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UNQ HOLDINGS LIMITED

优趣汇控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2177)

**ANNOUNCEMENT OF THE ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

HIGHLIGHTS

- Revenue for the year ended 31 December 2022 amounted to RMB2,379.0 million, representing a decrease of 21.6% as compared with the year ended 31 December 2021.
- Gross profit for the year ended 31 December 2022 amounted to RMB569.2 million, representing a decrease of 36.8% as compared with the year ended 31 December 2021.
- Net loss for the year ended 31 December 2022 amounted to RMB116.8 million, while the Company recorded net profit of RMB30.0 million for the year ended 31 December 2021.
- Cash flow from operating activities increased from a cash outflow of RMB124.7 million for the year ended 31 December 2021 to a cash inflow of RMB260.0 million for the year ended 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of UNQ Holdings Limited (优趣汇控股有限公司) (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
	Note	2022	2021
		RMB'000	RMB'000
Revenue	4	2,379,014	3,033,124
Cost of revenue	4, 6	<u>(1,809,852)</u>	<u>(2,132,317)</u>
Gross profit		<u>569,162</u>	<u>900,807</u>
Selling and marketing expenses	6	(590,395)	(764,213)
General and administrative expenses	6	(84,136)	(80,815)
Research and development expenses	6	(4,815)	(6,531)
Net impairment losses on financial assets		(206)	(1,018)
Other income	5	13,000	14,816
Other (losses)/gains – net		<u>(25,082)</u>	<u>395</u>
Operating (loss)/profit		(122,472)	63,441
Finance income	7	867	1,170
Finance costs	7	<u>(18,609)</u>	<u>(27,558)</u>
Finance costs – net		<u>(17,742)</u>	<u>(26,388)</u>
Share of net profit of associates and joint ventures accounted for using the equity method		<u>4,639</u>	<u>6,381</u>
(Loss)/profit before income tax		(135,575)	43,434
Income tax credit/(expenses)	8	<u>18,736</u>	<u>(13,428)</u>
(Loss)/profit for the year		<u>(116,839)</u>	<u>30,006</u>
Attributable to:			
– Owners of the Company		(117,919)	30,477
– Non-controlling interests		<u>1,080</u>	<u>(471)</u>
		<u>(116,839)</u>	<u>30,006</u>

		Year ended 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Other comprehensive income/(losses)			
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive losses of joint ventures accounted for using the equity method		(1,079)	(749)
Exchange differences on translation of foreign operations		<u>32,231</u>	<u>(23,328)</u>
Total other comprehensive income/(losses)		<u>31,152</u>	<u>(24,077)</u>
Total comprehensive (losses)/income for the year		<u>(85,687)</u>	<u>5,929</u>
Attributable to:			
– Owners of the Company		(86,767)	6,400
– Non-controlling interests		<u>1,080</u>	<u>(471)</u>
		<u>(85,687)</u>	<u>5,929</u>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
– Basic and diluted (loss)/earnings per share	9	<u>(0.71)</u>	<u>0.20</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

		As at 31 December	
	Note	2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		20,096	25,005
Intangible assets		1,679	1,905
Deferred tax assets		55,320	28,951
Investments accounted for using the equity method		15,909	29,631
Other receivables	12	1,791	–
Total non-current assets		94,795	85,492
Current assets			
Inventories	10	535,652	783,481
Trade and other receivables	12	490,856	435,054
Other current assets	11	162,642	271,312
Financial assets measured at fair value through profit or loss		–	5,000
Derivative financial instruments		1,220	–
Restricted cash		62,762	7,550
Cash and cash equivalents		417,642	442,085
Total current assets		1,670,774	1,944,482
Total assets		1,765,569	2,029,974

		As at 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		14	14
Share premium		2,542,930	2,585,491
Other reserves		(1,474,665)	(1,505,516)
Accumulated losses		(305,312)	(187,393)
		<u>762,967</u>	<u>892,596</u>
Non-controlling interests		166	(1,515)
Total equity		<u>763,133</u>	<u>891,081</u>
LIABILITIES			
Non-current liabilities			
Borrowings	13	50,933	67,333
Lease liabilities		11,029	4,398
Total non-current liabilities		<u>61,962</u>	<u>71,731</u>
Current liabilities			
Contract liabilities		2,829	5,879
Trade and other payables	14	530,853	528,503
Lease liabilities		5,831	10,850
Current tax liabilities		15,159	7,649
Derivative financial instruments		1,497	–
Borrowings	13	384,305	514,281
Total current liabilities		<u>940,474</u>	<u>1,067,162</u>
Total liabilities		<u>1,002,436</u>	<u>1,138,893</u>
Total equity and liabilities		<u>1,765,569</u>	<u>2,029,974</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 31 October 2019 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in (i) selling goods to customers ("**Sales of Goods Business**"), including Business To Business Model ("**B2B**") and Business To Consumer Model ("**B2C**"); (ii) the facilitation of brand partners' online operating services; (iii) the provision of digital marketing services in the People's Republic of China (the "**PRC**").

The Company completed its initial public offering ("**IPO**") and listed its shares on the Main Board of the Stock Exchange of Hong Kong on 12 July 2021.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2023.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16,
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37,
- Reference to the Conceptual Framework – Amendments to IFRS 3, and
- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 (March 2021) (the "IFRS 16 Amendment (March 2021)").

The Group also elected to adopt the following amendments early:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.

The amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3 SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the chief executive officer. The CODM reviews the consolidated results of the Group as a whole when making decisions about allocating resources and assessing performance of the Group. Thus no segment information was presented for the years ended 31 December 2022 and 2021.

The Group mainly operates in the PRC. As at 31 December 2022 and 2021, most of non-current assets were located in the PRC. All of the Group's revenue are derived from the PRC.

4 REVENUE AND COST OF REVENUE

Revenue mainly comprises of proceeds from sales of goods, online operating and digital marketing business. An analysis of the Group's revenue and cost of sales by category for the years ended 31 December 2022 and 2021 is as follows:

	Timing of recognition	Year ended 31 December			
		2022	Cost of revenue	2021	Cost of revenue
		Revenue	revenue	Revenue	revenue
		RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods					
– B2B	at a point in time	1,176,588	1,083,839	1,410,136	1,219,054
– B2C	at a point in time	1,177,313	707,422	1,597,140	895,920
Provision of services	over time	25,113	18,591	25,848	17,343
		<u>2,379,014</u>	<u>1,809,852</u>	<u>3,033,124</u>	<u>2,132,317</u>

During the years ended 31 December 2022 and 2021, the revenue derived from external customers accounted for more than 10% of total revenue are set out below.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Customer A	<u>760,325</u>	<u>899,446</u>

5 OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants ⁽¹⁾	13,000	12,429
Interests on loans to related parties	–	2,387
	<u>13,000</u>	<u>14,816</u>

Note (1): Government grants mainly consisted of incentive fees for listing and financial subsidies with no condition attached granted by the local governments.

6 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of goods sold	1,782,892	2,127,075
Sales and marketing expenses	276,912	336,717
Warehousing and logistic expenses	229,562	308,427
Employee benefit expenses	135,173	163,694
Depreciation and amortization charges	17,266	19,186
Inventory loss	15,883	–
Provision/(reversal) for inventories	8,369	(12,101)
Professional service fee	7,872	5,274
Office expenses	5,124	6,700
Taxes and surcharges	2,374	3,689
Travel expenses	2,253	3,510
Bank and other payment channel expenses	1,213	2,079
Auditors' remuneration		
– Audit services	2,380	2,380
– Non-audit service	915	980
Listing expenses	–	11,685
Others	1,010	4,581
	2,489,198	2,983,876

7 FINANCE COSTS – NET

(a) Finance income

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	867	1,170

(b) Finance costs

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense on borrowings	(14,743)	(26,159)
Interest expense on lease liabilities	(458)	(1,399)
Net exchange losses on foreign currency borrowings	(3,408)	–
	(18,609)	(27,558)

8 INCOME TAX (CREDIT)/EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	7,914	17,020
Deferred income tax	(26,650)	(3,592)
	<u>(18,736)</u>	<u>13,428</u>

(i) Cayman Islands corporate income tax

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain.

(ii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2,000,000 and 16.5% on any part of assessable profits over HKD2,000,000 for the years presented. Provision for Hong Kong profits tax was made on the assessable profits of entities within the Group incorporated in Hong Kong.

(iii) Japan corporate income tax

Entities incorporated in Japan are subject to Japan corporate income tax at an effective statutory tax rate of approximately 35%.

(iv) PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended 31 December 2022 and 2021.

(v) PRC withholding Tax (“WHT”)

According to the New Corporate Income Tax Law (“**New CIT Law**”), distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on if the foreign investor is considered as the beneficial owner of the dividend according to the double tax treaty (agreement) between China and the jurisdiction of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During the year ended 31 December 2022, the Group had no profit distribution on its PRC subsidiaries (2021: nil).

9 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share for the years ended 31 December 2022 and 2021 are calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares for the year ended 31 December 2021 has been retrospectively adjusted for the capitalisation of the share premium account arose from the IPO of the Company.

For the years ended 31 December 2022 and 2021, the Company had no dilutive potential ordinary shares and therefore diluted (loss)/earnings per share is equivalent to basic (loss)/earnings per share.

	Year ended 31 December	
	2022	2021
Net (loss)/profit attributable to the owners of the Company (<i>RMB'000</i>)	(117,919)	30,477
Weighted average number of ordinary shares	165,894,700	149,296,098
Basic (loss)/earnings per share (<i>expressed in RMB per share</i>)	(0.71)	0.20

10 INVENTORIES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Merchant goods	566,146	804,256
Less: provision	(30,494)	(20,775)
	535,652	783,481

The cost of inventories recognised as “cost of revenue” amounted to RMB1,782,892,000 and RMB2,127,075,000 for the years ended 31 December 2022 and 2021, respectively.

Movements on the Group’s allowance for provision of inventories are as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	20,775	43,129
Charge for the year		
– charge/(reversal) to profit or loss	8,369	(12,101)
– exchange differences	1,350	(811)
Write-off for the year	–	(9,442)
At end of year	30,494	20,775

11 OTHER CURRENT ASSETS

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Value added tax (“VAT”) recoverable	99,905	126,243
Third parties prepayment	27,075	53,960
Consumption tax refund	13,533	62,062
Prepaid CIT expenses	17,312	24,861
Others	4,817	4,186
	162,642	271,312

12 TRADE AND OTHER RECEIVABLES

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheets:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– Related parties	88,466	69,540
– Third parties	214,759	253,913
	<u>303,225</u>	<u>323,453</u>
Less: allowance for impairment of trade receivables	<u>(8,695)</u>	<u>(6,685)</u>
	<u>294,530</u>	<u>316,768</u>
Other receivables		
– Related parties		
(i) Loans	50,000	–
(ii) Others	1,626	1,588
– Third parties		
(i) Rebate receivables	79,215	92,614
(ii) Deposits	24,643	18,271
(iii) Refunds receivable	22,643	–
(iv) Unwithdrawn balance on platform	7,295	–
(v) Compensation receivables	5,500	7,500
(vi) Loan to a third party	3,587	–
(vii) Others	6,922	3,328
	<u>201,431</u>	<u>123,301</u>
Less: allowance for impairment of other receivables	<u>(3,314)</u>	<u>(5,015)</u>
	<u>198,117</u>	<u>118,286</u>
Total trade and other receivables	492,647	435,054
Less: other receivables – non-current portion	<u>(1,791)</u>	<u>–</u>
	<u>490,856</u>	<u>435,054</u>

As at 31 December 2022 and 2021, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
Up to 3 months	212,385	250,130
3 to 6 months	21,515	30,807
6 months to 1 year	16,813	19,221
Over 1 year	52,512	23,295
	303,225	323,453

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
At beginning of year	6,685	7,551
Charge/(reversal) for the year		
– charge to profit or loss	1,907	(827)
– exchange differences	103	(39)
At end of year	8,695	6,685

As at 31 December 2022 and 2021, the ageing analysis of other receivables based on due date were as follows:

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
Up to 3 months	199,930	122,912
3 to 6 months	1,500	42
6 months to 1 year	1	334
Over 1 year	–	13
	201,431	123,301

Movements on the Group's allowance for impairment of other receivables are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
At beginning of year	5,015	3,170
Charge for the year		
– charge to profit or loss	(1,701)	1,845
At end of year	3,314	5,015

The Group's allowance for impairment of trade and other receivables charged to profit or loss are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	1,907	(827)
Other receivables	(1,701)	1,845
	<u>206</u>	<u>1,018</u>

13 BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
<i>Secured or guaranteed</i>		
– Bank loans		
– Current	356,201	479,940
– Current portion of non-current	1,048	740
– Non-current	11,867	13,668
– Corporate bonds		
– Current portion of non-current	3,665	3,879
– Non-current	6,545	10,806
	<u>379,326</u>	<u>509,033</u>
<i>Unsecured</i>		
– Bank loans		
– Current	12,042	14,130
– Current portion of non-current	11,349	15,592
– Non-current	6,342	15,151
– Loans from other financial institutions		
– Non-current	26,179	27,708
	<u>55,912</u>	<u>72,581</u>
Total borrowings	<u>435,238</u>	<u>581,614</u>

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables		
– Related parties	11,973	5,784
– Third parties	453,521	442,650
	<u>465,494</u>	<u>448,434</u>
Other payables		
– Related parties	300	300
– Third parties	33,063	44,974
	<u>33,363</u>	<u>45,274</u>
Accrued payroll	23,258	20,849
Other taxes payables	8,196	12,807
Interest payables	542	1,139
	<u>530,853</u>	<u>528,503</u>

As at 31 December 2022 and 2021, the ageing analysis of the trade payables based on invoice date were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Up to 3 months	181,537	150,451
3 to 6 months	283,957	297,983
	<u>465,494</u>	<u>448,434</u>

15 DIVIDENDS

Pursuant to a resolution of the annual general meeting of the Company dated on 22 June 2022, the Company declared a final dividend of HKD0.3 per share for the year ended 31 December 2021, totalling HKD49,768,410, which has been paid out of the share premium of the Company on 12 July 2022 to the shareholders whose names appear on the register of members of the Company on 30 June 2022.

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2022, the Group's business was significantly affected by the challenge to its supply chain-related businesses including logistics and transportation as a result of the continuous impact of COVID-19, as well as the consumers' cautious spending arising out of the suppression of consumer sentiment by the impact of COVID-19. In a challenging external environment, the Group upgraded its refined operation and carried out deep cooperation with brands. In 2022, brands such as Taisho, OHTA'S ISAN and Daiichi Sankyo achieved growth against the trend. Meanwhile, the Group continuously optimised the brand matrix, increased its investment in platforms such as TikTok, and improved the efficiency of promotion. It actively lowered the inventory level to release more cash flow, optimised the personnel structure, and made efforts to reduce the negative impact of the pandemic on the Group's operations.

Revenue

The Group's total revenue in 2022 decreased by 21.6% as compared with the same period of last year, mainly due to (i) the serious hindrance to shipment resulting from intermittent closure of the Group's warehouses in Shanghai and its surrounding areas as a result of the PRC government's control measures against the pandemic, including the static management of Shanghai and its surrounding areas; (ii) a decrease in the demand for beauty products and some personal care products for adults as a result of the impact of COVID-19; (iii) the decline in the market demand and brand competitiveness of personal care products for babies; and (iv) a decrease in the market share of personal care and beauty products on an e-commerce platform that we mainly rely on, in overall e-commerce segment.

Revenue by product categories in absolute amount and as a percentage of total revenue

	Year ended 31 December				year-on-year (%)
	2022		2021		
	RMB in thousands	% of total revenue	RMB in thousands	% of total revenue	
Sales of goods					
Personal care products for adults	1,549,742	65.1	1,941,712	64.0	-20.2
Personal care products for babies	274,327	11.5	428,736	14.1	-36.0
Beauty products	235,395	9.9	342,331	11.3	-31.2
Health products	187,372	7.9	196,747	6.5	-4.8
Others	107,065	4.5	97,750	3.2	9.5
Provision of services	25,113	1.1	25,848	0.9	-2.8
Total	2,379,014	100.0	3,033,124	100.0	-21.6

Revenue by business model in absolute amount and as a percentage of total revenue

	Year ended 31 December				year-on-year (%)
	2022		2021		
	RMB in thousands	%	RMB in thousands	%	
Sales of goods					
B2B	1,176,588	49.4	1,410,136	46.5	-16.6
General trade	768,878	32.3	961,724	31.7	-20.1
Cross-border e-commerce	407,710	17.1	448,412	14.8	-9.1
B2C	1,177,313	49.5	1,597,140	52.7	-26.3
General trade	638,093	26.8	777,746	25.6	-18.0
Cross-border e-commerce	539,220	22.7	819,394	27.0	-34.2
Provision of services	25,113	1.1	25,848	0.9	-2.8
Total	<u>2,379,014</u>	<u>100.0</u>	<u>3,033,124</u>	<u>100.0%</u>	<u>-21.6</u>

The sales revenue from personal care products for adults decreased by 20.2%. Specifically, the sales of an important brand of personal care products for adults under the B2C cross-border e-commerce business model declined significantly due to the restriction on the advertising phrasing as a result of the change of brand owner; the sales of an important brand of personal care products for adults under the B2B general trade business model declined significantly as a result of the failure to carry out a large number of marketing activities arising out of the shift to a conservative brand marketing strategy to maintain profits. In addition, in consideration of the inventory strategy and brand profit, the Group terminated its cooperation with an important brand of personal care products for adults, which was mainly reflected in the decline in sales revenue from the B2C general trade business model.

The sales revenue from personal care products for babies decreased by 36.0%, mainly due to a significant decline in the revenue from a major personal care product for babies under all business models as a result of the drop in the overall birth rate and the brand competitiveness.

The sales revenue from beauty products decreased by 31.2%, mainly due to the impact of unauthorised sellers on a major brand and the competition with domestic products.

The increase in the sales revenue from other products was due to the Group's development of new household product brands.

There was a small change in the overall provision of services. Specifically, the Group provided e-commerce operation services for the business of a health product, which was partially offset by the decline in the digital marketing business.

Gross profit and gross profit margin

The overall gross profit margin of the Group in 2022 was 23.9%, representing a decrease of 5.8% compared with the same period of last year, mainly due to: (i) adoption by the Group of the selling strategy of a low gross profit margin and promotion rate in response to the adverse impact of the macro environment; (ii) price-off promotion adopted by the Group, proactive disposal of inventories, higher provision for diminution in value of inventories with regard to products in inventory close to expiry; and (iii) less support from the brand owner for the promotion and marketing of the Group due to the weak market performance.

Gross profit and gross profit margin by product categories

	Year ended 31 December				Change in gross profit margin (%)
	2022		2021		
	RMB in thousands	%	RMB in thousands	%	
Sales of goods					
Personal care products for adults	293,144	18.9	487,106	25.1	-6.2
Personal care products for babies	68,324	24.9	138,856	32.4	-7.5
Beauty products	103,623	44.0	155,468	45.4	-1.4
Health products	51,373	27.4	66,270	33.7	-6.3
Others	46,176	43.1	44,601	45.6	-2.5
Provision of services	6,522	26.0	8,506	32.9	-6.9
Total	569,162	23.9	900,807	29.7	-5.8

Gross profit and gross profit margin by business model

	Year ended 31 December				Change in gross profit margin (%)
	2022		2021		
	RMB in thousands	%	RMB in thousands	%	
Sales of goods					
B2B	92,749	7.9	190,122	13.5	-5.6
General trade	39,891	5.2	122,114	12.7	-7.5
Cross-border e-commerce	52,858	13.0	68,008	15.2	-2.2
B2C	469,891	39.9	702,179	44.0	-4.1
General trade	210,612	33.0	314,107	40.4	-7.4
Cross-border e-commerce	259,279	48.1	388,072	47.4	0.7
Provision of services	6,522	26.0	8,506	32.9	-6.9
Total	569,162	23.9	900,807	29.7	-5.8

The gross profit margin of personal care products for adults decreased by 6.2%. Specifically, in order to fill the revenue gap of a major brand of personal care products for adults in the first half of the year, the Group conducted several live-streaming activities during the Singles Day Promotion to offer a lower selling price; a larger provision of inventories was made due to the increase in the slow-moving and obsolete inventory of the Group arising out of a significant decline in the traffic for a major brand of personal care products for adults due to the restriction on the advertising phrasing as a result of the change of brand owner. Meanwhile, the Group took the measures of price-off promotion to reduce its inventory in multiple channels.

The gross profit margin of personal care products for babies decreased by 7.5%, mainly due to the decline in the competitiveness of a major brand of personal care products for babies and fierce market competition.

The gross profit margin of health products decreased by 6.3%, mainly due to weak market performance and less support from major brand owners for marketing promotion.

Operating (loss)/profit and (loss)/earnings per share

For 2022, the operating losses of the Group were RMB122.5 million (compared with RMB63.4 million in the same period of last year), mainly due to a decrease of RMB331.6 million in gross profit, which was partly offset by the decrease of RMB173.8 million in sales and marketing expenses. Specifically, the promotion and advertising expenses decreased by RMB59.8 million or 17.8% compared with the same period of last year. The logistics expenses decreased by RMB78.9 million or 25.6% compared with the same period of last year, mainly due to the change of the business model structure.

In addition, the employee benefit expenses decreased by 17.4%, due to the reduction and optimization of the personnel structure of the Group. Other net (losses)/gains were mainly foreign exchange losses resulting from the appreciation of US Dollar and Hong Kong Dollar against Renminbi. The finance costs decreased by 32.8%, as a result of the Group's optimization of the inventory structure, corresponding improvement in the capital utilization efficiency and reduction in the loan balance and interest rate.

In 2022, a loss per share of the Group was RMB0.71, compared with the earnings per share of RMB0.20 last year.

LIQUIDITY AND FINANCIAL RESOURCES

In 2022, the Group mainly used cash generated from operations and bank borrowings to meet its cash demand. As at 31 December 2022, cash and cash equivalents were RMB417.6 million. Cash and cash equivalents include monetary funds, bank deposits and other short-term highly liquid investments with original maturities of up to three months. Most of the Group's cash and cash equivalents are presented in Renminbi, US Dollar and Japanese Yen.

The summary of the Group's cash flows in 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	(RMB'000)	(RMB'000)
Net cash generated from/(used in) operating activities	260,027	(124,749)
Net cash (used in)/generated from investing activities	(80,874)	60,702
Net cash (used in)/generated from financing activities	(203,116)	254,741
Net (decrease)/increase in cash and cash equivalents	(23,963)	190,694
Opening cash and cash equivalents	442,085	252,334
Effect on exchange rate difference	(480)	(943)
Closing cash and cash equivalents	417,642	442,085

Net cash generated from operating activities was RMB260.0 million, mainly calculated as cash generated from operations of RMB252.1 million plus income tax received of RMB7.0 million. The significant improvement in cash flow from operating activities over the same period of last year was mainly due to the Group's active reduction in inventory levels and inventory purchases in order to improve cash flow from operating activities.

Net cash used in investing activities was RMB80.9 million, mainly due to the payment of guarantee for related parties RMB50.0 million and loans to related parties of RMB50.0 million.

Net cash used in financing activities was RMB203.1 million, mainly due to the improvement in cash flow and the Group's active repayment of net borrowings of RMB184.1 million.

CAPITAL STRUCTURE

As at 31 December 2022, the gearing ratio of the Group was 4.5% (31 December 2021: 16.8%), which was calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including interest-bearing borrowings and lease liabilities) less cash and cash equivalents, and liquid investment which are financial assets at fair value through profit or loss. The decrease in gearing ratio was mainly due to the higher level of cash retained during the period.

BANK AND OTHER BORROWINGS, CHARGES ON ASSETS

The Group adopted proactive financing policies. As at 31 December 2022, the Group's total borrowings were RMB435.2 million, mainly consisting of bank borrowings, of which borrowings of an equivalent of RMB244.2 million were secured by mortgaging inventories, trade receivables or restricted cash, while borrowings of an equivalent of RMB135.2 million were guaranteed by the Company and its subsidiaries, commercial banks or other financial institutions. As at 31 December 2022, the Group's borrowings were mainly at a fixed interest rate.

As at 31 December 2022, the Group had unutilised banking facilities of RMB113.8 million.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

In 2022, the capital expenditure of the Group was RMB0.3 million (RMB4.3 million in 2021). As at 31 December 2022, the Group had no material capital commitment.

FUTURE PLANS OF MAJOR INVESTMENTS AND CAPITAL ASSETS

On 28 February 2023, UNQ Holdings (HK) Limited (an indirect wholly-owned subsidiary of the Company) (the “**Subscriber**”) entered into the subscription agreement with PGA Capital Management Partners L.P. (the “**Fund**”), pursuant to which the Subscriber has agreed to subscribe a limited partner interest in the Fund at the capital commitment of US\$5 million (equivalent to approximately RMB34.8 million). On the same day, the Subscriber was admitted as a limited partner to the Fund by entering into the limited partnership agreement with the PGA Capital Management Partners Limited (as general partner), Gourmet International Group PTE. LTD. (as a limited partner) and Sunjoy Marketing PTE. LTD. (as a limited partner). The purpose of the Fund is primarily to: (a) make investments in either debt or equity interests in entities with a focus on the consumer sector with themes of cross-border commerce, innovative consumption, digital economy and supply chain upgrade; and (b) engage in all activities and transactions the general partner considers necessary or desirable to increase the value of the Fund. For further details, please refer to the announcement of the Company dated 28 February 2023.

Save as disclosed above, as at 31 December 2022, the Group did not have any other plans for major investments and capital assets.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments in any other companies’ equity interest in 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

The Group did not have material acquisition and disposal of subsidiaries and associates in 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 421 employees, most of whom were resident in China, including Shanghai, Hangzhou and Beijing. The remuneration offered by the Group is determined with reference to the market conditions and the performance, qualifications and experience of employees. Based on the performance of the Group and employees, the Group offers competitive remuneration packages to retain employees, including salaries, discretionary bonuses and benefit plans. In addition to on-the-job training, we also adopt a training policy to provide employees with various internal and external trainings. During the year ended 31 December 2022, the relationship between the Company and its employees was stable. We were not subject to any strikes or other labor disputes that had a significant impact on our business activities.

FOREIGN EXCHANGE RISK

In 2022, the Group mainly operated its businesses in mainland China, with most transactions settled in Renminbi. Foreign exchange risk means the risk of loss arising out of changes in foreign exchange rates. Fluctuations in exchange rates between Renminbi and other currencies used for the Group's business operations may have an impact on our financial position and results of operations. The foreign exchange risk to which we are exposed mainly arises from the changes in the exchange rates of US Dollar and Japanese Yen against Renminbi. The Group had entered into currency swaps in relation to foreign currency borrowing repayment for the next 12 months that did not satisfy the accounting requirements for hedging. The currency swaps were accounted for derivative financial instruments, with fair value gains/(losses) recognised in profit or loss.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities.

SUBSEQUENT EVENTS

After 31 December 2022 and up to the date of this announcement, the Group did not have any material subsequent events.

OUTLOOK

In December 2022, the PRC government gradually relaxed and lifted the COVID-19 pandemic control measures, and the Group's supply chain management and business development returned to normal. However, due to unfavorable factors such as a sluggish economy and less willingness of consumers to spend, the Group will adopt a prudent approach and implement the following measures in the course of business development in 2023:

1. We will remain true to the original aspiration of establishing the Group, and continuously provide consumers with global high-quality goods; we will identify more high-quality goods in categories with large market demand in the future, such as beauty and big health, to meet the diversified needs of consumers;
2. We will continuously carry out meticulous operational management, improve the consumption conversion rate through digital empowerment and improve the overall gross profit margin of the Group by optimizing the brand matrix and enhancing promotion efficiency. In addition, the Group will further control and optimise its inventory and increase operating cash;
3. We will increase our investment in platforms including TikTok and Pinduoduo, accelerate the construction of private domain for specific groups, and establish an omnichannel arrangement strategy; and

4. Through years of our data analysis and brand operation ability, we have participated in brand diagnosis, business review and product design and development and otherwise, to provide reverse customization services for brands and create products with brands. We will actively deepen our partnerships with brands. Meanwhile, we will develop private brands to realise multi-dimensional arrangements from brand operation and co-creation to brand establishment.

USE OF PROCEEDS FROM LISTING

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 July 2021 (the “**Listing Date**”) with total net proceeds from the listing of approximately HKD320 million after deducting underwriting fees, commissions and estimated expenses.

The proceeds from listing are and will continuously be used in accordance with the plans as disclosed in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 28 June 2021 (the “**Prospectus**”), namely:

Item	Approximate percentage of total amount (%)	Amount of net proceeds allocated upon listing (HKD million)	Utilised amount	Utilised amount	Unutilised amount	Expected timeline for balance of net proceeds
			during the year ended 31 December 2022 (HKD million)	amount as at 31 December 2022 (HKD million)	amount as at 31 December 2022 (HKD million)	
For investing in social media marketing and advertising, growing proprietary brands, diversifying brand portfolios and strengthening supply chain management	54.3%	174	28	96	78	By 31 December 2024
For diversifying our brand and product offerings for health products, in particular OTC drugs	15.7%	50	4	50	0	Not applicable
For enhancing our technology systems and data analytics capabilities	7.0%	22	5	10	12	By 31 December 2024
For pursuing strategic investments in technology companies and O2O service providers	13.0%	42	0	0	42	By 31 December 2024
For working capital and general corporate uses	10.0%	32	0	32	0	Not applicable
Total	100%	320	37	188	132	

Save as disclosed above, since the Listing Date, the Group has not utilised any other portion of the net proceeds and will gradually utilise the remaining net proceeds in accordance with the intended purposes as stated in the Prospectus and are expected to be fully utilised by 31 December 2024. The expected timeline is based on the best estimation of future market conditions and business operations made by the Company currently, and remains subject to change based on future development of market conditions and actual business needs.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. During the year ended 31 December 2022, save as disclosed as follows, the Company has complied with all applicable code provisions as set out in the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman of the board and chief executive officer should be separate and performed by different individuals.

The roles of chairman of the Board and chief executive officer of our Company are currently performed by Mr. WANG Yong. In view of Mr. WANG Yong's substantial contribution to the Group since its establishment and his extensive experience, the Group considers that having Mr. WANG Yong acting as both the chairman of the Board and chief executive officer of the Company will provide strong and consistent leadership to the Group and facilitate the efficient execution of business strategies of the Group. The Group considers it appropriate and beneficial to the Group's business development and prospects that Mr. WANG Yong acts as both the chairman of the Board and chief executive officer of the Company, and therefore currently does not propose to separate the functions of chairman of the Board and chief executive officer of the Company.

While this would constitute a deviation from code provision C.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by the Board requires approval by at least a majority of the Directors, and the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. WANG Yong and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall

strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer of the Company is necessary.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors' securities transactions. After making specific enquiries to all Directors, the Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2022.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: HKD0.3 per share).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend the annual general meeting of the Company to be held on 28 June 2023 (the “**AGM**”), the register of members of the Company will be closed from 23 June 2023 to 28 June 2023 (both days inclusive). To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 21 June 2023.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) comprising three independent non-executive Directors, namely Mr. NG Kam Wah Webster (chairman), Mr. WEI Hang and Ms. XIN Honghua. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting system, risk management and internal control procedures. The Audit Committee has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2022.

AUDIT SCOPE OF INDEPENDENT AUDITOR

The financial figures in respect of the Group's consolidated balance sheet as at 31 December 2022, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been compared by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT 2022

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.youquhui.com), and the annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

By order of the Board
UNQ Holdings Limited
WANG Yong
Chairman

Hong Kong, 30 March 2023

As at the date of this announcement, the executive directors of the Company are Mr. WANG Yong, Mr. SHEN Yu and Mr. MATSUMOTO Ryoji; the non-executive director of the Company is Mr. NAKAYAMA Kokkei; and the independent non-executive directors of the Company are Mr. NG Kam Wah Webster, Mr. WEI Hang and Ms. XIN Honghua.