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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 2021

HIGHLIGHTS

- Revenue for the year ended 31 December 2021 amounted to RMB3,033.1 million, representing an increase of 8.3% as compared with the year ended 31 December 2020.
- Gross profit for the year ended 31 December 2021 amounted to RMB900.8 million, representing an increase of 1.4% as compared with the year ended 31 December 2020.
- Net profit for the year ended 31 December 2021 amounted to RMB30.0 million, while the Company recorded net loss of RMB1.9 million for the year ended 31 December 2020.
- Adjusted net profit (Non-IFRS measure)⁽¹⁾ for the year ended 31 December 2021 amounted to RMB41.7 million, representing a decrease of 60.9% as compared with the year ended 31 December 2020.
- The Board has recommended the payment of a final dividend of HK\$0.3 per share for the year ended 31 December 2021.

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 2021, together with comparative figures for the year ended 31 December 2020.

Notes (1): The “adjusted net profit (Non-IFRS measure)” is defined as profit for the period by excluding impacts of (i) fair value changes from preferred shares; (ii) dividends on preferred shares; (iii) gains from extinguishment of preferred shares; (iv) share-based compensation expenses; and (v) listing expenses.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
	Note	2021	2020
		RMB'000	RMB'000
Revenue	4	3,033,124	2,800,846
Cost of revenue	4, 6	<u>(2,132,317)</u>	<u>(1,912,732)</u>
Gross profit		900,807	888,114
Selling and marketing expenses	6	(764,213)	(640,568)
General and administrative expenses	6	(80,815)	(97,859)
Research and development expenses	6	(6,531)	(8,761)
Net impairment losses on financial assets		(1,018)	(5,914)
Other income	5	14,816	12,635
Other gain/(losses) - net		<u>395</u>	<u>(3,106)</u>
Operating profit		63,441	144,541
Finance income	7	1,170	565
Finance costs	7	<u>(27,558)</u>	<u>(22,761)</u>
Finance costs – net		<u>(26,388)</u>	<u>(22,196)</u>
Fair value changes from preferred shares		–	(88,634)
Share of net profit of associates and joint ventures accounted for using the equity method		<u>6,381</u>	<u>9,286</u>
Profit before income tax		43,434	42,997
Income tax expenses	8	<u>(13,428)</u>	<u>(44,911)</u>
Profit/(loss) for the year		<u>30,006</u>	<u>(1,914)</u>
Attributable to:			
– Owners of the Company		30,477	(1,088)
– Non-controlling interests		<u>(471)</u>	<u>(826)</u>
		<u>30,006</u>	<u>(1,914)</u>

	Year ended 31 December	
<i>Note</i>	2021	2020
	RMB'000	RMB'000
Other comprehensive losses		
<i>Items that may be reclassified to profit or loss</i>		
Share of other comprehensive losses of associates and joint ventures accounted for using the equity method	(749)	(893)
Exchange differences on translation of foreign operations	<u>(23,328)</u>	<u>(14,181)</u>
Total other comprehensive losses	<u>(24,077)</u>	<u>(15,074)</u>
Total comprehensive income/(losses) for the year	<u>5,929</u>	<u>(16,988)</u>
Attributable to:		
– Owners of the Company	6,400	(16,162)
– Non-controlling interests	<u>(471)</u>	<u>(826)</u>
	<u>5,929</u>	<u>(16,988)</u>
Earnings per share for profit/(loss) attributable to owners of the Company		
– Basic earnings/(loss) per share	9 0.20	(0.99)
– Diluted earnings/(loss) per share	9 0.20	<u>(0.99)</u>

CONSOLIDATED BALANCE SHEETS

As at 31 December 2021

		As at 31 December	
	Note	2021	2020
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		25,005	34,893
Intangible assets		1,905	1,922
Deferred tax assets		28,951	25,830
Investments accounted for using the equity method		29,631	23,999
Total non-current assets		85,492	86,644
Current assets			
Inventories	10	783,481	659,361
Trade and other receivables	12	435,054	526,959
Other current assets	11	271,312	264,977
Financial assets measured at fair value through profit or loss		5,000	–
Restricted cash		7,550	3,200
Cash and cash equivalents		442,085	252,334
Total current assets		1,944,482	1,706,831
Total assets		2,029,974	1,793,475

		As at 31 December	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		14	–
Share premium		2,585,491	2,318,000
Other reserves		(1,505,516)	(1,481,399)
Accumulated losses		<u>(187,393)</u>	<u>(217,870)</u>
		892,596	618,731
Non-controlling interests		<u>(1,515)</u>	<u>(1,044)</u>
Total equity		<u>891,081</u>	<u>617,687</u>
LIABILITIES			
Non-current liabilities			
Borrowings	13	67,333	42,305
Lease liabilities		4,398	14,983
Preferred shares		<u>–</u>	<u>–</u>
Total non-current liabilities		<u>71,731</u>	<u>57,288</u>
Current liabilities			
Contract liabilities		5,879	3,425
Trade and other payables	14	528,503	489,620
Lease liabilities		10,850	9,722
Current tax liabilities		7,649	35,094
Borrowings	13	<u>514,281</u>	<u>580,639</u>
Total current liabilities		<u>1,067,162</u>	<u>1,118,500</u>
Total liabilities		<u>1,138,893</u>	<u>1,175,788</u>
Total equity and liabilities		<u>2,029,974</u>	<u>1,793,475</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 ("Online Operating Business"); (iii) the provision of digital marketing services ("Digital Marketing Business") (collectively, the "Listing Business") 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 24 March 2022.

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 2021:

- Interest Rate Benchmark Reform –Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.

The amendments listed above did not have any 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 2021 and 2020.

The Group mainly operates in the PRC. As at 31 December 2021 and 2020, 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 services and digital marketing services. An analysis of the Group's revenue and cost of sales by category for the years ended 31 December 2021 and 2020 is as follows:

	Timing of recognition	Year ended 31 December			
		2021		2020	
		Revenue RMB'000	Cost of revenue RMB'000	Revenue RMB'000	Cost of revenue RMB'000
Sales of goods					
– B2B	at a point in time	1,410,136	1,219,054	1,226,516	1,058,656
– B2C	at a point in time	1,597,140	895,920	1,539,757	837,587
Provision of services					
– online operating services	over time	9,517	2,530	11,469	3,155
– digital marketing and other services	over time	16,331	14,813	23,104	13,334
		3,033,124	2,132,317	2,800,846	1,912,732

During the years ended 31 December 2021 and 2020, the revenue derived from external customers accounted for more than 10% of total revenue are set out below.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Customer A	899,446	792,099

5 OTHER INCOME

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Government grants ⁽¹⁾	12,429	7,283
Interests on loans to related parties	2,387	5,121
Interests on loans to third parties	–	231
	14,816	12,635

Notes (1): Government grants mainly consisted of financial subsidies with no condition attached granted by the local governments.

6 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of goods sold	2,127,075	1,864,479
Sales and marketing expenses	336,717	284,157
Warehousing and logistic expenses	308,427	287,700
Employee benefit expenses	163,694	129,867
Depreciation and amortization charges	19,186	16,136
Listing expenses	11,685	23,051
Office expenses	6,700	6,167
Professional service fee	5,274	3,054
Taxes and surcharges	3,689	2,975
Travel expenses	3,510	2,976
Bank and other payment channel expenses	2,079	1,443
Short-term lease payments	187	929
Auditors' remuneration		
– Audit services	2,380	103
– Non-audit service	980	–
(Reversal)/provision for inventories	(12,101)	31,764
Others	4,394	5,119
	<u>2,983,876</u>	<u>2,659,920</u>

7 FINANCE COSTS – NET

(a) Finance income

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	<u>1,170</u>	<u>565</u>

(b) Finance costs

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense on borrowings	(26,159)	(21,189)
Interest expense on lease liabilities	(1,399)	(1,445)
Others	–	(127)
	<u>(27,558)</u>	<u>(22,761)</u>

8 INCOME TAX EXPENSES

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current income tax	17,020	60,801
Deferred income tax	(3,592)	(15,890)
	<u>13,428</u>	<u>44,911</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 2021 and 2020.

(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 2021, the Group does not have any profit distribution plan (2020: nil).

9 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share for the years ended 31 December 2021 and 2020 are calculated by dividing the profit/(loss) 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 years ended 31 December 2021 and 2020 has been retrospectively adjusted for the capitalisation of the share premium account arose from the IPO of the Company and the effect of the issue of shares in completion with the Reorganisation, respectively.

	Year ended 31 December	
	2021	2020
Net profit/(loss) attributable to the owners of the Company (RMB'000)	30,477	(1,088)
Weighted average number of ordinary shares	149,296,098	1,095,448
Basic earnings/(loss) per share (expressed in RMB per share)	<u>0.20</u>	<u>(0.99)</u>

For the year ended 31 December 2021, the Company had no dilutive potential ordinary shares.

10 INVENTORIES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Merchant goods	804,256	702,490
Less: provision	(20,775)	(43,129)
	<u>783,481</u>	<u>659,361</u>

The cost of inventories recognised as “cost of revenue” amounted to RMB2,127,075,000 and RMB1,864,479,000 for the years ended 31 December 2021 and 2020, respectively.

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	43,129	18,498
Charge for the year		
– (reversal)/charge to profit or loss	(12,101)	31,764
– exchange differences	(811)	(899)
Write-off for the year	(9,442)	(6,234)
	<u>20,775</u>	<u>43,129</u>

11 OTHER CURRENT ASSETS

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Value added tax ("VAT") recoverable	126,243	101,482
Third parties prepayment	53,960	66,278
Consumption tax refund	62,062	61,982
Prepaid CIT expenses	24,861	21,645
Prepaid listing expenses	–	9,226
Others	4,186	4,364
	<u>271,312</u>	<u>264,977</u>

12 TRADE AND OTHER RECEIVABLES

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

	As at 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables		
– Related parties	69,540	50,972
– Third parties	253,913	205,058
	323,453	256,030
Less: allowance for impairment of trade receivables	(6,685)	(7,551)
	316,768	248,479
Other receivables		
– Related parties		
(i) Loans	–	63,200
(ii) Guarantee for borrowings	–	49,324
(iii) Others	1,588	3,380
– Third parties		
(i) Rebate receivables	92,614	127,819
(ii) Deposits	18,271	14,821
(iii) Compensation receivables	7,500	4,747
(iv) Payment on behalf of other parties	–	10,215
(v) Loan to a third party	–	4,245
(vi) Others	3,328	3,899
	123,301	281,650
Less: allowance for impairment of other receivables	(5,015)	(3,170)
	118,286	278,480
Total trade and other receivables	435,054	526,959

As at 31 December 2021 and 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Up to 3 months	250,130	218,187
3 to 6 months	30,807	21,169
6 months to 1 year	19,221	14,491
Over 1 year	23,295	2,183
	323,453	256,030

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

	Year ended 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
At beginning of year	7,551	2,277
(Reversal)/charge for the year		
– charge to profit or loss	(827)	5,377
– exchange differences	(39)	(103)
	<u>6,685</u>	<u>7,551</u>
At end of year	<u>6,685</u>	<u>7,551</u>

As at 31 December 2021 and 2020, the ageing analysis of other receivables based on due date were as follows:

	As at 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
Up to 3 months	122,912	281,282
3 to 6 months	42	150
6 months to 1 year	334	208
Over 1 year	13	10
	<u>123,301</u>	<u>281,650</u>
	<u>123,301</u>	<u>281,650</u>

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

	Year ended 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
At beginning of year	3,170	3,432
Charge for the year		
– charge to profit or loss	1,845	537
– exchange differences	–	(69)
Write-off for the year	–	(730)
	<u>5,015</u>	<u>3,170</u>
At end of year	<u>5,015</u>	<u>3,170</u>

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

	Year ended 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
Trade receivables	(827)	5,377
Other receivables	1,845	537
	<u>1,018</u>	<u>5,914</u>
	<u>1,018</u>	<u>5,914</u>

13 BORROWINGS

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Secured or guaranteed</i>		
– Bank loans		
– Current	479,940	549,559
– Current portion of non-current	740	6,577
– Non-current	13,668	20,431
– Corporate bonds		
– Current portion of non-current	3,879	4,553
– Non-current	10,806	8,221
– Loans from other financial institutions		
– Current	–	6,554
	<u>509,033</u>	<u>595,895</u>
<i>Unsecured</i>		
– Bank loans		
– Current	14,130	6,323
– Current portion of non-current	15,592	5,873
– Non-current	15,151	13,653
– Loans from other financial institutions		
– Current	–	1,200
– Non-current	27,708	–
	<u>72,581</u>	<u>27,049</u>
Total borrowings	<u>581,614</u>	<u>622,944</u>

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables		
– Related parties	5,784	111,865
– Third parties	442,650	286,781
	<u>448,434</u>	<u>398,646</u>
Other payables		
– Related parties	300	15,615
– Third parties	44,974	32,401
	<u>45,274</u>	<u>48,016</u>
Accrued payroll	20,849	20,979
Accrued listing expenses	–	15,322
Other taxes payables	12,807	5,101
Interest payables	1,139	1,556
	<u>528,503</u>	<u>489,620</u>

As at 31 December 2021 and 2020, the ageing analysis of the trade payables based on invoice date were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Up to 3 months	150,451	321,071
3 to 6 months	297,983	77,575
	<u>448,434</u>	<u>398,646</u>

15 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2021 (2020: nil).

In accordance with the resolution at the meeting of the Board dated 24 March 2022, the Board proposed a final dividend of HKD0.30 per share to the shareholders in respect of the year ended 31 December 2021. The final dividend will be paid out of the share premium of the Company. The subsequently proposed dividend is not recorded as liability in the consolidated financial statements for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Competition has intensified in the e-commerce market in 2021. Although the overall market volume continued to expand steadily, innumerable brand owners and sales agents are vying for market share and marketing channel resources, hence their increasing marketing expenses and contracting profit margins. In the face of the deteriorating global macro environment, the Group deepened partnership with major brands and sales channels in 2021 and sought new opportunities to continue to invest in new brands and new channels; identified business segments with potential for profit optimization to stem the decline in profitability; restructured inventories, kept marketing expenses in check, and consolidated its market share. As such, the Group managed to further increase its operating revenue in 2021, consolidating its position as a leading provider of e-commerce solutions for Japanese fast-moving consumer goods (FMCG) brands.

Analysis of Key Financial Information

Revenue

In 2021, the Group maintained steady growth in overall business volume, and its total revenue rose by 8.3% year-on-year from RMB2,800.8 million in 2020 to RMB3,033.1 million. This was mainly attributable to the fact that the Group has continuously deepened its bond with leading brands, cemented partnership with major distributors, and consolidated its leading position in the Japanese FMCG market. In the meanwhile, we seized new market opportunities to expand sales channels, invested heavily in short video social e-commerce platforms, effectively fostered popular brands and established partnerships with emerging brands.

Revenue by business lines

	Year ended 31 December			
	2021	% of	2020	% of
	Revenue	revenue	Revenue	revenue
	<i>(RMB in thousands except for percentages)</i>			
Sales of goods				
B2B	1,410,136	46.5	1,226,516	43.8
General trade	961,724	31.7	841,559	30.0
Cross-border e-commerce	448,412	14.8	384,957	13.7
B2C	1,597,140	52.7	1,539,757	55.0
General trade	777,746	25.6	732,395	26.1
Cross-border e-commerce	819,394	27.0	807,362	28.8
Provision of services	25,848	0.9	34,573	1.2
Total	3,033,124	100.0	2,800,846	100.0

The increase in B2B sales revenue primarily resulted from the Group's increased investment in the promotion of personal care and maternal care products via Tmall Supermarket and deepened the partnership with the JD.com International platform, while the rise in B2C sales revenue was mainly attributable to the steady growth across distribution channels. The strategic focus of maternal care brands has shifted from cross-border e-commerce to general trade, resulting in a decrease in the cross-border sales revenue. However, emerging brands such as Attenir achieved significant growth to compensate that decrease, which resulted in an increase of B2C sales revenue under cross-border e-commerce model. Besides, emerging channels such as TikTok and Pinduoduo achieved steady earnings growth in 2021, and B2C sales revenue continued to increase overall.

The decrease in service income this year was mainly due to a shift of the focus of branding and marketing operations toward providing high-quality branding services to companies within the Group.

Sales of goods revenue by product categories

	Year ended 31 December			
	2021		2020	
	Sales of goods revenue	% of revenue	Sales of goods revenue	% of revenue
	<i>(RMB in thousands except for percentages)</i>			
Personal care products for adults	1,941,712	64.6	1,755,261	63.5
Personal care products for babies	428,736	14.3	418,841	15.1
Beauty products	342,331	11.4	335,365	12.1
Health products	196,747	6.5	173,770	6.3
Others ⁽¹⁾	97,750	3.3	83,036	3.0
Total	<u>3,007,276</u>	<u>100.0</u>	<u>2,766,273</u>	<u>100.0</u>

Notes (1): Others mainly include household necessities.

In 2021, sales revenue from personal care products for adults increased, primarily due to the significant increases in sales of products of an important brand of personal care for adults on various platforms.

Gross profit and gross profit margin

The Group's overall gross profit margin decreased from 31.7% in 2020 to 29.7% in 2021. The decrease in gross profit margin was mainly due to the significant increase in the Group's B2B revenue share, which has a lower gross profit margin as compared to the B2C model, and the extensive use of promotions such as live streaming in the second half of the year, which drove down the gross profit margin of the B2C model.

Gross profit and gross profit margin by business lines

	Year ended 31 December			
	2021		2020	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
<i>(RMB in thousands except for percentages)</i>				
Sales of goods				
B2B	190,122	13.5	167,860	13.7
General trade	122,114	12.7	120,245	14.3
Cross-border e-commerce	68,008	15.2	47,615	12.4
B2C	702,179	44.0	702,170	45.6
General trade	314,107	40.4	346,494	47.3
Cross-border e-commerce	388,072	47.4	355,676	44.1
Provision of services	8,506	32.9	18,084	52.3
Total	900,807	29.7	888,114	31.7

The year-on-year decrease in the gross profit margin of B2B general trade was mainly due to a rise in cash-payment wholesale sales relative to total revenue this year. The gross profit margin of B2B cross-border e-commerce sales has increased year-on-year, mainly driven by substantial growth in JD Worldwide and Tmall Global sales and higher gross profit margins logged by a major personal care brand with which the Group has deepened cooperation.

The year-on-year decrease in the gross profit margin of B2C general trade was mainly attributable to a shift of strategic focus implemented by a maternal care and personal care brand, which aims to lower gross profit margin in exchange for market share gains. The gross profit margin of B2C cross-border e-commerce sales increased significantly year-on-year, as a result of the relatively high gross profit margin recorded for emerging brands such as Attenir and EGO, which boosted the overall gross profit margin of this business model.

Gross profit and gross profit margin in respect of sales of goods revenue by product categories

	Year ended 31 December			
	2021		2020	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	<i>(RMB in thousands except for percentages)</i>			
Personal care products for adults	487,106	25.1	499,556	28.5
Personal care products for babies	138,856	32.4	149,779	35.8
Beauty products	155,468	45.4	127,898	38.1
Health products	66,270	33.7	51,923	29.9
Others ⁽¹⁾	44,601	45.6	40,874	49.2
Total	892,301	29.7	870,030	31.5

Notes (1): Others mainly include household necessities.

In 2021, the decline in the gross profit margin of maternal and personal care products was primarily attributable to the decision made by a leading brand owner to mark down products on the general trade platform Tmall.com to even out sale prices between different sales channels. The gross profit margin of beauty products rose sharply, mainly because the Group adjusted its brand portfolio to foster brands with higher gross profit.

Sales and marketing expenses

The increase in the Group's sales and marketing expenses in 2021 mainly resulted from the rise in marketing expenses and front-line human resources costs. According to the changes in consumer behavior, the Group has adapted itself and adopted popular promotion methods such as live-streaming marketing jointly conducted with top-tier internet celebrities, and sought to switch to emerging marketing modes such as automated ad serving. In view of the rise of short video and social e-commerce, the Group has increased investment in these emerging channels, and has set up or expanded dedicated teams for short video, multi-channel network and live-streaming marketing, customer service and private domain traffic generation.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2021, the general and administrative expenses of the Group decreased as compared with last year, which was mainly due to the decrease in listing expenses of the Group.

FINANCE COSTS

The increase in the Group's interest expenses was mainly due to the increase in bank borrowings to cope with the fast-growing purchase demand.

OPERATING PROFIT AND EARNINGS PER SHARE

Operating profit of the Group decreased slightly as a result of the significant increase in the Group's selling and marketing expenses in 2021, which was due to the increase in customer acquisition cost in 2021.

In 2021, the earnings per share of the Group was RMB0.2, compared with a loss per share of RMB0.99 last year.

LIQUIDITY AND FINANCIAL RESOURCES

In 2021, the Group mainly used cash generated from operations and bank borrowings to meet its cash demand. As of 31 December 2021, cash and cash equivalents were RMB442.1 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 (inclusive). Most of the Group's cash and cash equivalents are presented in Renminbi, US Dollar and Japanese Yen.

The cash flows in 2020 and 2021 are as follows:

	Year ended 31 December	
	2021	2020
	(RMB'000)	(RMB'000)
Net cash used in operating activities	(124,749)	(368,416)
Net cash generated from investing activities	60,702	35,916
Net cash generated from financing activities	254,741	64,216
Net increase/(decrease) in cash and cash equivalents	190,694	(268,284)
Opening cash and cash equivalents	252,334	538,561
Effect on exchange rate difference	(943)	(17,943)
Closing cash and cash equivalents	442,085	252,334

In 2021, net cash used in operating activities was RMB124.7 million, mainly calculated as cash used in operations of RMB81.1 million plus income tax paid of RMB44.8 million. Cash used in operations mainly arose out of profit before income tax of RMB43.4 million adjusted by interest expenses of RMB26.4 million, the increase of RMB18.1 million in operating trade payables, partially offset by the increase of RMB111.2 million in inventory and the increase of RMB46.9 million in operating trade receivables. Net cash generated from investing activities was RMB60.7 million, mainly due to loan repayment of RMB63.2 million by related parties. Net cash generated from financing activities was RMB254.7 million, mainly due to the proceeds received from the initial public offering, which amounted to RMB274.6 million.

CHANGES ON MAJOR ASSETS

The increase in inventory and account receivables as at 31 December 2021 was mainly due to the increase in the Group's sales and the corresponding increase in stocking and account receivables; the decrease in other receivables of the Group was mainly due to the recovery of loans from related parties, guarantee deposits for borrowings of related parties and partial rebates from suppliers.

CAPITAL STRUCTURE

As at 31 December 2021, the gearing ratio of the Group was 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 significant decrease as compared to the end of 2020 was mainly due to the significant increase in cash and cash equivalents as at the end of the year.

BANK AND OTHER BORROWINGS, CHARGES ON ASSETS

The Group adopted proactive financing policies. As at 31 December 2021, the Group's total borrowings were RMB581.6 million, mainly consisting of bank borrowings. As at 31 December 2021, among the Group's borrowings, borrowings of an equivalent of RMB146.8 million were secured by mortgaging inventories or account receivables, while borrowings of an equivalent of RMB362.3 million were guaranteed by the Company and its subsidiaries, commercial banks or other financial institutions. As at 31 December 2021, all of the Group's borrowings are at a fixed interest rate.

As at 31 December 2021, the Group had unutilised banking facilities of RMB268.4 million.

The above mentioned borrowings have effectively strengthened the Group's resilience against uncertain risks brought about by the COVID-19 pandemic, and provided sufficient capital reserve for the operation and rapid development of the Group.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

In 2021, the capital expenditure of the Group was RMB4.3 million (RMB9.6 million in 2020), primarily for the renovation of offices. As at 31 December 2021, the Group had no material capital commitment.

FUTURE PLANS OF MAJOR INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, 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 as at 31 December 2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

The Group did not have material acquisition or disposal of subsidiaries and associates in 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 770 employees, most of whom were residents 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 reporting period, 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 2021, the Group mainly operated its businesses in mainland China, with most transactions settled in RMB. Foreign exchange risk means the risk of loss arising out of changes in foreign exchange rates. Fluctuations in exchange rates between RMB 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 did not use financial instruments to hedge against any foreign currency fluctuations in 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities.

SUBSEQUENT EVENTS

As at the date of this announcement, the Company has no material events after the reporting period required to be disclosed.

OUTLOOK

In 2022 and the next three years, we will continue to forge ahead with great efforts.

- Continue to improve the Group's MCN capacity building among e-commerce service providers and form into advantages. By means of incubation, empowerment and contract signing, we will establish a KOL matrix with the main tags of "recognizing the high quality of Japanese goods" and "urban women aged 30-50", which can deeply influence more than 20 million people, thereby realizing the two models of finding suitable consumers for brands and finding suitable brands for consumers;
- Continue to introduce high-quality products represented by Japan. We will continue to explore into the Japanese market and consolidate the Group's leading position in operating Japanese fast-moving consumer goods among Chinese e-commerce service providers. On this basis, the Company will expand the high-quality goods from Europe, the United States, Australia and other regions, as well as domestic regions, focus more on brands with outstanding R&D capabilities and product appeals, and introduce more brands for the product categories with broader market demands in the future, such as healthy food, OTC, home care, etc. to meet the increasingly diversified needs of consumers; and
- Introduce more agency operation businesses subject to the service fee model, increase the proportion of the service fee model, effectively control the overall size of inventories and accounts receivable, and further enhance the operating efficiency of working capital.

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 HK\$320 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 (HK\$ million)	Utilized amount as at 31 December 2021 (HK\$ million)	Unutilized amount as at 31 December 2021 (HK\$ million)	Expected timeline for balance of net proceeds
For investing in social media marketing and advertising, growing proprietary brands, diversifying brand portfolios and strengthening supply chain management	54.3%	174	68	106	By 31 December 2024
For diversifying our brand and product offerings for health products, in particular OTC drugs	15.7%	50	46	4	By 31 December 2024
For enhancing our technology systems and data analytics capabilities	7.0%	22	5	17	By 31 December 2024
For pursuing strategic investments in technology companies and O2O service providers	13.0%	42	0	42	By 31 December 2024
For working capital and general corporate uses	10.0%	32	32	0	
Total	100%	320	152	168	

Save as disclosed above, since the Listing Date, the Group has not utilized any other portion of the net proceeds and will gradually utilize the remaining net proceeds in accordance with the intended purposes as stated in the Prospectus of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the Global Offering, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date up to 31 December 2021 (the “**Relevant Period**”).

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 Relevant Period, 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 (previous code provision A.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 our Group since our 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 our Group and facilitate the efficient execution of business strategies of the Group. The Group considers it appropriate and beneficial to our 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 (previous code provision A.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 our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of the Directors, and our 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 our 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 our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our 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 our 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 Relevant Period.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.3 per share for the year ended 31 December 2021. The final dividend is intended to be paid out of the share premium account. Subject to the approval of shareholders of the Company (the “**Shareholders**”) at the annual general meeting (the “**AGM**”) to be held on 22 June 2022, the final dividend is expected to be paid on 12 July 2022 to the Shareholders whose names appear on the register of members of the Company on 30 June 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend the AGM, the register of members of the Company will be closed from 17 June 2022 to 22 June 2022 (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 16 June 2022.

For determining the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will also be closed from 28 June 2022 to 30 June 2022 (both days inclusive). To be eligible to receive the final dividend, 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 27 June 2022.

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 2021.

AUDIT SCOPE OF INDEPENDENT AUDITOR

The financial figures in respect of the Group’s consolidated balance sheet as at 31 December 2021, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 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 2021

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 2021 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, 24 March 2022

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.