investing in sales and R&D as well as strictly and precisely controlling expenses to achieve the primary business goal of 2022 to increase per capita output as well as improve operating cash flow and operating results.
2. Serving more merchants through all-industry products, providing in-depth industry solutions through vertical industry products, so as to create a more efficient sales system and acquire new paying merchants focusing on target customer base.
3. Focusing on understanding customer needs, creating more explicit value for merchants through products and services, enhancing merchant satisfaction, and optimising the structure of merchants to achieve higher-quality retained revenue.

Financial Review

Revenue

The Group's revenue for the period was approximately RMB1,098,851,000 (nine months ended 30 September 2021: approximately RMB1,176,489,000), representing a year-on-year decrease of approximately 6.6%, which was mainly attributable to the decrease in revenue from subscription solutions.

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

	For the nine months ended 30 September		
	2022	2021	Changes
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	%
Subscription solutions	660,974	737,292	(10.4)
Merchant solutions	430,513	427,420	0.7
Others	7,364	11,777	(37.5)
Total	1,098,851	1,176,489	(6.6)

Subscription Solutions

Revenue from subscription solutions primarily include subscription fees for SaaS products and a per-transaction cloud service fee for each extra order beyond a pre-specified order number threshold that consumers made to such merchants through SaaS products. Revenue generated from subscription solutions decreased by 10.4% from approximately RMB737,292,000 for the nine months ended 30 September 2021 to approximately RMB660,974,000 for the reporting period, which was mainly attributable to the decrease in cloud service fees to approximately RMB35,944,000 (nine months ended 30 September 2021: approximately RMB77,703,000) and the decrease in the subscription fees for SaaS products.

Merchant Solutions

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

Revenue from merchant solutions was approximately RMB430,513,000 in the reporting period (nine months ended 30 September 2021: approximately RMB427,420,000), representing a year-on-year increase of 0.7%, which was primarily due to the increase in transaction service fee and revenue generated from Youzan private domain operation, and partially offset by the decrease in the revenue generated from Youzan Promotion and Youzanke.

Others

Revenue from other businesses was approximately RMB7,364,000 in the reporting period (nine months ended 30 September 2021: approximately RMB11,777,000), representing a year-on-year decrease of 37.5%, mainly due to the decrease in the revenue from providing catering services which were ceased by the Group since May 2021.

Cost of Sales

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

	For the nine months ended 30 September 2022 (Unaudited)		2021 (Unaudited)		Changes
	RMB'000	Percentage (%)	RMB'000	Percentage (%)	%
Staff costs	119,072	29.2	133,940	29.1	(11.1)
Server and SMS costs	70,072	17.2	84,395	18.3	(17.0)
Transaction costs	151,953	37.2	180,940	39.3	(16.0)
Costs of goods sold	3,376	0.8	5,004	1.1	(32.5)
Depreciation of right- of-use assets	3,362	0.8	5,465	1.2	(38.5)
Technology services expenses	13,664	3.3	4,757	1.0	187.2
Contracted customer services expenses	3,041	0.7	5,890	1.3	(48.4)
Taxes and surcharges	5,429	1.3	5,681	1.2	(4.4)
Insurance premium costs	8,831	2.2	17,727	3.9	(50.2)
Others	29,249	7.3	16,595	3.6	76.3
Total	408,049	100.0	460,394	100.0	(11.4)

The Group's costs of sales in the reporting period were approximately RMB408,049,000 (nine months ended 30 September 2021: approximately RMB460,394,000), representing a year-on-year decrease of 11.4%, which was mainly because (i) transaction costs decreased by 16.0% from approximately RMB180,940,000 in the same period of last year to RMB151,953,000 in the reporting period, due to the optimization of cost structure of transaction service, (ii) staff costs decreased by 11.1% from approximately RMB133,940,000 in the same period of last year to approximately RMB119,072,000 in the reporting period, due to the optimization of the organization structure and the decrease in headcount, (iii) insurance premium costs decreased by 50.2% from approximately RMB17,727,000 in the same period of last year to approximately RMB8,831,000 in the reporting period, and (iv) server costs decreased by 17.0% from approximately RMB84,395,000 in the same period of last year to approximately RMB70,072,000 in the reporting period. Meanwhile, the decrease of costs of sales was partially offset by the technology services expenses increased by 187.2% from approximately RMB4,757,000 in the same period of last year to approximately RMB13,664,000 in the reporting period, due to the increase in revenue generated from Youzan Cloud platform.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit for the reporting period of approximately RMB690,802,000 (nine months ended 30 September 2021: approximately RMB716,095,000), representing a year-on-year decrease of 3.5%, due to the decrease of gross profit from subscription solutions which was partially offset by the increase of gross profit from merchant solutions.

The Group's gross profit margin increased from 60.9% in the same period of 2021 to 62.9% in the reporting period, which was mainly due to the increase in gross profit margin for merchant solutions while partially offset by the decrease in gross profit margin for subscription solutions.

	For the nine months ended 30 September 2022 (Unaudited)		2021 (Unaudited)	
	RMB'000	Gross profit margin (%)	RMB'000	Gross profit margin (%)
Subscription solutions	474,043	71.7	538,382	73.0
Merchant solutions	214,893	49.9	174,745	40.9
Others	1,866	25.3	2,968	25.2
Total	690,802	62.9	716,095	60.9

Subscription Solutions

The gross profit of subscription solutions for the reporting period was approximately RMB474,043,000 (nine months ended 30 September 2021: approximately RMB538,382,000), representing a year-on-year decrease of 12.0%. The decrease in gross profit was mainly due to the decrease in revenue generated from subscription fees for SaaS products and cloud service fees. Gross profit margin decreased from 73.0% for the nine months ended 30 September 2021 to 71.7% for the reporting period, mainly due to the lower revenue from subscription solutions.

Merchant Solutions

The gross profit of merchant solutions for the reporting period was approximately RMB214,893,000 (nine months ended 30 September 2021: approximately RMB174,745,000), representing an increase of 23.0%, which was mainly due to the optimization of cost structure of transaction service. The gross profit margin increased from 40.9% in the nine months ended 30 September 2021 to 49.9% in the nine months ended 30 September 2022, mainly due to the increase in gross profit margin of transaction service contributed by the optimization of cost structure, as well as the increase in revenue generated from Youzan private domain operation.

Others

Other gross profit for the reporting period was approximately RMB1,866,000 (nine months ended 30 September 2021: approximately RMB2,968,000).

Expenses and Others

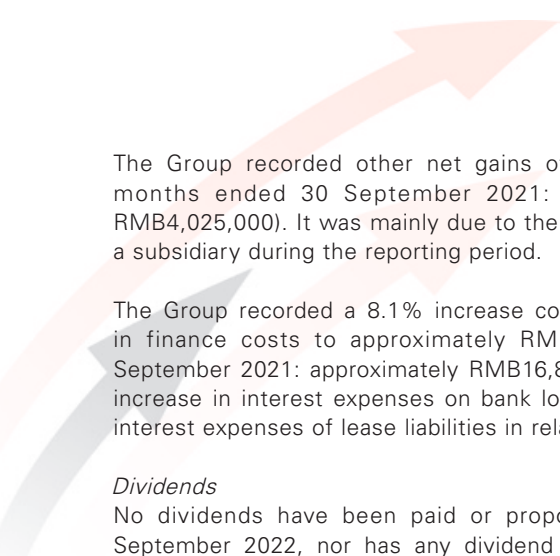
The Group recorded a 5.5% decrease compared with the same period in 2021 in selling expenses to approximately RMB649,797,000 (nine months ended 30 September 2021: approximately RMB687,322,000). It was mainly due to the decrease in promotion and advertising expenses and the decrease of channel commission expenses.

The Group recorded a 5.5% increase compared with the same period in 2021 in administrative expenses to approximately RMB249,872,000 (nine months ended 30 September 2021: approximately RMB236,850,000). It was mainly due to the one-off severance payments of approximately RMB90,772,000 for the period, partially offset by the decrease in administrative staff costs due to the optimization of the organizational structure and lower legal and professional fees related to the Listing.

The Group recorded a 42.0% decrease compared with the same period in 2021 in other operating expenses to approximately RMB273,254,000 (nine months ended 30 September 2021: approximately RMB471,214,000). The decrease was mainly attributable to the reduction in research and development expenses as a result of the rational arrangement of research and development investment and the optimization of the organizational structure to reduce the research and development staff costs by the Group.

The Group recorded a 27.1% decrease compared with the same period in 2021 in equity-settled share-based payment to approximately RMB23,276,000 (nine months ended 30 September 2021: approximately RMB31,911,000).

The Group recorded a 24.4% decrease compared with the same period in 2021 in investment and other income to approximately RMB37,233,000 (nine months ended 30 September 2021: approximately RMB49,271,000). It was mainly due to the decrease in super deduction of value-added tax and bank interest income.



The Group recorded other net gains of approximately RMB18,677,000 (nine months ended 30 September 2021: other net losses of approximately RMB4,025,000). It was mainly due to the foreign exchange gains and disposal of a subsidiary during the reporting period.

The Group recorded a 8.1% increase compared with the same period in 2021 in finance costs to approximately RMB18,196,000 (nine months ended 30 September 2021: approximately RMB16,826,000), which was mainly due to the increase in interest expenses on bank loans, partially offset by the decrease in interest expenses of lease liabilities in relation to leases of office premises.

Dividends

No dividends have been paid or proposed for the nine months ended 30 September 2022, nor has any dividend been proposed since the end of the reporting period (nine months ended 30 September 2021: Nil).

Pledge of Assets

As at 30 September 2022, the Group had no pledge of assets.

Financial Resources and Liquidity

As at 30 September 2022, the Group had cash and cash equivalents of approximately RMB863,741,000 (as at 31 December 2021: approximately RMB711,527,000).

As at 30 September 2022, the Group had bank borrowings of approximately RMB480,000,000 (as at 31 December 2021: Nil) which is guaranteed by a pledge provided by a related party of the Group.

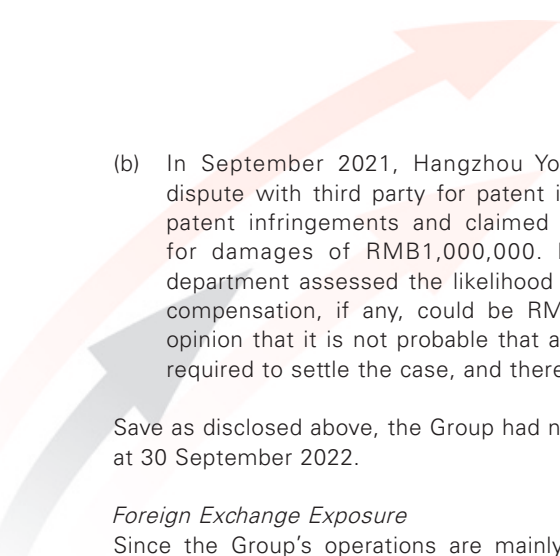
Contingent Liabilities

- (a) The Group provided transaction services to facilitate the transactions process between merchants and consumers. In connection with provision of such service, Hangzhou Youzan entered into a payment service agreement with Beijing Gaohuitong Commercial Management Co., Ltd. (“Beijing Gaohuitong”) (a subsidiary of the Company), pursuant to which Beijing Gaohuitong, a licensed payment company, provided settlement service to the Group’s merchants.

As advised by the Group’s Legal Advisor, transaction service in the past provided by Hangzhou Youzan (“Past Transaction Service”) might be deemed as having engaged in payment activities without licence by the relevant authority in China under Administrative Measures for the Payment Services Provided by Non-Financial Institutions (《非金融機構支付服務管理辦法》) and may give rise to the risk of being required to terminate such practice according to the relevant PRC regulations. Furthermore, according to Measures for Banning Illegal Financial Institutions and Illegal Financial Business Activities (《非法金融機構和非法金融業務活動取締辦法》) that remain in force during the reporting period, confiscation of illegal gains and administrative fine in the range of one time to five times of any illegal gains from such operation (in case of no illegal gains, administrative fine of RMB100,000 to RMB500,000) could be imposed by the relevant regulatory authorities.

During the nine months ended 30 September 2022 and up to date of this report, Hangzhou Youzan had not been determined by the relevant regulatory authorities as engaging in payment activities without licence. In February 2021, Hangzhou Youzan has ceased providing transaction service. The Group’s PRC Legal Advisor is of the view that, based on that Hangzhou Youzan ceased providing transaction service and the consultation with the competent regulatory authority, (i) the likelihood that current business operations of Hangzhou Youzan would be penalised for having engaged in unlicensed payment activities is low, and (ii) the likelihood that Hangzhou Youzan would be retrospectively penalised for having engaged in unlicensed payment activities is low.

After considering the Group’s Legal Advisor’s legal opinion, and given that Hangzhou Youzan has already ceased the transaction service during the period, the Directors are of the opinion that material financial impact to the Group as a result of the Past Transaction Service is not probable.



(b) In September 2021, Hangzhou Youzan and its merchants had a legal dispute with third party for patent infringements. The third party sued for patent infringements and claimed the merchants and Hangzhou Youzan for damages of RMB1,000,000. Management and the Group's legal department assessed the likelihood of the claim as low and the maximum compensation, if any, could be RMB1,000,000. The Directors are of the opinion that it is not probable that an outflow of economic benefits will be required to settle the case, and therefore disclosed as contingent liabilities.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 September 2022.

Foreign Exchange Exposure

Since the Group's operations are mainly located in the PRC, its transactions, monetary assets and liabilities are primarily denominated in Renminbi. During the nine months ended 30 September 2022, no hedging arrangement was made to offset the exposures to fluctuations in exchange rates. The Group monitors its foreign currency risks and will consider hedging significant currency exposures should the need arises.

Employees

As at 30 September 2022, the Group has approximately 2,028 employees (as at 31 December 2021: 4,494). Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits also 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 of the Group. The Group recognizes the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

Significant Investment and Acquisition

There were no significant investments or acquisitions during the nine months ended 30 September 2022.

There were no significant investments or additions of capital assets authorised by the Board as at the date of this report.

Event after the Reporting Period

There were no significant events occurred after the reporting period.

Impact of COVID-19 Pandemic

The outbreak of COVID-19 pandemic has significantly disrupted the business operations of many industries and caused drastic slowdown of the economy worldwide. There were still impacts of COVID-19 pandemic on the Group's business as at the date of this report. The Company will continue to observe and develop suitable strategies to cope with the situation.

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

As at 30 September 2022, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Directors	Interest in shares	Long Position in Shares		Shareholding (%)
		Interest in underlying shares	Total interest in shares	
Mr. Zhu Ning	28,000,000 1,440,601,703 (Note 1) 363,170,101 (Note 2)	100,000,000 (Note 4)	1,931,771,804	10.49
Mr. Cui Yusong	8,900,000 241,885,127 (Note 3)	20,000,000 (Note 5)	270,785,127	1.47
Mr. Yu Tao	13,848,000	15,000,000 (Note 5)	28,848,000	0.16
Ms. Ying Hangyan	852,000	15,000,000 (Note 5)	15,852,000	0.09
Dr. Fong Chi Wah	1,000,000	–	1,000,000	0.01
Mr. Li Shaojie	1,000,000	–	1,000,000	0.01

Note 1: The shares are held by Whitecrow Investment Ltd. (“Whitecrow”). 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 is a company incorporated in the British Virgin Islands with limited liability. Youzan Teamwork was owned as to 8% by Mr. Zhu Ning, and 18% by Whitecrow.

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

Note 4: The Company granted 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 30 June 2024 and has an exercise price of HK\$1.00.

Note 5: 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 30 June 2024 and has an exercise price of HK\$0.90.

Save as disclosed above, as at 30 September 2022, none of the Directors nor chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

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

Save as disclosed below, as at 30 September 2022, there was no other person (other than a director or chief executives of the Company) who had any interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

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

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

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

As at 30 September 2022, there were no purchase, sale or redemption of any of the Company's listed securities by the Company or any of its subsidiaries.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in rules 5.46 to 5.68 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Having made specific enquiries by the Company, each director had confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance during the period ended 30 September 2022.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the nine months period ended 30 September 2022 the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES

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 ("CG Code") in Appendix 15 to the GEM Listing Rules.

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

Since 19 February 2021, Mr. Zhu Ning, who has been an executive Director and the chief executive officer of the Company since May 2018, has also been appointed as the chairman of the Board. Such practice deviates from the code provision C.2.1 of the CG Code. Mr. Zhu Ning has been the key leadership figure since joining the Group who has primarily participated in formulation of business plans, strategies and major decisions of the Group, and has been responsible for the overall management of the Group. Taking into account the continuation of the implementation of our business plans, the Directors consider Mr. Zhu the best candidate for both positions and this arrangement is beneficial and in the interests of our Company and the Shareholders as a whole. Therefore, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstances.

Save as disclosed above, the Company has complied with the code provisions of the CG Code during the nine months ended 30 September 2022.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Company’s unaudited condensed consolidated results and quarterly report for the nine months ended 30 September 2022 and is of the opinion that such results have complied with the applicable accounting standards and the requirements under the GEM Listing Rules.

By order of the Board
China Youzan Limited
Zhu Ning
Chairman

Hong Kong, 14 November 2022

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

Executive Directors

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

Independent Non-executive Directors

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

This report will remain on the Stock Exchange’s website at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the day of its publication and on the Company’s website at www.chinayouzan.com.