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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 2023

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 2023. This announcement, containing the full text of the 2023 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 2023

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.



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HIGHLIGHTS

For the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB724,294,000, representing a decrease of 0.7% compared to the same period of last year. Of which, the revenue from subscription solutions was approximately RMB422,266,000, representing a decrease of 3.9% compared to the same period of last year, and the revenue from merchant solutions was approximately RMB300,029,000, representing an increase of 5.7% compared to the same period of last year.

For the six months ended 30 June 2023, the Group recorded a gross profit of approximately RMB501,396,000, representing an increase of 13.6% compared to the same period of last year. Of which, the gross profit of subscription solutions was approximately RMB344,344,000, representing an increase of 13.5% compared to the same period of last year, and the gross profit of merchant solutions was approximately RMB156,446,000 representing an increase of 14.6% compared to the same period of last year.

For the six months ended 30 June 2023, the Group's gross profit margin increased from 60.5% in the same period of last year to 69.2% for the current period. Of which, the gross profit margin of subscription solutions increased from 69.1% in the same period of last year to 81.5% for the current period, and the gross profit margin of merchant solutions increased from 48.1% in the same period of last year to 52.1% for the current period.

The Group recorded a loss from operations of approximately RMB11,265,000 for the six months ended 30 June 2023, representing a significant decrease of 97.6% compared to a loss from operations of approximately RMB474,112,000 for the same period of last year.

For the three months ended 30 June 2023, the Group recorded a revenue of approximately RMB369,477,000, representing an increase of 0.8% compared to the same period of last year. For the three months ended 30 June 2023, gross profit margin increased from 60.3% in the same period of last year to 69.1% in the current period. The Group recorded a loss from operations of approximately RMB9,598,000 for the three months ended 30 June 2023, representing a significant decrease of 92.6% compared to a loss from operations of approximately RMB130,105,000 for the same period of last year.

As at 30 June 2023, the Group had total cash and cash equivalents of approximately RMB840,299,000 and a current ratio of 1.05 times.

The board of directors (the "Board") does not recommend the payment of interim dividend for the six months ended 30 June 2023.

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 2023 (the “reporting period”) together with the comparative unaudited figures for the corresponding periods in 2022 as set out below:

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) (Restated) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) (Restated) RMB'000
Revenue	5	369,477	366,473	724,294	729,275
Cost of sales		(114,311)	(145,432)	(222,898)	(287,757)
Gross profit		255,166	221,041	501,396	441,518
Investment and other income	6	12,135	15,605	30,429	26,965
Other gains and losses, net		7,829	3,506	10,778	3,297
Selling expenses		(173,947)	(218,654)	(331,075)	(474,620)
Administrative expenses		(36,531)	(71,715)	(69,869)	(195,039)
Equity-settled share-based payments		(3,790)	(18,499)	(6,452)	(22,516)
Amortisation of intangible assets		(20,577)	(20,330)	(40,563)	(40,407)
Other operating expenses	7	(49,883)	(41,059)	(105,909)	(213,310)
Loss from operations		(9,598)	(130,105)	(11,265)	(474,112)
Finance costs		(6,841)	(5,580)	(13,736)	(11,039)
Share of losses of associates		-	(1,761)	-	(2,424)
Fair value change in financial assets at fair value through profit or loss ("FVTPL")		2,482	-	2,482	-
Loss before taxation		(13,957)	(137,446)	(22,519)	(487,575)
Income tax credit	9	4,797	638	4,103	2,487
Loss for the period	10	(9,160)	(136,808)	(18,416)	(485,088)
Attributable to:					
Owners of the Company		11,595	(81,600)	18,114	(264,287)
Non-controlling interests		(20,755)	(55,208)	(36,530)	(220,801)
		(9,160)	(136,808)	(18,416)	(485,088)
Earnings/(Loss) per share (express in RMB per share)					
- basic	12(a)	0.0006	(0.0047)	0.0010	(0.0153)
- diluted	12(b)	0.0006	N/A	0.0010	N/A

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

	Three months ended 30 June 2023		Six months ended 30 June 2023	
	(Unaudited) RMB'000	(Unaudited) (Restated) RMB'000	(Unaudited) RMB'000	(Unaudited) (Restated) RMB'000
<i>Notes</i>				
Loss for the period	(9,160)	(136,808)	(18,416)	(485,088)
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")	3,063	-	3,063	-
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	4,278	15,254	2,535	8,413
Other comprehensive income for the period, net of tax	7,341	15,254	5,598	8,413
Total comprehensive income for the period, net of tax	(1,819)	(121,554)	(12,818)	(476,675)
Attributable to:				
Owners of the Company	34,157	(56,191)	37,920	(245,152)
Non-controlling Interests	(35,976)	(65,363)	(50,738)	(231,523)
	(1,819)	(121,554)	(12,818)	(476,675)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Restated) RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	13	14,133	18,739
Right-of-use assets	14	10,914	13,742
Long term deposits		285	361
Goodwill		341,326	341,326
Intangible assets		733,382	773,945
Capitalised contract costs		24,020	34,503
Deferred tax assets		70,682	71,349
Financial assets at FVTPL		288,824	285,642
Financial assets at FVTOCI		74,200	70,993
		1,557,766	1,610,600
Current assets			
Inventories		1,198	1,246
Trade receivables	15	11,992	13,120
Factoring loan receivables		47,391	31,468
Prepayments, deposits and other receivables		257,596	283,286
Capitalised contract costs		124,390	134,600
Amounts due from non-controlling shareholders of subsidiaries		–	260
Amount due from a related company		1,363	1,287
Current tax assets		–	174
Restricted bank balances	16	6,313	8,113
Time deposits		223,500	–
Balances with central bank		3,045,717	3,592,688
Bank and cash balances	17	615,558	885,460
		4,335,018	4,951,702

		As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Restated) RMB'000
	<i>Notes</i>		
Current Liabilities			
Trade payables	18	2,586	2,641
Accruals and other payables		343,982	420,787
Amounts due to non-controlling shareholders of subsidiaries		73	69
Contract liabilities		585,885	620,136
Borrowings	19	199	480,986
Lease liabilities		15,974	20,506
Settlement obligations		3,194,120	3,702,560
Current tax liabilities		205	4,212
		4,143,024	5,251,897
Net current assets/(liabilities)		191,994	(300,195)
Total assets less current liabilities		1,749,760	1,310,405
Non-current liabilities			
Contract liabilities		47,831	49,351
Borrowings	19	460,449	–
Lease liabilities		69,748	73,413
Deferred tax liabilities		133,015	142,558
		711,043	265,322
NET ASSETS		1,038,717	1,045,083
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	20	154,484	154,484
Reserves		1,301,912	1,258,782
		1,456,396	1,413,266
Non-controlling interests		(417,679)	(368,183)
TOTAL EQUITY		1,038,717	1,045,083

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	As at 1 January 2023 (As originally presented) RMB'000	Impact of adoption of Amendments to HKAS 12 (note 3) RMB'000	As at 1 January 2023 (As restated) RMB'000	Movements (Unaudited) RMB'000	As at 30 June 2023 (Unaudited) RMB'000
Share capital	154,484	-	154,484	-	154,484
Share premium account	6,420,355	-	6,420,355	-	6,420,355
Share option reserve	48,808	-	48,808	(2,001)	46,807
Shares held for Share Award Scheme	(24,679)	-	(24,679)	10,969	(13,710)
Share Award Scheme reserve	41,353	-	41,353	(7,048)	34,305
Capital reserve	(621,565)	-	(621,565)	(1,242)	(622,807)
Statutory reserve	8,060	-	8,060	-	8,060
Exchange reserve	1,062	-	1,062	16,743	17,805
Financial assets at FVTOCI reserve	(103,556)	-	(103,556)	8,063	(95,493)
Subsidiary's treasury share reserve	(7)	-	(7)	-	(7)
Accumulated losses	(4,511,137)	88	(4,511,049)	17,646	(4,493,403)
Total attributable to owners of the Company	1,413,178	88	1,413,266	43,130	1,456,396
Non-controlling interests	(368,183)	-	(368,183)	(49,496)	(417,679)
Total equity	1,044,995	88	1,045,083	(6,366)	1,038,717
	As at 1 January 2022 (As originally presented) RMB'000	Impact of adoption of Amendments to HKAS 12 (note 3) RMB'000	As at 1 January 2022 (As restated) RMB'000	Movements (Unaudited) RMB'000	As at 30 June 2022 (Unaudited) RMB'000
Share capital	145,036	-	145,036	9,448	154,484
Share premium account	6,098,424	-	6,098,424	321,931	6,420,355
Share option reserve	45,615	-	45,615	1,940	47,555
Shares held for Share Award Scheme	(43,128)	-	(43,128)	(39,696)	(82,824)
Share Award Scheme reserve	57,364	-	57,364	(21,931)	35,433
Capital reserve	(621,565)	-	(621,565)	-	(621,565)
Statutory reserve	8,060	-	8,060	-	8,060
Exchange reserve	(29,456)	-	(29,456)	19,135	(10,321)
Financial assets at FVTOCI reserve	(102,827)	-	(102,827)	-	(102,827)
Subsidiary's treasury share reserve	(7)	-	(7)	-	(7)
Accumulated losses	(4,211,050)	(274)	(4,211,324)	(261,874)	4,473,198
Total attributable to owners of the Company	1,346,466	(274)	1,346,192	28,953	1,375,145
Non-controlling interests	(9,643)	-	(9,643)	(228,936)	(238,579)
Total equity	1,336,823	(274)	1,336,549	(199,983)	1,136,566

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Net cash used in operating activities	(7,317)	(558,568)
Net cash used in investing activities	(440)	(30,879)
Net cash (used in)/generated from financing activities	(43,487)	701,416
Net (decrease)/increase in cash and cash equivalents	(51,244)	111,969
Effect of foreign exchange rate changes	1,599	8,313
Cash and cash equivalents at beginning of period	889,944	711,527
Cash and cash equivalents at the end of period	840,299	831,809
Analysis of the cash and cash equivalents:		
Time deposits	223,500	–
Restricted bank balances	1,241	846
Bank and cash balances	615,558	830,963
	840,299	831,809

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 in China is Building 6, No. 698 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province, China, and the address of its principal place of business in Hong Kong is Unit 1511, 15/F., Shui On Centre, No. 6-8 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

2. Basis of preparation and principal accounting policies

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 amounts included in the these unaudited condensed financial statements 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 unaudited condensed financial statements should be read in conjunction with the 2022 annual financial statements. Except as described below in note 3, the accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2022.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

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

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

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

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

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

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

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

Condensed consolidated statement of financial position	As at 30 June 2023 (before adoption of Amendments to HKAS 12) RMB'000 (unaudited)	Effects of adoption of Amendments to HKAS 12 RMB'000 (unaudited)	As at 30 June 2023 (as presented) RMB'000 (unaudited)	As at 31 December 2022 (before adoption of Amendments to HKAS 12) RMB'000 (audited)	Effects of adoption of Amendments to HKAS 12 RMB'000	As at 31 December 2022 (as presented) RMB'000
	Non-current assets					
Deferred tax assets	68,773	1,909	70,682	68,772	2,577	71,349
Non-current liabilities						
Deferred tax liabilities	131,191	1,824	133,015	140,069	2,489	142,558
Equity						
Reserves	1,301,997	(85)	1,301,912	1,258,694	88	1,258,782

Condensed consolidated statement of profit or loss and other comprehensive income	For the six months ended 30 June					
	2023 (before adoption of Amendments to HKAS 12) RMB'000 (unaudited)	Effects of adoption of Amendments to HKAS 12 RMB'000 (unaudited)	2023 (as presented) RMB'000 (unaudited)	2022 (before adoption of Amendments to HKAS 12) RMB'000 (audited)	Effects of adoption of Amendments to HKAS 12 RMB'000	2022 (as presented) RMB'000
Income tax credit	4,106	(3)	4,103	5,780	(3,293)	2,487

Earnings per share for profit attributable to owners of the Company for the six months period ended 30 June 2023 are RMB0.0010 as a result of the adoption of Amendments to HKAS 12 (Loss per share for loss attributable to owners of the Company for six months period ended 30 June 2022: changed from RMB0.0151 to RMB0.0153).

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

4. Fair value measurements

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the 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:
As at 30 June 2023**

	Fair value measurements using:			Total
	Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000	30 June 2023 (Unaudited) RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
– unlisted preferred shares	–	–	283,645	283,645
Financial assets at FVTPL				
– unlisted equity securities	–	–	5,179	5,179
Financial assets at FVTOCI				
– unlisted equity securities	–	–	74,200	74,200
	–	–	363,024	363,024

As at 31 December 2022

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	31 December
	(Audited)	(Audited)	(Audited)	2022
	RMB'000	RMB'000	RMB'000	(Audited)
				RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
– unlisted preferred shares	–	–	280,891	280,891
Financial assets at FVTPL				
– unlisted equity securities	–	–	4,751	4,751
Financial assets at FVTOCI				
– unlisted equity shares	–	–	70,993	70,993
	–	–	356,635	356,635

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

	Financial assets at FVTOCI – unlisted equity securities RMB'000	Financial assets at FVTPL – unlisted equity securities RMB'000	Financial assets at FVTPL – preferred shares RMB'000	Total RMB'000
As 1 January 2023	70,993	4,751	280,891	356,635
Total gain or loss recognised				
– In profit or loss	–	428	2,054	2,482
– In other comprehensive income	3,063	–	–	3,063
Exchange difference	144	–	700	844
As at 30 June 2023 (unaudited)	74,200	5,179	283,645	363,024

Total gain or loss recognised in other comprehensive income are presented in the condensed statement of profit or loss and other comprehensive income.

Total gain or loss recognised in profit or loss are presented in fair value change in financial assets at FVTPL in the condensed statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 30 June 2023:

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 2022 with the recognised professional qualifications and recent experience to perform valuation.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Parameters	Effect on fair value for increase of inputs	Fair value	
					As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Financial assets at FVTOCI – unlisted equity securities Company A	Market multiples with an adjustment of lack of marketability discount ("DLOM")	Price-to-Book ("P/B")	0.46x (As at 31 December 2022: 0.45x)	Increase in unobservable input would result in increase in the fair value	69,959	64,840
		DLOM	29.45% (As at 31 December 2022: 28.21%)	Increase in unobservable input would result in decrease in the fair value		
		Volatility ("VOL")	50.28% (As at 31 December 2022: 48.79%)	Increase in unobservable input would result in decrease in the fair value		
Financial assets at FVTOCI – unlisted equity securities Company B	Market multiples with an adjustment of DLOM	Enterprise value to sales multiples ("EV/S")	1.76x (As at 31 December 2022: 2.02x)	Increase in unobservable input would result in increase in the fair value	4,241	6,153
		DLOM	33.63% (As at 31 December 2022: 30.69%)	Increase in unobservable input would result in decrease in the fair value		
		VOL	74.47% (As at 31 December 2022: 87.22%)	Increase in unobservable input would result in decrease in the fair value		

Description	Valuation technique	Unobservable inputs	Parameters	Effect on fair value for increase of inputs	Fair value	
					As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Financial assets at FVTPL – preferred shares Group Companies C	Market multiple with an adjustment of DLOM	EVS	2.78x-9.78x (At 31 December 2022: 2.65x-8.9x)	Increase in unobservable input would result in increase in the fair value	235,891	225,910
		DLOM	16.22%-39.49% (At 31 December 2022: 16.57%-30.64%)	Increase in unobservable input would result in decrease in the fair value		
		VOL	44.04%-67.4% (At 31 December 2022: 47.71%-73.28%)	Increase in unobservable input would result in decrease in the fair value		
Financial assets at FVTPL – preferred shares Company E	Market multiples with an adjustment of DLOM	EV/EBITDA	15.74x (At 31 December 2022: 16.06x)	Increase in unobservable input would result in increase in the fair value	9,023	10,216
		DLOM	18.01% (At 31 December 2022: 18.23%)	Increase in unobservable input would result in decrease in the fair value		
		VOL	48.58% (At 31 December 2022: 49.25%)	Increase in unobservable input would result in decrease in the fair value		
Financial assets at FVTPL – preferred shares Company D	Market multiples with an adjustment of DLOM	EVS	6.01x (At 31 December 2022: 6.93x)	Increase in unobservable input would result in increase in the fair value	38,730	44,715
		DLOM	26.57% (At 31 December 2022: 25.92%)	Increase in unobservable input would result in decrease in the fair value		
		VOL	70.96% (At 31 December 2022: 67.93%)	Increase in unobservable input would result in decrease in the fair value		
Financial assets measured at FVTPL – unlisted equity securities	Market multiples with an adjustment of DLOM	EVS	7.08x (At 31 December 2022: 7.03x)	Increase in unobservable input would result in increase in the fair value	5,179	4,751
		DLOM	19.68% (At 31 December 2022: 19.17%)	Increase in unobservable input would result in decrease in the fair value		
		VOL	52.7% (At 31 December 2022: 51.91%)	Increase in unobservable input would result in decrease in the fair value		

There were no changes in the valuation techniques used.

5. 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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue from contracts with customers within the scope of HKFRS 15				
Subscription solutions	216,547	219,283	422,266	439,197
Merchant solutions	151,857	144,468	300,029	283,852
Others	1,073	2,722	1,999	6,226
	369,477	366,473	724,294	729,275

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:

For the six months ended 30 June	General trading		Third party payment services		Onecomm		Merchant services		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Primary geographical markets												
- PRC except Hong Kong	-	-	153,561	154,737	-	-	567,209	573,166	2,586	656	723,356	728,559
- Japan	-	-	-	-	-	-	890	359	-	-	890	359
- Canada	-	-	-	-	-	-	346	646	-	-	346	646
Segment revenue	-	-	153,561	154,737	-	-	568,445	574,171	2,586	656	724,592	729,564
Intersegment revenue												
- PRC except Hong Kong	-	-	-	-	-	-	(298)	(289)	-	-	(298)	(289)
Revenue from external customers	-	-	153,561	154,737	-	-	568,147	573,882	2,586	656	724,294	729,275
Timing of revenue recognition												
At a point in time	-	-	44	152	-	-	120,427	112,187	-	-	133,451	112,339
Over time	-	-	153,517	154,585	-	-	447,720	461,695	2,586	656	590,843	616,936
Total	-	-	153,561	154,737	-	-	568,147	573,882	2,586	656	724,294	729,275

For the three months ended 30 June	General trading		Third party payment services		Onecomm		Merchant services		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Primary geographical markets												
- PRC except Hong Kong	-	-	79,355	78,734	-	-	288,224	287,038	1,285	300	388,864	386,072
- Japan	-	-	-	-	-	-	475	122	-	-	475	122
- Canada	-	-	-	-	-	-	268	413	-	-	268	413
Segment revenue	-	-	79,355	78,734	-	-	288,967	287,573	1,285	300	389,607	386,607
Intersegment revenue	-	-	-	-	-	-	(130)	(134)	-	-	(130)	(134)
Revenue from external customers	-	-	79,355	78,734	-	-	288,837	287,439	1,285	300	389,477	386,473
Timing of revenue recognition												
At a point in time	-	-	14	64	-	-	64,971	58,302	-	-	77,965	58,366
Over time	-	-	79,341	78,670	-	-	223,866	229,137	1,285	300	291,512	308,107
Total	-	-	79,355	78,734	-	-	288,837	287,439	1,285	300	389,477	386,473

(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 2023 and the expected timing of recognising revenue as follows:

	Subscription solutions As at 30 June 2023 (Unaudited) RMB'000	Subscription solutions As at 31 December 2022 (Audited) RMB'000
Within 1 year	585,885	620,136
More than 1 year but not more than 2 years	46,695	49,127
More than 2 years	1,136	224
	633,716	669,487

6. Investment and other income

	For the three months ended 30 June		For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Interest income on:				
Bank deposits	6,135	884	11,388	2,948
Central Bank	3,000	3,000	6,677	5,733
Financial assets at FVTPL	-	89	-	1,512
Total interest income	9,135	3,973	18,065	10,193
Government grants	26	7,052	4,858	7,052
VAT super-credit	410	867	1,983	1,966
Compensation income	1,118	1,367	1,893	2,349
Others	1,446	2,346	3,630	5,405
	12,135	15,605	30,429	26,965

7. Other operating expenses

	For the three months ended 30 June		For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Research and development expenditures	49,841	41,022	105,840	213,217
Others	42	37	69	93
	49,883	41,059	105,909	213,310

8. 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 is as follows:

	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 2023:						
Revenue from external customers	-	153,561	-	568,147	2,586	724,294
Intersegment revenue	-	-	-	298	-	298
Segment profit/(loss)	-	61,168	-	(59,837)	1,482	2,813
As at 30 June 2023						
Segment assets	403	3,317,239	-	1,479,036	863	4,797,514
Investments in associates	-	-	-	-	-	-
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 31 December 2022						
Segment assets	377	3,930,096	-	1,749,503	41,944	5,721,920
Investments in associates	-	-	-	-	-	-

Reconciliations of segment revenue and profit or loss:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Total revenue of reportable segments	724,592	729,564
Elimination of intersegment revenue	(298)	(289)
Consolidated revenue	724,294	729,275
Profit or loss		
Total profit/(loss) of reportable segments	2,813	(460,696)
Equity-settled share-based payments	(6,452)	(22,516)
Unallocated amounts:		
Fair value change in financial assets at FVTPL	2,482	–
Corporate income and expenses, net	(21,362)	(4,363)
Consolidated loss before income tax	(22,519)	(487,575)

9. Income tax credit

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

	For the three months ended 30 June		For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Restated) RMB'000	2023 (Unaudited) RMB'000	2022 (Restated) RMB'000
Current tax – the PRC	(181)	5	4,771	57
Deferred tax	(4,616)	(643)	(8,874)	(2,544)
	(4,797)	(638)	(4,103)	(2,487)

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

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

One of the Group’s major 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 was 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 applicable tax rate for this subsidiary for the six months period ended 30 June 2023 is 15%.

One of the Group’s subsidiary operating in Beijing (the “Beijing subsidiary”), was recognised as a High and New Technology Enterprise (“HNTE”) in 2020 and was entitled to enjoy an income tax concession at preferential rate of 15% for three years starting from 1 January 2020. In order to continue enjoying the preferential tax rate of 15%, the Beijing Subsidiary will apply for renewal of the HNTE status in 2023 and the Company’s Directors have assessed and concluded that the Beijing subsidiary can fulfil the requirements of HNTE status renewal. Therefore, the applicable tax rate for Beijing Subsidiary for the 6-month period ended 30 June 2023 is estimated to be 15%.

10. 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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Amortisation of intangible assets	20,577	20,330	40,563	40,407
Amortisation of capitalised contract costs	53,746	53,847	97,554	112,419
Allowance/(reversal of allowance) for trade receivables, net	5,944	1,628	5,944	1,628
Allowance/(reversal of allowance) for prepayments, deposit and other receivables, net	(691)	1,804	(691)	1,804
Cost of goods sold	679	965	1,166	2,538
Depreciation of property, plant and equipment	2,695	15,288	5,122	15,553
Depreciation of right-of-use assets	3,709	10,130	6,656	21,031
Net gain on disposals of property, plant and equipment	(210)	(45)	(297)	(610)
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)
Research and development expenditures (included in other operating expenses and equity-settled share-based payments)	49,936	38,396	105,643	210,163

11. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months and the six months ended 30 June 2023 (three months and six months ended 30 June 2022: Nil).

12. Earnings/(loss) per share

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

The calculation of basic earnings/(loss) per share is based on the earnings for the six months ended 30 June 2023 attributable to owners of the Company of approximately RMB18,114,000 (for the six months ended 30 June 2022: losses of approximately RMB264,287,000) and the weighted average number of ordinary shares in approximately 18,340,560,000 (for the six months ended 30 June 2022: approximately 17,260,994,000) in issue during the six months ended 30 June 2023.

The calculation of basic earnings/(loss) per share is based on the earnings for the three months ended 30 June 2023 attributable to owners of the Company of approximately RMB11,595,000 (for the three months ended 30 June 2022: losses of approximately RMB81,600,000) and the weighted average number of ordinary shares in approximately 18,341,067,000 (for the three months ended 30 June 2022: approximately 17,300,064,000) in issue during the three months ended 30 June 2023.

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

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

13. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately RMB456,000 (Unaudited) (during the year ended 31 December 2022: approximately RMB2,962,000 (Audited)).

14. Right-of-use assets

During the six months ended 30 June 2023, additions to the right-of-use assets of the Group was RMB3,807,000 (Unaudited) (during the year ended 31 December 2022: RMB623,000 (Audited)).

15. Trade receivables

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

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
0 to 120 days	11,992	13,120

16. Restricted bank balances

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
For settlement of amounts payable to employees	848	847
Pledged as security of banking facilities	1,114	1,109
Frozen by a PRC bank for business registration update of a subsidiary	393	3,637
Others	3,958	2,520
	6,313	8,113

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".

17. Bank and cash balances

At the end of the reporting period, the bank and cash balances of the Group deposited with banks in Mainland China amounted to RMB602,574,000 (Unaudited) (as at 31 December 2022: RMB865,497,000 (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”.

18. Trade payables

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

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Current to 90 days	514	545
91 to 180 days	153	282
181 to 365 days	105	–
Over 365 days	1,814	1,814
	2,586	2,641

19. Borrowings

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Bank loan – principal (note (a),(b))	460,000	480,000
Bank loan – interest payable (note (a),(b))	449	565
Loan from a non-controlling interest shareholder (note (c))	199	421
	460,648	480,986

Notes:

- (a) The carrying amount of bank loan as at 31 December 2022 was matured on 19 June 2023, denominated in RMB and secured by assets of a related company 杭州起碼科技有限公司. The total secured amount is RMB500 million. The loan was fully settled on 30 May 2023.

Interest rate is charged at 3.9% per annum.

- (b) The carrying amount of bank loan as at 30 June 2023 will mature on 29 May 2025, denominated in RMB and secured by assets of a related company 杭州起碼科技有限公司. The total secured amount is RMB500 million.

Interest rate is charged at 3.9% per annum.

- (c) The loan is unsecured, interest-free and matured on 1 June 2023. The loan is denominated in CAD.

20. Share capital

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

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

21. Convertible bonds

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

22. Warrants

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

23. Contingent liabilities

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

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

24. Capital commitments

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

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Equity investment in a company	4,537	4,537
Property, plant and equipment	-	-

25. 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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Advertising service fee received from a related company (exclude VAT)	-	-	-	10
Revenue from a related company	773	1,298	1,546	3,134
Dividend income from an associate	-	-	369	-
Commission paid to associates	(325)	(1,018)	(822)	(1,503)
Administrative expenses paid to a non-controlling shareholder	(219)	(538)	(372)	(688)

- (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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Salaries, bonus and allowances	4,685	3,675	7,502	7,334
Equity-settled share-based payments	708	1,556	1,351	3,031
Retirement benefit scheme contribution	61	58	126	131
	5,454	5,289	8,979	10,496

26. Comparative figures

The Group has adopted Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” from 1 January 2023 and certain comparative figures have been re-stated correspondingly. Details are set out in note 3 of the Notes to condensed consolidated financial statements in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

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

We offer a wide variety of cloud-based commerce services to merchants through our subscription solutions, a suite of SaaS products such as Youzan WeiMall, Youzan 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 Worry-free Shopping, Youzan Distribution, and Youzan Promotion.

In the first half of 2023, we continued to enhance our solution capabilities based on the business needs of the three major customer groups of "content monetization, brand DTC, and new retail store". Our sales teams are more focused on the precise expansion of target customers, and take into account the specific business scenarios of customers to promote and sell solutions that match their demands. Our product development teams are more focused on the demand in business scenarios of core customers and the development and iteration of product capabilities. We upgraded our private domain operation solutions for three major categories of customers, providing support for the implementation of services such as private domain onboarding, products selection and aggregation, private domain operation consulting, and new retail onboarding, with a view to enhancing the success rate of merchants' new retail practices. More merchants choose to subscribe to the advanced versions that include private domain solutions, which increase our average contract price.

We have launched our first artificial intelligence product, namely “Jarvis”. Currently, “Jarvis” mainly supports two scenarios of graphic promotion and campaign planning. The “graphic promotion” can generate content with better conversion rates and preferred results based on the merchandise information, campaign information, promotion channels, and usage scenarios; while the “campaign planning” can clearly understand the purpose of the campaign and automatically generate marketing campaigns across products and functions. “Jarvis” will continue to roll out new functions to serve merchants focusing on five key capabilities including report analysis, sales enhancement, after-sales customer service, merchandise creation, and shop design. We are continuously exploring the integration of artificial intelligence technology with our business, reducing the barriers for merchants to learn and use our SaaS products, and improving the efficiency of merchants operating our SaaS product. At the same time, many of our departments are actively applying artificial intelligence to improve work efficiency.

In the first half of 2023, the gross merchandise volume generated by the merchants through Youzan’s solutions reached approximately RMB48.7 billion, increased by approximately 2% year-on-year. The gross merchandise volume of store SaaS business was approximately RMB23.4 billion, accounting for 48% of the gross merchandise volume, representing an increase of approximately 21% year-on-year. The average sales of a single merchant were approximately RMB671,000 in the first half of 2023 (in the first half of 2022: approximately RMB526,000), representing an increase of over 27% year-on-year.

As of 30 June 2023, we had 72,621 paying merchants, of which approximately 66% were those subscribing for e-commerce SaaS; approximately 34% were those subscribing for store SaaS, including Youzan Retail, Youzan Chain, Youzan Beauty, Youzan Education and WowShop etc.

The number of new paying merchants in the first half of 2023 was 10,863, of which the new paying merchants of e-commerce SaaS accounted for 63% of the total new paying merchants and the new paying merchants of store SaaS accounted for 37% of the total new paying merchants. The number of new paying merchants in the second quarter of 2023 was 5,848, representing an increase of approximately 17% quarter-on-quarter.

As of 30 June 2023, Youzan had a total of 1,927 employees.

Business Development Strategies

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

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

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

Financial Review

Revenue

The Group’s revenue for the period was approximately RMB724,294,000 (six months ended 30 June 2022: approximately RMB729,275,000), representing a decrease of approximately 0.7% compared with the same period in 2022, which was mainly attributable to the decrease in revenue from subscription solutions, partially offset by the increase in revenue from merchant solutions.

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

	For the six months ended 30 June		
	2023 (Unaudited) RMB’000	2022 (Unaudited) RMB’000	Changes %
Subscription solutions	422,266	439,197	(3.9)
Merchant solutions	300,029	283,852	5.7
Others	1,999	6,226	(67.9)
Total	724,294	729,275	(0.7)

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 3.9% from approximately RMB439,197,000 for the six months ended 30 June 2022 to approximately RMB422,266,000 for the reporting period, mainly attributable to the decrease in the number of paying merchants.

Merchant Solutions

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

Revenue from merchant solutions for the reporting period was approximately RMB300,029,000 (six months ended 30 June 2022: approximately RMB283,852,000), representing an increase of 5.7%, mainly due to the increase in the revenue from private domain operation service.

Others

Revenue from other businesses for the reporting period was approximately RMB1,999,000 (six months ended 30 June 2022: approximately RMB6,226,000), representing a decrease of 67.9%.

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				Changes %
	2023 (Unaudited)		2022 (Unaudited)		
	Percentage		Percentage		
	RMB'000	%	RMB'000	%	
Staff costs	59,962	26.9	81,528	28.3	(26.5)
Server and SMS costs	20,351	9.1	56,863	19.8	(64.2)
Transaction costs	85,963	38.6	105,084	36.5	(18.2)
Costs of goods sold	1,166	0.5	2,538	0.9	(54.1)
Technology services expenses	9,625	4.3	8,475	2.9	13.6
Contracted operation services costs	15,350	6.9	6,188	2.2	148.1
Taxes and surcharges	3,798	1.7	3,869	1.3	(1.8)
Insurance premium costs	2,986	1.3	7,697	2.7	(61.2)
Others	23,697	10.7	15,515	5.4	52.7
Total	222,898	100.0	287,757	100.0	(22.5)

The Group's costs of sales in the reporting period were approximately RMB222,898,000 (six months ended 30 June 2022: approximately RMB287,757,000), representing a decrease of 22.5%, due to (i) server and SMS costs decreased by 64.2% from approximately RMB56,863,000 in the same period of last year to approximately RMB20,351,000 for the reporting period, mainly due to precise costs control measures, (ii) staff costs decreased by 26.5% from approximately RMB81,528,000 in the same period of last year to approximately RMB59,962,000 for the reporting period, mainly due to the decrease in headcount as a result of the optimization of organization structure, (iii) transaction costs decreased by 18.2% from approximately RMB105,084,000 for the same period of last year to approximately RMB85,963,000 for the reporting period, mainly due to the Group's continuing optimization on cost structure of transaction service.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit for the reporting period of approximately RMB501,396,000 (six months ended 30 June 2022: approximately RMB441,518,000), representing an increase of 13.6%, due to the increase of gross profit from subscription solutions and merchant solutions.

The Group's gross profit margin increased from 60.5% in the same period of 2022 to 69.2% in the reporting period, which was mainly due to the increase of gross profit margin of subscription solutions and merchant solutions.

	For the six months ended 30 June 2023 (Unaudited)		2022 (Unaudited)	
	RMB'000	Gross profit margin %	RMB'000	Gross profit margin %
Subscription solutions	344,344	81.5	303,368	69.1
Merchant solutions	156,446	52.1	136,514	48.1
Others	606	30.3	1,636	26.3
Total	501,396	69.2	441,518	60.5

Subscription Solutions

The gross profit of subscription solutions for the reporting period was approximately RMB344,344,000 (six months ended 30 June 2022: approximately RMB303,368,000), representing an increase of 13.5%. The increase was mainly due to the decrease in staff costs and server costs brought by precise costs control measures. The gross profit margin increased from 69.1% for the six months ended 30 June 2022 to 81.5% for the reporting period, mainly due to the decrease in the cost of subscription solutions.

Merchant Solutions

The gross profit of merchant solutions for the reporting period was approximately RMB156,446,000 (six months ended 30 June 2022: approximately RMB136,514,000), representing an increase of 14.6%, which was mainly due to the optimization of cost structure of transaction service. The gross profit margin increased from 48.1% for the six months ended 30 June 2022 to 52.1% for the six months ended 30 June 2023, mainly due to the increase in gross profit margin of transaction service contributed by the optimization of cost structure.

Others

Other gross profit for the reporting period was approximately RMB606,000 (six months ended 30 June 2022: approximately RMB1,636,000).

Expenses and Others

The Group recorded a 30.2% decrease compared with the same period in 2022 in selling expenses to approximately RMB331,075,000 (six months ended 30 June 2022: approximately RMB474,620,000). It was mainly due to the decrease in sales personnel which led to the decrease in sales staff costs and the decrease in channel commission expenses.

The Group recorded a 64.2% decrease compared with the same period in 2022 in administrative expenses to approximately RMB69,869,000 (six months ended 30 June 2022: approximately RMB195,039,000). It was mainly due to the one-off severance packages of approximately RMB73,088,000 during the six months ended 30 June 2022 and the decrease in administrative staff costs due to the decrease in administrative personnel as a result of the optimization of the organizational structure.

The Group recorded a 50.3% decrease compared with the same period in 2022 in other operating expenses to approximately RMB105,909,000 (six months ended 30 June 2022: approximately RMB213,310,000). 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 71.3% decrease compared with the same period in 2022 in equity-settled share-based payment to approximately RMB6,452,000 (six months ended 30 June 2022: approximately RMB22,516,000).

The Group recorded a 12.8% increase compared with the same period in 2022 in investment and other income to approximately RMB30,429,000 (six months ended 30 June 2022: approximately RMB26,965,000). It was mainly due to the increase in bank interest income.

The Group recorded other net gains of approximately RMB10,778,000 (six months ended 30 June 2022: other net gains of approximately RMB3,297,000). It was mainly due to the rent concession during the reporting period.

The Group recorded a 24.4% increase compared with the same period in 2022 in finance costs to approximately RMB13,736,000 (six months ended 30 June 2022: approximately RMB11,039,000), which was mainly due to the increase in interest as a result of the new bank loans from June 2022, partially offset by the decrease in 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 2023 (for the six months ended 30 June 2022: Nil).

Pledge of Assets

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

Financial Resources and Liquidity

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB840,299,000 (As at 31 December 2022: approximately RMB889,944,000).

As at 30 June 2023, the Group had bank borrowings of approximately RMB460,648,000 (As at 31 December 2022: approximately RMB480,986,000).

Foreign Exchange Exposure

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

Employees

As at 30 June 2023, the Group has approximately 1,927 employees (As at 31 December 2022: 1,952). Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include performance bonus, share options and share awards etc.. The Directors believe that good quality of its employees is a company asset which affects growth and improves profitability. The Group recognizes the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

Significant Investment and Acquisition

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

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

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

Save as disclosed above, the Group did not have any other significant investments or material acquisitions during six months ended 30 June 2023.

Use of Net Proceeds Raised from the Placing of New Shares Under General Mandate on 18 January 2022

On 18 January 2022, a total of 810,792,000 Shares have been placed by the placing agents to not fewer than six placees at the placing price of HK\$0.385 per Share under general mandate (the “Placing of New Shares”). 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 placing of new shares on 18 January 2022 up to as of 30 June 2023. All proceeds from the Placing of New Shares have been fully utilized as of 30 June 2023.

Original allocation of the net proceeds as disclosed in the announcement dated 11 January 2022 and 18 January 2022	Actual use of proceeds as of 30 June 2023	Remaining balance of net proceeds as of 30 June 2023
(i) Approximately HK\$247.21 million will be used for system upgrade, product development and marketing expenses	Approximately HK\$247.21 million was used for the original purpose	Nil
(ii) Approximately HK\$30.90 million will be used for additional funding for potential strategic investments and acquisitions	Approximately HK\$30.90 million was used for the original purpose	Nil
(iii) Approximately HK\$30.90 million will be used for general working capital of the Group	Approximately HK\$30.90 million was used for the original purpose	Nil

Contingent Liabilities

Details of the Group’s contingent liabilities are set out in the note 23 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 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Long position in Shares

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

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

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

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

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

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

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

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

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

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

Long position in Shares

Name of Substantial Shareholders	Capacity	Number of interest in shares	Shareholding (%)
Whitecrow Investment <i>(Note 1)</i>	Beneficial owner	1,440,601,703	7.82
Double Peace Limited	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 Investment is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Double Peace Limited. Mr. Zhu Ning is the settlor of a discretionary trust which holds the entire issued share capital of Double Peace Limited. Tricor Equity Trustee Limited holds the entire issued share capital of Double Peace Limited as trustee of the discretionary trust.

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

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Share Options Scheme

The Company adopted the Share Option Scheme on 12 June 2019 and the scheme was terminated on 29 June 2023 (the “Share Option Scheme 2019”). Termination of the Share Option Scheme 2019 shall not affect the validity of the outstanding share options which shall continue to be enforceable according to the terms of the Share Option Scheme 2019 and the GEM Listing Rules.

Set out below are the details of movements in the outstanding options granted under the Share Option Scheme 2019 during the six months ended 30 June 2023:

	Position held within the Company	Date of grant	As at 1.1.2023	Granted during the period	Lapsed during the period	Cancelled during the period	Exercise during the period	As at 30.6.2023	Exercise price HK\$	Exercisable from	Exercisable until
Name of selected Directors											
Mr. Zhu Ning	Executive Director and chief executive officer	9 September 2019	100,000,000	-	-	-	-	100,000,000	HK\$1.00	1 July 2020	30 June 2024
		20 January 2023	-	1,000,000	-	-	-	1,000,000	HK\$0.385	20 January 2024 (Note 2)	19 January 2028
Mr. Cui Yusong	Executive Director	9 September 2019	20,000,000	-	-	-	-	20,000,000	HK\$0.90	1 July 2020	30 June 2024
		20 January 2023	-	1,000,000	-	-	-	1,000,000	HK\$0.385	20 January 2024 (Note 2)	19 January 2028
Mr. Yu Tao	Executive Director	9 September 2019	15,000,000	-	-	-	-	15,000,000	HK\$0.90	1 July 2020	30 June 2024
		20 January 2023	-	1,000,000	-	-	-	1,000,000	HK\$0.385	20 January 2024 (Note 2)	19 January 2028
Ms. Ying Hangyan	Executive Director	9 September 2019	15,000,000	-	-	-	-	15,000,000	HK\$0.90	1 July 2020	30 June 2024
		20 January 2023	-	1,000,000	-	-	-	1,000,000	HK\$0.385	20 January 2024 (Note 2)	19 January 2028
Other employees		9 September 2019	128,804,000	-	(32,300,000)	-	-	96,504,000	HK\$0.75	1 July 2020	30 June 2024
		20 January 2023	-	10,450,000	(600,000)	-	-	9,850,000	HK\$0.385	20 January 2024 (Note 2)	19 January 2028
Total			278,804,000	14,450,000	(32,900,000)	-	-	260,354,000			

Note 1: Vesting schedule

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

Note 2: 100% of the options shall be vested on 20 January 2024.

As at 1 January 2023, the number of options available for grant under the Share Option Scheme 2019 was 1,682,580,761. No further options shall be granted under the Share Option Scheme 2019 upon its termination on 29 June 2023.

On 29 June 2023, the Company adopted a new share option scheme (the “Share Option Scheme 2023”) to align with the amendments to Chapter 23 of the GEM Listing Rules relating to share schemes which came into effect on 1 January 2023.

During the six months ended 30 June 2023 and up to the date of this interim report, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme 2023, nor any options were outstanding under the Share Option Scheme 2023.

As at 29 June 2023 and 30 June 2023, the number of options available for grant under the Share Option Scheme 2023 was 1,842,164,209.

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.

On 29 June 2023, certain amendments were made to the Share Award Scheme to bring the Share Award Scheme in alignment with the amendments to Chapter 23 of the GEM Listing Rules relating to share schemes which came into effect on 1 January 2023.

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 22 February 2022, the Board passed a resolution for allotted and issued 350,846,480 new Awarded Shares ("Sixth Awards") to Trustee. On 1 April 2022 and 1 December 2022, the Company granted total 310,801,640 Awarded Shares to employees of the Group. 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 and HK\$0.184 per Awarded Share.

The Sixth Awards granted to employees are divided into 4 vesting periods: 300,721,240 Awarded Shares were vested during 31 December 2022. 10,080,400 Awarded Shares were vested on 31 March 2023, 30 June 2023 and will be vested on 30 September 2023.

Seventh Awards

On 15 January 2023, the Board passed a resolution to grant 5,327,488 Awarded Shares (“Seventh Awards”) to certain Selected Participants by using the issued but not yet granted Awarded Shares held by the Trustee. The fair value of the Seventh 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 Seventh Awards granted was HK\$0.27 per Awarded Share.

Seventh Awards granted to employees are divided into 2 lots: 2,195,488 Awarded Shares will fully vest on 14 January 2024. Another 3,132,000 Awarded Shares are divided into 3 tranches. The first tranche representing 50% of the awards shall vest when the employees completing 1 year of continuous service to the Group from the date of grant. The second and third tranches each represent 25% of the awards and shall vest in the second and third anniversary from the date of grant, respectively.

Eighth Awards

On 1 April 2023, the Board passed a resolution to grant 30,706,800 Awarded Shares (“Eighth Awards”) to certain Selected Participants by using the issued but not yet granted Awarded Shares held by the Trustee. The fair value of the Eighth 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 Eighth Awards granted was HK\$0.208 per Awarded Share.

Eighth Awards granted to Selected Participants are divided into 3 lots:

- (1) 2,747,800 Awarded Shares will fully vest on 31 March 2024;
- (2) Another 12,131,000 Awarded Shares are divided into 4 tranches. The first and second tranche each represent 20% of the awards shall vest when the Selected Participant completing 1 year of continuous service to the Group from the date of grant. The third and fourth tranches each represent 30% of the awards shall vest in the third and fourth anniversary from the date of grant, respectively;
- (3) The remaining 15,828,000 Awarded Shares are divided into 4 tranches. The first tranche representing 25% of the awards shall vest 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 shall vest in the second, third and fourth anniversary from the date of grant, respectively.

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 2023.

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

During six months ended 30 June 2023, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE CODE

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

AUDIT COMMITTEE

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

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

By order of the Board
China Youzan Limited
Zhu Ning
Chairman

Hong Kong, 9 August 2023

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

Executive Directors

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

Independent Non-executive Directors

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

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.