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China Youzan Limited

中國有贊有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8083)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of China Youzan Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022. This announcement, containing the full text of the 2022 interim 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 interim results.

By order of the Board

China Youzan Limited

Zhu Ning

Chairman

Hong Kong, 9 August 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

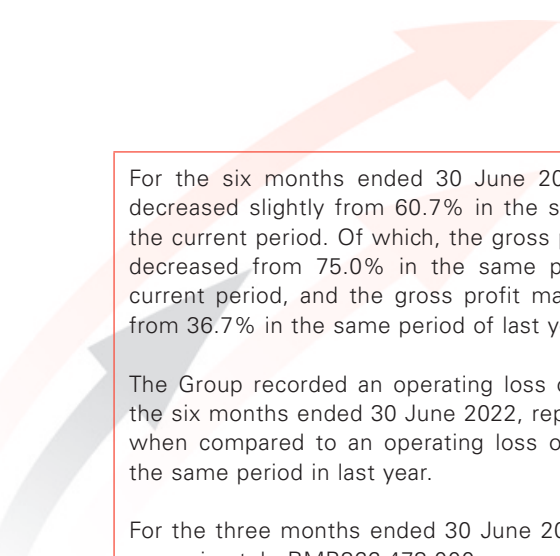
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HIGHLIGHTS

For the six months ended 30 June 2022, the Group recorded a revenue of approximately RMB729,275,000, representing a decrease of 9.2% compared to the same period of last year. Of which, the revenue from subscription solutions was approximately RMB439,197,000, representing a decrease of 13.5% compared to the same period of last year, and the revenue from merchant solutions was approximately RMB283,852,000, representing a decrease of 1.9% compared to the same period of last year.

For the six months ended 30 June 2022, the Group recorded a gross profit of approximately RMB441,518,000, representing a decrease of 9.4% compared to the same period of last year. Of which, the gross profit of subscription solutions was approximately RMB303,368,000, representing a decrease of 20.3% compared to the same period of last year, and the gross profit of merchant solutions was approximately RMB136,514,000 representing an increase of 28.5% compared to the same period of last year.



For the six months ended 30 June 2022, the Group's gross profit margin decreased slightly from 60.7% in the same period of last year to 60.5% for the current period. Of which, the gross profit margin of subscription solutions decreased from 75.0% in the same period of last year to 69.1% for the current period, and the gross profit margin of merchant solutions increased from 36.7% in the same period of last year to 48.1% for the current period.

The Group recorded an operating loss of approximately RMB474,112,000 for the six months ended 30 June 2022, representing an increase in loss of 5.5% when compared to an operating loss of approximately RMB449,519,000 for the same period in last year.

For the three months ended 30 June 2022, the Group recorded a revenue of approximately RMB366,473,000, representing a decrease of 5.1% compared to the same period of last year. For the three months ended 30 June 2022, gross profit margin decreased from 62.7% in the same period of last year to 60.3% in the current period. The Group recorded an operating loss of approximately RMB130,105,000 for the three months ended 30 June 2022, representing a decrease in loss by 48.9% compared to an operating loss of approximately RMB254,698,000 for the same period in last year.

As at 30 June 2022, the Group had a total of approximately RMB831,809,000 cash and cash equivalents and the current ratio was at 0.93 times.

The board of directors (the "Board") does not recommend the payment of interim dividend for the six months ended 30 June 2022.

FINANCIAL RESULTS

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months and the six months ended 30 June 2022 (the “reporting period”) together with the comparative unaudited figures for the corresponding periods in 2021 as set out below:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue	4	366,473	386,125	729,275	803,399
Cost of sales		(145,432)	(143,844)	(287,757)	(315,997)
Gross profit		221,041	242,281	441,518	487,402
Investment and other income	5	15,605	16,050	26,965	36,817
Other gains and losses, net		3,506	(2,527)	3,297	(2,680)
Selling expenses		(218,654)	(228,554)	(474,620)	(438,549)
Administrative expenses		(71,715)	(78,387)	(195,039)	(148,986)
Equity-settled share-based payments		(18,499)	(12,199)	(22,516)	(25,087)
Amortisation of intangible assets		(20,330)	(31,207)	(40,407)	(61,665)
Other operating expenses	6	(41,059)	(160,155)	(213,310)	(296,771)
Loss from operations		(130,105)	(254,698)	(474,112)	(449,519)
Finance costs		(5,580)	(5,610)	(11,039)	(11,235)
Share of (losses)/profits of associates		(1,761)	265	(2,424)	116
Fair value change in financial assets at fair value through profit or loss (“FVTPL”)		-	3,705	-	3,705
Loss before taxation		(137,446)	(256,338)	(487,575)	(456,933)
Income tax credit	8	3,931	54,461	5,780	86,880
Loss for the period	9	(133,515)	(201,877)	(481,795)	(370,053)
Attributable to:					
Owners of the Company		(78,307)	(107,617)	(260,994)	(198,746)
Non-controlling interests		(55,208)	(94,260)	(220,801)	(171,307)
		(133,515)	(201,877)	(481,795)	(370,053)
Loss per share (express in RMB per share)	11				
- basic		(0.0045)	(0.0063)	(0.0151)	(0.0116)
- 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 June		Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Loss for the period	(133,515)	(201,877)	(481,795)	(370,053)
Other comprehensive income:				
<i>Item that will not be reclassified to profit or loss:</i>				
Fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI")	-	3,925	-	3,925
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	15,254	(8,759)	8,413	(7,177)
Other comprehensive income for the period, net of tax	15,254	(4,834)	8,413	(3,252)
Total comprehensive income for the period, net of tax	(118,261)	(206,711)	(473,382)	(373,305)
Attributable to:				
Owners of the Company	(52,898)	(112,538)	(241,859)	(200,818)
Non-controlling Interests	(65,363)	(94,173)	(231,523)	(172,487)
	(118,261)	(206,711)	(473,382)	(373,305)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	12	37,902	50,153
Right-of-use assets	13	120,303	160,424
Long term deposits		3,559	7,137
Goodwill		341,326	341,326
Intangible assets		815,186	855,593
Investments in associates		–	4,953
Capitalised contract costs		32,896	33,550
Loans to employees		3,150	3,150
Deferred tax assets		68,772	68,772
Financial assets at FVTOCI		71,490	71,490
Financial assets at FVTPL		392,675	372,675
		1,887,259	1,969,223
Current assets			
Inventories		732	921
Trade receivables	14	14,061	4,292
Prepayments, deposits and other receivables		335,874	397,422
Capitalised contract costs		166,824	173,000
Amounts due from non-controlling shareholders of subsidiaries		–	1,272
Amount due from a related company		2,008	800
Current tax assets		174	174
Restricted bank balances	15	1,953	1,951
Balances with central bank		3,417,863	3,613,237
Bank and cash balances	16	830,963	710,683
		4,770,452	4,903,752

	Note	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Current liabilities			
Trade payables	17	2,439	2,762
Accruals and other payables		386,761	558,831
Amounts due to non-controlling shareholders of subsidiaries		246	306
Contract liabilities		660,529	683,492
Lease liabilities		39,099	48,284
Settlement obligations		3,558,404	3,802,658
Bank borrowings	18	480,000	–
Current tax liabilities		863	991
		5,128,341	5,097,324
Net current liabilities		(357,889)	(193,572)
Total assets less current liabilities		1,529,370	1,775,651
Non-current liabilities			
Contract liabilities		45,452	55,446
Lease liabilities		191,609	225,368
Deferred tax liabilities		152,177	158,014
		389,238	438,828
NET ASSETS		1,140,132	1,336,823
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	19	154,484	145,036
Reserves		1,224,227	1,201,430
		1,378,711	1,346,466
Non-controlling interests		(238,579)	(9,643)
TOTAL EQUITY		1,140,132	1,336,823

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	As at 1 January 2022	Movements (Unaudited)	As at 30 June 2022
	RMB'000	RMB'000	(Unaudited) 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	1,940	47,555
Shares held for Share Award Scheme	(43,128)	(39,696)	(82,824)
Share Award Scheme reserve	57,364	(21,931)	35,433
Capital reserve	(621,565)	–	(621,565)
Statutory reserve	8,060	–	8,060
Exchange reserve	(29,456)	19,135	(10,321)
Financial assets at FVTOCI reserve	(102,827)	–	(102,827)
Subsidiary's treasury share reserve	(7)	–	(7)
Accumulated losses	(4,211,050)	(258,582)	(4,469,632)
Total attributable to owners of the Company	1,346,466	32,245	1,378,711
Non-controlling interests	(9,643)	(228,936)	(238,579)
Total equity	1,336,823	(196,691)	1,140,132
	As at 1 January 2021	Movements (Unaudited)	As at 30 June 2021
	RMB'000	RMB'000	(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	7,476	40,968
Shares held for Share Award Scheme	(75,524)	12,052	(63,472)
Share Award Scheme reserve	50,067	4,245	54,312
Capital reserve	(620,234)	(1,332)	(621,566)
Statutory reserve	8,060	–	8,060
Exchange reserve	(15,710)	(4,109)	(19,819)
General reserve	–	291	291
Financial assets at FVTOCI reserve	(57,812)	2,037	(55,775)
Subsidiary's treasury share reserve	(7)	–	(7)
Accumulated losses	(1,701,633)	(198,665)	(1,900,298)
Total attributable to owners of the Company	3,858,795	(172,641)	3,686,154
Non-controlling interests	771,304	(168,877)	602,427
Total equity	4,630,099	(341,518)	4,288,581

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash used in from operating activities	(558,568)	(355,011)
Net cash used in investing activities	(30,879)	(267,086)
Net cash generated from financing activities	701,416	2,293
Net increase/(decrease) in cash and cash equivalents	111,969	(619,804)
Effect of foreign exchange rate changes	8,313	(6,631)
Cash and cash equivalents at beginning of period	711,527	1,751,530
Cash and cash equivalents at the end of period	831,809	1,125,095

Notes:

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 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").

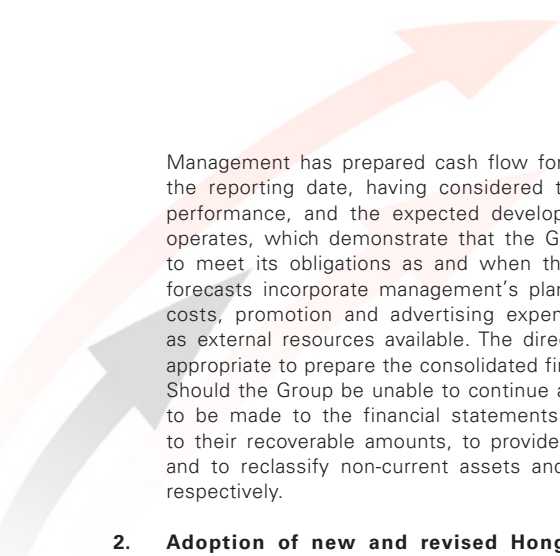
The functional currency of the Company is Hong Kong Dollars ("HK\$") and accordingly, the condensed consolidated financial statements of the Group was presented in Renminbi ("RMB"). The directors of the Company considered presenting the Group's condensed consolidated financial results and financial position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

For the purpose of presenting the condensed consolidated financial statement of the Group in RMB, the assets and liabilities for the condensed consolidated statement of financial position are translated into RMB at the closing rate at the respective reporting dates. Income and expenses for the condensed consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, 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 condensed consolidated statement of financial position are translated into RMB at the closing rate at the respective reporting dates.

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated financial statements 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 RMB481,795,000 during the six months ended 30 June 2022 and had net current liabilities as at 30 June 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 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 Standards ("HKFRSs")

The accounting policies applied in these 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 condensed consolidated interim financial statements.

3. Fair value measurements

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) **Disclosures of level in fair value hierarchy:**
At 30 June 2022

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	30 June
	(Unaudited)	(Unaudited)	(Unaudited)	2022
	RMB'000	RMB'000	RMB'000	(Unaudited) RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
– unlisted equity securities	–	–	71,490	71,490
Financial assets at FVTPL				
– unlisted equity securities	–	–	8,935	8,935
Financial assets at FVTPL				
– preferred shares	–	–	383,740	383,470
	–	–	464,165	464,165

At 31 December 2021

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	31 December
	(Audited)	(Audited)	(Audited)	2021
	RMB'000	RMB'000	RMB'000	(Audited) RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
– unlisted equity securities	–	–	71,490	71,490
Financial assets at FVTPL				
– unlisted equity securities	–	–	8,935	8,935
Financial assets at FVTPL				
– preferred shares	–	–	363,740	363,740
	–	–	444,165	444,165

(b) Reconciliation of assets measured at fair value based on Level 3:

	Financial assets at FVTPL – unlisted equity securities (Unaudited) RMB'000	Financial assets at FVTPL – preferred shares (Unaudited) RMB'000	Financial assets at FVTOCI – unlisted equity securities (Unaudited) RMB'000	Total (Unaudited) RMB'000
At 31 December 2021 (Audited) and 1 January 2022	8,935	363,740	71,490	444,165
Acquisition during the period	-	20,000	-	20,000
At 30 June 2022 (Unaudited)	8,935	383,740	71,490	464,165

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2022:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurement. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least once a year.

For level 3 fair value measurements, the Group had engaged an external valuation expert on 31 December 2021 with the recognised professional qualifications and recent experience to perform valuation.

Level 3 fair value measurements – Unlisted equity securities classified as financial assets at FVTOCI

Description	Valuation technique	Unobservable inputs	Parameters	Effect on fair value for increase of inputs	Fair value	
					As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Company A	Market multiples with an adjustment of discount for lack of marketability	Lack of marketability discount ("DLOM")	0.60x	Decrease	69,750	69,750
Company B	Market multiples with an adjustment of discount for lack of marketability	Enterprise value to sales multiple ("EV/S")	1.28x	Increase	1,740	1,740

Level 3 fair value measurements – Financial assets at FVTPL

Description	Valuation technique	Unobservable inputs	Parameters	Effect on fair value for increase of inputs	Fair value	
					As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Preferred Shares:						
Company C	Market multiples with an adjustment of DLOM	EV/S	6.25x-10.85x	Increase	322,510	302,510
		DLOM	17.03%-32.41%	Decrease		
Company D	Market multiples with an adjustment of DLOM	EV/S/EBITDA	26.04x	Increase	61,230	61,230
		DLOM	33.48%	Decrease		
Unlisted equity securities:						
Company E	Market multiples with an adjustment of DLOM	EV/S	9.48x	Increase	8,935	8,935
		DLOM	20.75%	Decrease		

4. Revenue

(a) 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 June		For the six months ended 30 June	
	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	219,283	250,796	439,197	507,808
Merchant solutions (note (i))	144,468	132,547	283,852	289,258
Others	2,722	2,782	6,226	6,333
	366,473	386,125	729,275	803,399

- (i) Merchant solutions include transaction fee of Nil (three months ended 30 June 2021: nil and six months ended 30 June 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 Company, for the three months ended 30 June 2022 and six months ended 30 June 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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	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 six months ended 30 June												
Primary geographical markets												
- PRC except Hong Kong	-	-	154,737	138,481	-	-	573,166	669,407	656	3,771	728,559	811,659
- Japan	-	-	-	-	-	-	359	-	-	-	359	-
- Canada	-	-	-	-	-	-	646	-	-	-	646	-
Segment revenue	-	-	154,737	138,481	-	-	574,171	669,407	656	3,771	729,564	811,659
Intersegment revenue												
- PRC except Hong Kong	-	-	-	(7,044)	-	-	(289)	(1,216)	-	-	(289)	(8,260)
Revenue from external customers	-	-	154,737	131,437	-	-	573,882	668,191	656	3,771	729,275	803,399
Timing of revenue recognition												
At a point in time	-	-	152	31	-	-	112,187	129,648	-	-	112,339	129,679
Over time	-	-	154,585	131,406	-	-	461,695	538,543	656	3,771	616,936	673,720
Total	-	-	154,737	131,437	-	-	573,882	668,191	656	3,771	729,275	803,399

For the three months ended 30 June

	General trading		Third party payment services		Onecomm		Merchant services		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	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
Primary geographical markets												
- PRC except Hong Kong	-	-	78,734	70,009	-	-	287,038	316,623	300	1,851	366,072	388,463
- Japan	-	-	-	-	-	-	122	-	-	-	122	-
- Canada	-	-	-	-	-	-	413	-	-	-	413	-
Segment revenue	-	-	78,734	70,009	-	-	287,573	316,623	300	1,851	366,607	388,463
Intersegment revenue	-	-	-	(1,754)	-	-	(134)	(604)	-	-	(134)	(2,358)
Revenue from external customers	-	-	78,734	68,255	-	-	287,439	316,019	300	1,851	366,473	386,125
Timing of revenue recognition												
At a point in time	-	-	64	17	-	-	58,302	64,705	-	-	58,366	64,722
Over time	-	-	78,670	68,238	-	-	229,137	251,314	300	1,851	308,107	321,403
Total	-	-	78,734	68,255	-	-	287,439	316,019	300	1,851	366,473	386,125

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2022 and the expected timing of recognising revenue as follows:

	Subscription solutions	Subscription solutions
	At	At
	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	660,529	683,492
More than 1 year but not more than 2 years	44,487	53,811
More than 2 years	965	1,635
	705,981	738,938

5. Investment and other income

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income on:				
Bank deposits	884	4,194	2,948	8,626
Central Bank	3,000	3,061	5,733	6,335
Financial assets at FVTPL	89	1,935	1,512	3,144
Total interest income	3,973	9,190	10,193	18,105
Government grants	7,052	2,650	7,052	3,300
VAT super-credit	867	1,580	1,966	9,394
Others	3,713	2,630	7,754	6,018
	15,605	16,050	26,965	36,817

6. Other operating expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Research and development expenditures	41,022	160,126	213,217	296,704
Others	37	29	93	67
	41,059	160,155	213,310	296,771

7. Segment information

The Group has five 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 Sale ("POS") devices
- Merchant services – provision of e-commerce platform with a variety of SaaS products and comprehensive services in the PRC through Youzan Technology Inc. (Formerly known as Qima Holdings Ltd.) and its subsidiaries ("Youzan Group"), which owns Youzan WeiMall, Youzan Retail, Youzan Beauty and other SaaS products
- Others – other business

Information about operating segment profit or loss and assets:

	General trading (Unaudited) RMB'000	Third party payment services (Unaudited) RMB'000	Onecomm (Unaudited) RMB'000	Merchant services (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
For the six months ended						
30 June 2022:						
Revenue from external customers	-	154,737	-	573,882	656	729,275
Intersegment revenue	-	-	-	289	-	289
Segment profit/(loss)	19	21,605	(2)	(482,262)	(56)	(460,696)

As at 30 June 2022

Segment assets	417	3,753,069	-	1,808,986	5,907	5,568,379
Investments in associates	-	-	-	-	-	-

	General trading (Unaudited) RMB'000	Third party payment services (Unaudited) RMB'000	Onecomm (Unaudited) RMB'000	Merchant services (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
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For the six months ended
30 June 2021:

Revenue from external customers	-	131,437	-	668,191	3,771	803,399
Intersegment revenue	-	7,044	-	1,216	-	8,260
Segment profit/(loss)	9	6,273	(4)	(423,397)	(5)	(417,124)

As at 31 December 2021

Segment assets	4,372	3,963,762	7	1,681,501	8,636	5,658,278
Investments in associates	-	4,953	-	-	-	4,953

Reconciliations of segment revenue and profit or loss:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Total revenue of reportable segments	729,564	811,659
Elimination of intersegment revenue	(289)	(8,260)
Consolidated revenue	729,275	803,399
Profit or loss		
Total loss of reportable segments	(460,696)	(417,124)
Equity-settled share-based payments	(22,516)	(25,087)
Fair value change in financial assets at FVTPL	–	3,705
Unallocated amounts:		
Corporate income and expenses, net	(4,363)	(18,427)
Consolidated loss before income tax	(487,575)	(456,933)

8. Income tax credit

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

	For the three months ended 30 June 2022		For the six months ended 30 June 2022	
	(Unaudited) RMB'000	2021 (Unaudited) RMB'000	(Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current tax – the PRC				
Provision for the period	5	2	57	18
Deferred tax	(3,936)	(54,463)	(5,837)	(86,898)
	(3,931)	(54,461)	(5,780)	(86,880)

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

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months and six months ended 30 June 2022 (Three months and six months ended 30 June 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 renewed on 1 January 2021 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 and renewed on 1 January 2021.

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 2020 and were entitled to enjoy an income tax concession at preferential rate of 15% effective from 1 January 2020. 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 2020.

9. Loss for the period

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Amortisation of intangible assets	20,330	31,207	40,407	61,665
Amortisation of capitalised contract costs	53,847	59,891	112,419	121,573
Allowance/(reversal of allowance) for trade receivables, net	1,628	221	1,628	221
Allowance/(reversal of allowance) for prepayments, deposit and other receivables, net	1,804	517	1,804	517
Cost of goods sold	965	1,571	2,538	3,037
Depreciation of property, plant and equipment	15,288	5,286	15,553	10,480
Depreciation of right-of-use assets	10,130	13,065	21,031	25,496
Net gain on disposals of property, plant and equipment	(45)	(4)	(610)	(44)
Gain on deemed disposal of a subsidiary	(3,173)	–	(3,173)	–
Gain on disposal of an associate	(470)	–	(470)	–
Gain on early termination of leases	(2,989)	–	(2,989)	–
Operating lease charges	5,432	3,482	8,682	5,148
Research and development expenditures (included in other operating expenses and equity-settled share-based payments)	38,396	165,536	210,163	303,937

10. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months and the six months ended 30 June 2022 (three months and six months ended 30 June 2021: Nil).

11. Loss per share

(a) Basic loss per share

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Loss attributable to owners of the Company, used in the basic loss per share calculation	(78,307)	(107,617)	(260,994)	(198,746)
	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Weighted average number of ordinary shares used in basic loss per share calculation	17,300,064	17,113,323	17,260,994	17,106,556

(b) Diluted loss per share

For the six months ended 30 June 2022 and 2021, there was 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.

12. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of approximately RMB3,988,000 (Unaudited) (during the year ended 31 December 2021: approximately RMB29,135,000 (Audited)).

13. Right-of-use assets

During the six months ended 30 June 2022, additions to the right-of-use assets was Nil (Unaudited) (during the year ended 31 December 2021: RMB53,880,000 (Audited)).

14. Trade receivables

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

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
0 to 120 days	14,061	4,292

15. Restricted bank balances

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
For settlement of amounts payable to employees	846	844
Pledged as security of banking facilities	1,107	1,107
	1,953	1,951

All restricted bank balances were denominated in RMB.

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

16. Bank and cash balances

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Bank and cash balances	830,963	710,683
For settlement of amounts payable to employees included in restricted bank balances	846	844
Cash and cash equivalents	831,809	711,527

At the end of the reporting period, the bank and cash balances of the Group deposited with banks in Mainland China amounted to RMB600,556,000 (Unaudited) (as at 31 December 2021: RMB618,809,000 (Audited)). Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB 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 the trade payables, based on the date of receipt of goods, is as follows:

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Current to 90 days	165	397
91 to 180 days	62	-
181 to 365 days	397	-
Over 365 days	1,815	2,365
	2,439	2,762

18. Bank borrowings

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.

As at the end of the reporting period, RMB480,000,000 (2021: Nil) of the loan facility had been utilized, bearing interest rate of 3.9% per annum. The bank borrowings commenced on 20 June 2022 and are repayable and renewable on a year basis.

19. Share capital

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

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

20. Convertible bonds

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

21. Warrants

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

22. 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 Group), 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》), 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 six months ended 30 June 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 June 2022.

23. Capital commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Equity investment in a company	6,787	6,787
Property, plant and equipment	–	1,061

24. Related party transactions

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Advertising service fee received from a related company (exclude VAT)	–	–	10	–
Revenue from a related company	1,298	1,022	3,134	2,184
Dividend income from an associate	–	–	–	725
Commission paid to associates	(1,018)	(1,971)	(1,503)	(3,344)
Administrative expenses paid to a non-controlling interests	(538)	(452)	(688)	(1,081)

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Salaries, bonus and allowances	3,675	4,429	7,334	9,149
Equity-settled share-based payments	1,556	2,971	3,031	5,937
Retirement benefit scheme contribution	58	86	131	182
	5,289	7,486	10,496	15,268

MANAGEMENT DISCUSSION AND ANALYSIS

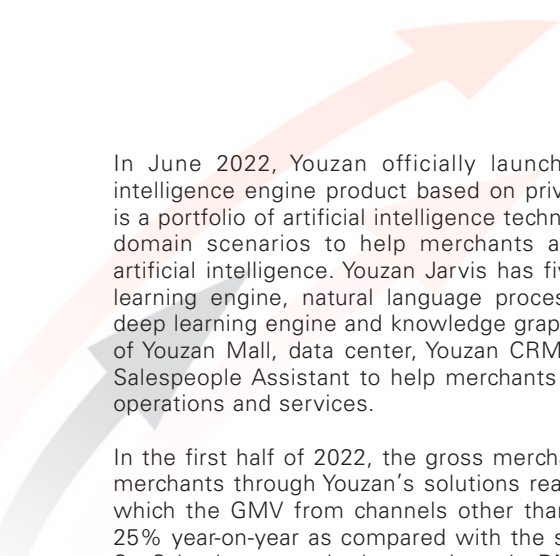
Business Overview

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 half 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 and improve consumers' end-to-end experience. Youzan divides the core customer into three categories: content monetization, brand DTC and store digitization. According to the respective characteristics and challenges of these three categories of customers, five core services are provided based on their industry attributes, development stages and business goals, namely basic delivery services, e-commerce private domain onboarding services, store private domain onboarding services, brand private domain operation consulting services, and store private domain operation consulting services.



In June 2022, Youzan officially launched Youzan Jarvis, the first artificial intelligence engine product based on private domain operation scenarios, which is a portfolio of artificial intelligence technologies especially developed for private domain scenarios to help merchants and users doing much better through artificial intelligence. Youzan Jarvis has five engine capabilities, namely machine learning engine, natural language processing engine, computer vision engine, deep learning engine and knowledge graph engine, which are applied to products of Youzan Mall, data center, Youzan CRM, Youzan WeCom Assistant and Youzan Salespeople Assistant to help merchants doing business well in terms of sales, operations and services.

In the first half of 2022, the gross merchandise volume (GMV) generated by the merchants through Youzan's solutions reached approximately RMB47.9 billion, of which the GMV from channels other than Kuaishou increased by approximately 25% year-on-year as compared with the same period of 2021. The GMV of store SaaS business reached approximately RMB19.4 billion, 41% of the total GMV. In the second quarter of 2022, the gross merchandise volume (GMV) generated by the merchants through Youzan's solutions reached approximately RMB24.9 billion, increased by approximately 2% year-on-year as compared with RMB24.5 billion in the same period of 2021.

As of 30 June 2022, we had 91,005 paying merchants, increased by 4% year-on-year. Approximately 60% of the merchants were those subscribing for e-commerce SaaS; approximately 40% were those subscribing for store SaaS, including Youzan Retail, Youzan Chain, Youzan Beauty, Youzan Education and WowShop etc., representing over a doubled growth year-on-year.

In the first half of 2022, the number of new paying merchants was 19,989, increased by 5% year-on-year. The new paying merchants of store SaaS accounted for approximately 50% of the total new paying merchants.

We keep on optimising the organizational structure and improving cooperation efficiency. As of 30 June 2022, we had 2,633 employees.

Future Business Strategies

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 operation result.
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 RMB729,275,000 (Six months ended 30 June 2021: approximately RMB803,399,000), representing a decrease of about 9.2% compared with the same period in 2021, 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 six months ended 30 June		
	2022	2021	Changes
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	%
Subscription solutions	439,197	507,808	(13.5)%
Merchant solutions	283,852	289,258	(1.9)%
Others	6,226	6,333	(1.7)%
Total	729,275	803,399	(9.2)%

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 13.5% from approximately RMB507,808,000 for the six months ended 30 June 2021 to RMB439,197,000 for the reporting period, mainly attributable to the decrease in the revenue of cloud service fees to approximately RMB23,859,000 (six months ended 30 June 2021: approximately RMB59,165,000) and the decrease in 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, Youzan private domain operation 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 RMB283,852,000 in the reporting period (Six months ended 30 June 2021: approximately RMB289,258,000), representing a decrease of 1.9%, which was primarily due to the decrease in revenue generated from Youzan Promotion and Youzanke, and partially offset by the increase in revenue generated from Youzan private domain operation.

Others

Revenue from other businesses was approximately RMB6,226,000 in the reporting period (Six months ended 30 June 2021: approximately RMB6,333,000), representing a decrease of 1.7%, mainly due to the decrease in the revenue from providing catering services which were ceased since May 2021.

Cost of Sales

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

	For the six months ended 30 June		2021		Changes %
	2022		(Unaudited)		
	(Unaudited)		Percentage		
	RMB'000	Percentage (%)	RMB'000	Percentage (%)	
Staff costs	81,528	28.3%	84,776	26.8%	(3.8)%
Server and SMS costs	56,863	19.8%	55,756	17.6%	2.0%
Transaction costs	105,084	36.5%	135,418	42.9%	(22.4)%
Costs of goods sold	2,538	0.9%	3,037	1.0%	(16.4)%
Depreciation of right-of-use assets	2,249	0.8%	3,691	1.2%	(39.1)%
Technology services expenses	8,475	2.9%	2,609	0.8%	224.8%
Contracted customer services expenses	2,885	1.0%	4,906	1.6%	(41.2)%
Taxes and surcharges	3,869	1.3%	3,930	1.2%	(1.6)%
Insurance premium costs	7,697	2.7%	13,175	4.2%	(41.6)%
Others	16,569	5.8%	8,699	2.7%	90.5%
Total	287,757	100.0%	315,997	100.0%	(8.9)%

The Group's costs of sales in the reporting period were approximately RMB287,757,000 (Six months ended 30 June 2021: approximately RMB315,997,000), representing a decrease of 8.9%, which was mainly because (i) transaction costs decreased by 22.4% from approximately RMB135,418,000 in the same period of last year to RMB105,084,000 in the reporting period, due to the optimization of cost structure of transaction service, (ii) staff costs decreased by 3.8% from approximately RMB84,776,000 in the same period of last year to approximately RMB81,528,000 in the reporting period, due to the optimization of the organization structure and the decrease in headcount, (iii) insurance premium costs decreased by 41.6% from approximately RMB13,175,000 in the same period of last year to approximately RMB7,697,000 in the reporting period. Meanwhile the decrease of costs of sales was partially offset by the increase in technology services expenses increased by 224.8% from approximately RMB2,609,000 in the same period of last year to approximately RMB8,475,000 in the reporting period, due to the increase in revenue generated from Youzan Cloud.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit for the reporting period of approximately RMB441,518,000 (Six months ended 30 June 2021: approximately RMB487,402,000), representing a decrease of 9.4%, 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 decreased from 60.7% in the same period of 2021 to 60.5% in the reporting period, which was mainly due to the decrease in gross profit margin for subscription solutions while offset by the increase in gross profit margin for merchant solutions.

	For the six months ended 30 June			
	2022 (Unaudited)		2021 (Unaudited)	
	RMB'000	Gross profit margin (%)	RMB'000	Gross profit margin (%)
Subscription solutions	303,368	69.1%	380,673	75.0%
Merchant solutions	136,514	48.1%	106,273	36.7%
Others	1,636	26.3%	456	7.2%
Total	441,518	60.5%	487,402	60.7%



Subscription Solutions

The gross profit of subscription solutions for the reporting period was approximately RMB303,368,000 (Six months ended 30 June 2021: approximately RMB380,673,000), representing a decrease of 20.3%. The decrease was mainly due to the decrease in revenue generated from subscription fees for SaaS products and cloud service fees. Gross profit margin decreased from 75.0% for the six-month period ended 30 June 2021 to 69.1% 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 RMB136,514,000 (Six months ended 30 June 2021: approximately RMB106,273,000), representing an increase of 28.5%, which was mainly due to the optimization of cost structure of transaction service. The gross profit margin increased from 36.7% in the six months ended 30 June 2021 to 48.1% in the six months ended 30 June 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 RMB1,636,000 (Six months ended 30 June 2021: approximately RMB456,000).

Expenses and Others

The Group recorded a 8.2% increase compared with the same period in 2021 in selling expenses to approximately RMB474,620,000 (Six months ended 30 June 2021: approximately RMB438,549,000). It was mainly due to the increase in sales personnel which led to the increase in sales staff costs, and partially offset by the decrease in promotion and advertising expenses and channel commission expenses.

The Group recorded a 30.9% increase compared with the same period in 2021 in administrative expenses to approximately RMB195,039,000 (Six months ended 30 June 2021: approximately RMB148,986,000). It was mainly due to the one-off severance payments of approximately RMB73,088,000 for the period, partially offset by the decrease in administrative staff costs due to organization optimization and lower legal and professional fees related to the Listing.

The Group recorded a 28.1% decrease compared with the same period in 2021 in other operating expenses to approximately RMB213,310,000 (Six months ended 30 June 2021: approximately RMB296,771,000). 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 10.2% decrease compared with the same period in 2021 in equity-settled share-based payment to approximately RMB22,516,000 (Six months ended 30 June 2021: approximately RMB25,087,000).

The Group recorded a 26.8% decrease compared with the same period in 2021 in investment and other income to approximately RMB26,965,000 (Six months ended 30 June 2021: approximately RMB36,817,000). 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 RMB3,297,000 (Six months ended 30 June 2021: other net losses of approximately RMB2,680,000). It was mainly due to the disposal of a subsidiary and an associate during the reporting period.

The Group recorded a 1.7% decrease compared with the same period in 2021 in finance costs to approximately RMB11,039,000 (Six months ended 30 June 2021: approximately RMB11,235,000), which was mainly due to the interest expenses of lease liabilities in relation to leases of office premises.

Dividends

No dividend was distributed during the period. The Board does not recommend the payment of dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

Pledge of Assets

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

Financial Resources and Liquidity

As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB831,809,000 (As at 31 December 2021: approximately RMB711,527,000).

As at 30 June 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.

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. As at the six months ended 30 June 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 June 2022, the Group has approximately 2,633 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 include performance bonus, share options and share awards etc.. The Directors believe that good quality of its employees is a company asset which affects growth and improves profitability. The Group recognizes the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

Significant Investment and Acquisition

There were no significant investments or material acquisitions during the six months ended 30 June 2022.

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

Continued Connected Transaction

On 27 April 2022, the Company entered into a supplemental loan agreement 2022 with Youzan Technology Inc. ("Youzan Technology"), pursuant to which the parties have agreed to revise the Previous Annual Caps for an unsecured loan facility to HK\$900 million, HK\$900 million and HK\$900 million for each of the three years ending 31 December 2024, respectively. The above transaction has been approved by the independent shareholders at the annual general meeting of the Company held on 21 June 2022. For further details of the above transaction, please refer to the announcement and circular of the Company dated 27 April 2022 and 20 May 2022, respectively.

The Placing

On 18 January 2022, the Placing was completed in accordance with the terms and conditions of the Placing Agreement. A total of 810,792,000 Placing Shares have been successfully placed by the Placing Agent to not fewer than six Placees at the Placing Price of HK\$0.385 per Placing Share pursuant to the Placing Agreement. The net proceeds from the Placing received by the Company, after deducting all related costs, fees, expenses and commission, amount to approximately HK\$309.01 million.

The following table sets forth the Company's use of the proceeds from the Placing of New Shares as of 30 June 2022.

Original allocation of the net proceeds as disclosed in the announcement dated 11 January 2022 and 18 January 2022	Utilised net proceeds up to 30 June 2022	Remaining balance of net proceeds as at 30 June 2022	Expected timeframe for utilising the remaining unused net proceeds
Approximately HK\$309.01 million will be used for (i) System upgrade, product development and marketing expenses; (ii) Additional funding for potential strategic investments and acquisitions; and (iii) General working capital of the Group.	Approximately HK\$192.83 million was used for the original purpose	Approximately HK\$116.18 million to be used for the original purpose	On or before 30 June 2023

Grant of Youzan Technology Shares and Anti-Dilution Issue by a Non-Wholly Owned Subsidiary

On 27 April 2022, Youzan Technology, a non-wholly owned subsidiary of the Company, resolved to conditionally grant (i) approximately 84.4 million Youzan Technology Shares to Whitecrow Investment; and (ii) approximately 91.1 million Youzan Technology Shares to the Company (which will occur on an inter-conditional basis to maintain the Company's interest in Youzan Technology at approximately 51.90%).

Upon Completion, Whitecrow Investment will hold approximately 14.23% and the Company will continue to hold approximately 51.90% of the total issued shares of Youzan Technology, which will remain as a non-wholly owned subsidiary of the Company.

The above transaction has been approved by the independent shareholders at the annual general meeting held on 21 June 2022 of the Company.

Contingent Liabilities

Details of the Group's contingent liabilities are set out in the note 22 of the Notes to condensed consolidated financial statements in this report.

Event After the Reporting Period

There were no significant events occurred after the reporting period.

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

As at 30 June 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 <i>(Note 1)</i> 363,170,101 <i>(Note 2)</i>	100,000,000 <i>(Note 4)</i>	1,931,771,804	10.49%
Mr. Cui Yusong	8,900,000 241,885,127 <i>(Note 3)</i>	20,000,000 <i>(Note 5)</i>	270,785,127	1.47%
Mr. Yu Tao	13,848,000	15,000,000 <i>(Note 5)</i>	28,848,000	0.16%
Ms. Ying Hangyan	852,000	15,000,000 <i>(Note 5)</i>	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 June 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 June 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	Number of interest in shares	% Shareholding
Whitecrow Investment Ltd. <i>(Note 2)</i>	Beneficial owner	1,440,601,703 (L)	7.82%
Double Peace Limited	Interests of controlled corporation	1,440,601,703 (L)	7.82%
Tricor Equity Trustee Limited	Trustee	1,440,601,703 (L)	7.82%
Poyang Lake Investment Limited <i>(Note 3)</i>	Beneficial owner	1,036,766,038 (L)	5.63%
Tencent Holdings Limited <i>(Note 3)</i>	Interests of controlled corporation	1,036,766,038 (L)	5.63%
UBS Group AG	Interests of controlled corporation	933,869,572 (L) 221,497,159 (S)	5.07% 1.20%

Note 1: (L): long position; (S): short position.

Note 2: 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 3: 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.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Share Options Scheme

The Company had one share option scheme adopted on 12 June 2019 (the “Share Option Scheme 2019”).

Set out below are the details of movements in the outstanding options granted under the Share Option Scheme 2019 during the period ended 30 June 2022:

Share Option Scheme 2019

	Position held within the Company	Date of grant	As at 1.1.2022	Grant during the period	Lapsed during the period	Cancelled during the period	Exercise during the period	As at 30.6.2022	Exercise price HK\$	Exercisable from (Note 1)	Exercisable until (Note 1)	Percentage out of total number of issued Shares as at the date of this report approximately (%)	
Name of Selected Directors													
	Mr. Zhu Ning	Executive Director and chief executive officer	9.9.2019	100,000,000	-	-	-	-	100,000,000	HK\$1.00	1 July 2020	30 June 2024	0.54
	Mr. Cui Yusong	Executive Director	9.9.2019	20,000,000	-	-	-	-	20,000,000	HK\$0.90	1 July 2020	30 June 2024	0.11
	Mr. Yu Tao	Executive Director	9.9.2019	15,000,000	-	-	-	-	15,000,000	HK\$0.90	1 July 2020	30 June 2024	0.08
	Ms. Ying Hangyan	Executive Director	9.9.2019	15,000,000	-	-	-	-	15,000,000	HK\$0.90	1 July 2020	30 June 2024	0.08
	Subtotal		9.9.2019	150,000,000	-	-	-	-	150,000,000				0.81
	Other employees (include 2 senior management of the Group)		9.9.2019	140,804,000	-	(12,000,000)	-	-	128,804,000	HK\$0.75	1 July 2020	30 June 2024	0.70
	Total			290,804,000	-	(12,000,000)	-	-	278,804,000				1.51

Note 1: Vesting schedule

1 July 2020	25%
1 July 2021	25%
1 July 2022	25%
1 July 2023	25%



SHARE AWARD SCHEME

On 31 May 2018 (“Adoption Date”), the Company has adopted the Share Award Scheme (“Share Award Scheme”) aimed to recognise the contributions by Eligible Persons and provide them with incentives in order to retain them for continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a period of 10 years from the Adoption Date unless early terminated by the Board.

The Board can make award of Shares of the Company to Selected Participants, but must not make any further award of unvested Shares which would result in the number of Shares awarded by the Board under the Share Award Scheme representing 10% or more of the issued Shares from time to time without Shareholders’ approval. The maximum number of Shares which may be subject to an award or awards to a selected participant in any 12-month period shall not in aggregate exceed 1% of the issued Shares.

No award shall be made by the Board and no instructions to acquire Shares shall be given by the Board to the Trustee under the Share Award Scheme where any director is in possession of unpublished price-sensitive information in relation to the Group or where dealings by directors are prohibited under any code or requirement of the GEM Listing Rules and all applicable laws from time to time.

Subject to the relevant Share Award Scheme Rules, (1) the Company can issue and allot Shares to the Trustee from time to time under general mandates granted or to be granted by the Shareholders at general meetings of the Company from time to time (unless such issue and allotment of Shares has otherwise been approved by the Shareholders) for future awards; or (2) in case where the Board have selected certain Eligible Person to be Selected Participant(s), the Company shall, as soon as reasonably practicable after the grant date, for the purposes of satisfying the grant of awards, issue and allot Shares to the Trustee under general mandates granted or to be granted by the Shareholders at general meetings of the Company from time to time (unless such issue and allotment of Shares has otherwise been approved by the Shareholders) and/or transfer to the Trust the necessary funds and instruct the Trustee to either (i) subscribe Shares to be issued by the Company or (ii) acquire Shares through on-market transactions at the prevailing market price. The Trustee must hold the Shares until they are vested in accordance with the Share Award Scheme Rules. When the Selected Participant has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the Trustee will transfer the relevant vested Shares to the Selected Participant.

The Trustee shall not exercise any voting rights and powers in respect of any Shares held under the Trust (including, but not limited to, the Awarded Shares, the Returned Shares, any bonus Shares and scrip Shares).

First Awards

During the year ended 31 December 2018, a total of 551,522,400 Awarded Shares ("First Awards") were granted and out of which, none was granted to the directors of the Company. The fair value of the First Awards granted was calculated based on the market price of the Company's Share at the measurement date that all relevant approvals in connection with the GEM Listing Rules requirements were received. The fair value of awarded shares granted was HK\$0.62 per Awarded Share.


Second Awards

On 19 November 2018, the Board announced the granting of another lot of 314,376,000 Awarded Shares and subsequently reduced to 304,247,200 Awarded Shares ("Second Awards") on 24 January 2019, none was granted to the directors of the Company. The Company received all approvals and allotted Second Awards to Trustee on 1 February 2019, but the grantees acceptance were not received until 15 March 2019. Also on 15 March 2019, the Board adjusted the number of Awards Shares previously announced and granted additional 23,064,800 Awarded Shares to 58 grantees using lapsed shares of First Awards and Second Awards held by Trustee in the Trust Fund. The fair value of the Second Awards granted was calculated based on the market price of the Company's Share at the measurement date that all relevant approvals in connection with the GEM Listing Rules requirements and acceptance from the Eligible participants were received. The fair value of Second Awards shares granted was HK\$0.52 per Awarded Share.

On 5 May 2019, the Board passed a resolution to modify the vesting schedule of 80 grantees of Second Awards, which resulted in immediate and full vesting of 154,897,600 Awarded Shares. Other than that there was no other modification of vesting conditions that will results in the acceleration of vesting.

Third Awards

On 21 August 2019, the Board passed a resolution to grant 7,814,400 Awarded Shares ("Third Awards") by using the lapsed shares of First Awards and Second Awards held by Trustee in the Trust Fund, of which none was granted to the directors of the Company. The fair value of the Third Awards granted was calculated based on the market price of the Company's Share at the measurement date that all relevant approvals in connection with the GEM Listing Rules requirements and the acceptance of Selected Participants were received. The fair value of Third Awards granted was HK\$0.51 per Awarded Share.



Third Awards granted to Selected Participants are divided into 3 tranches. The first tranche representing 50% of the awards would be vested when the Selected Participant completing 2 years of continuous service to the Group from the date of first day of employment. The second and third tranches each represent 25% of the awards, and would be vested after completing the third year and fourth year of continuous service to the Group, respectively.

Fourth Awards

On 1 July 2020, the Board passed a resolution to grant 45,120,000 Awarded Shares (“Fourth Awards”) by using the lapsed shares of First Awards and Second Awards held by the Trustee in the Trust Fund, of which none was granted to the directors of the Company. The fair value of the Fourth Awards granted was calculated based on the market price of the Company’s share at the measurement date that all relevant approvals in connection with the GEM Listing Rules requirements and the acceptance of selected participants were received. The fair value of Fourth Awards granted was HK\$1.37 per Awarded Share.

Fourth Awards granted to Selected Participants are divided into 4 tranches. The first tranche representing 25% of the awards would be vested when the Selected Participant completing 1 year of continuous service to the Group from the date of grant. The second, third and fourth tranches each represent 25% of the awards, and would be vested in the second, third and fourth anniversary from the date of grant, respectively.

Fifth Awards

On 30 December 2021, the Board passed a resolution to grant 36,200,000 Awarded Shares (“Fifth Awards”) by using the lapsed shares held by the Trustee in the Trust Fund, of which none was granted to the directors of the Company. The fair value of the Fifth Awards granted was calculated based on the market price of the Company’s share at the measurement date that all relevant approvals in connection with the GEM Listing Rules requirements and the acceptance of selected participants were received. The fair value of Fifth Awards granted was HK\$0.52 per Awarded Share.

Fifth Awards granted to the selected participant was fully vested on 31 December 2021.

Sixth Awards

On 1 April 2022, the Board passed a resolution to grant 138,000,000 awarded shares (“Sixth Awards”) by using shares held by the Trustee in the Trust Fund, of which none was granted to the directors of the Company. The fair value of the Sixth Awards granted was calculated based on the market price of the Company’s share at the measurement date that all relevant approvals in connection with the GEM Listing Rules requirements and the acceptance of selected participants were received. The fair value of Sixth Awards granted was HK\$0.157 per Awarded Share.

COMPETING INTERESTS AND CONFLICT OF INTEREST

None of the Directors or their respective close associates (as defined in the GEM Listing Rules) had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group nor any conflict of interest which has or may have with the Group during the six months ended 30 June 2022.

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

During six months ended 30 June 2022, there were no purchase, sale or redemption 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 six months ended 30 June 2022.

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. The Company has complied with the provisions of the CG Code during the six months ended 30 June 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 interim results announcement and interim report for the six months ended 30 June 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, 9 August 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 Information” page for at least 7 days from the day of its publication and on the Company’s website at www.chinayouzan.com.