优趣汇控股有限公司

UNQ HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代號：2177

2021
ANNUAL REPORT
年度報告

CONTENTS

COMPANY PROFILE

The Group is a leading brand e-commerce retail and wholesale solutions provider in China, strategically focused on Japanese-branded fast-moving consumer goods, including personal care products for adults, personal care products for babies, beauty products, health products and others. The Group maintained long-term and in-depth cooperation with major brand partners and e-commerce platforms. In 2021, the Group's overall business continued to maintain steady growth, with its sales revenue of RMB3,033.1 million, representing an increase of 8.3% as compared with the same period of last year.

The Group acts as the bridge between brand partners, e-commerce platforms and customers in China. We operate our business primarily through distribution method and service fee method. Under the distribution model, we purchase products from selected brand partners, manage Chinese and cross-border supply chains, identify and reach target customers through omnichannel marketing, and sell products to customers through online marketplace stores operated by us, which we refer to as our business-to-customer, or B2C model, or to e-commerce platforms or other distributors, which, in turn, sell to customers, which we refer to as our business-to-business, or B2B model. Under the service fee method, as a supplement to the B2C and B2B models, we also provide our solutions to brand partners or other customers for service fees. In 2021, the Group's sales revenue from general trade and cross-border e-commerce under the B2B model increased by 14.3% and 16.5% respectively as compared with last year, while the Group's sales revenue from general trade and cross-border e-commerce under the B2C model increased by 6.2% and 1.5% respectively as compared with the year ended December 31, 2020, and the revenue under the service fee model decreased by 25.2% as compared with the year ended December 31, 2020.

The Group will be continuously and deeply engaged in its business areas and improve its overall operational efficiency. Meanwhile, it will keep up with the industry development trend, gain insight into consumer demand, provide more forward-looking operational services for brand partners, drive more spending traffic to e-commerce platforms and offer more high-quality and interesting products to customers.

DIRECTORS

Executive Directors

Mr. WANG Yong *(Chairman and Chief Executive Officer)*
Mr. SHEN Yu
Mr. MATSUMOTO Ryoji

Non-executive Director

Mr. NAKAYAMA Kokkei

Independent Non-executive Directors

Mr. NG Kam Wah Webster
Mr. WEI Hang
Ms. XIN Honghua

JOINT COMPANY SECRETARIES

Mr. SHEN Yu
Ms. SZETO Kar Yee Cynthia *(ACG, HKACG)*

AUDIT COMMITTEE

Mr. NG Kam Wah Webster *(Chairman)*
Mr. WEI Hang
Ms. XIN Honghua

REMUNERATION COMMITTEE

Mr. WEI Hang *(Chairman)*
Ms. XIN Honghua
Mr. WANG Yong

NOMINATION COMMITTEE

Mr. WANG Yong *(Chairman)*
Mr. NG Kam Wah Webster
Mr. WEI Hang

AUTHORISED REPRESENTATIVES

Mr. SHEN Yu
Ms. SZETO Kar Yee Cynthia *(ACG, HKACG)*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong and U.S. laws:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

COMPLIANCE ADVISER

Maxa Capital Limited
Flat 08, 19/F, Harbour Centre
25 Harbour Road, Wanchai
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HEAD OFFICE

17F, Tower C, LCM Square
No. 4, Lane 2389, Zhangyang Road
Pudong New Area
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKS

DBS (Hong Kong) Limited
11/F, The Center
99 Queen's Road Central
Hong Kong

Sumitomo Mitsui Banking Corporation, Hong Kong Branch
7/F-8/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

STOCK CODE

2177

COMPANY'S WEBSITE

www. youquhui.com

LISTING DATE

July 12, 2021

Dear Shareholders,

Thank you for your consistent trust, support and help to the Group.

After the rapid growth of the domestic e-commerce for many years, the growth rate of new users decreased, and the market has changed from the incremental market to the stock market. New business formats such as group buying, membership distribution, community group buying, shopping guide, live streaming, etc. have emerged successively, industry competition has intensified, and short video platforms such as TikTok have gathered a large number of people. Generation Z group is becoming the leading force of consumption. The domestic e-commerce market is undergoing profound changes.

No matter how the business formats change, the underlying logic of people, goods and place will not change, and the nature of business will not change either. As a leading brand e-commerce operator in China, the Group always stays true to its original intention, responds to the industry changes, explores opportunities in an all-round way, and commits itself to delivering high-quality products and providing better services to consumers.

Next, on behalf of the Board, I would like to present the annual results of the Group for the year ended December 31, 2021.

FINANCIAL HIGHLIGHTS

Revenue

- Revenue for the year ended December 31, 2021 amounted to RMB3,033.1 million, representing an increase of 8.3% as compared with the year ended December 31, 2020; and

- Further solidified the Group's leading position in the domestic e-commerce operation services market of Japanese fast-moving consumer goods (FMCG) brands.

Gross profit margin decreased slightly

- Gross profit margin was 29.7%, representing a slight decrease compared to the same period last year;

- Gross profit of B2C business decreased due to live streaming and investment in new channels such as TikTok and Pinduoduo; and

- Gross profit of B2B business increased due to optimization of channel structure.

CHAIRMAN'S STATEMENT

Net profit and earnings per share turned positive

- There was no preference share fee effect and the profit turned positive this year;
- Earnings per share was RMB0.20, compared with a loss per share of RMB0.99 last year; and
- Adjusted net profit (non-IFRS measure) for the year ended December 31, 2021 amounted to RMB41.7 million, representing a decrease of 60.9% as compared with the year ended December 31, 2020, mainly due to an increase in promotion and personnel expenses.

Significant optimization of the operating cash flow

- The operating cash flow of this year was significantly optimized compared with that of last year.

Final dividend

- The Board has recommended the payment of a final dividend of HK$0.3 per share for the year ended December 31, 2021.

BUSINESS REVIEW

In 2021, revenue of the Group still maintained a steady increase, representing a year-on-year increase of 8.3%. The Company has maintained a sound and stable cooperation relationship with major brands such as Unicharm Group, Shiseido and Kobayashi Pharmaceutical. On this basis, the Company has expanded the baby skin care brand EGO in Australia, the skin care brand boscia in the United States, and OHTA'S ISAN in Japan, which is conducive to further improving the Company's brand matrix.

In terms of channels, the short video platforms represented by TikTok have gathered a large number of users. Guided by interest, these platforms have stimulated and transformed users' pursuit of high-quality goods, and become a new battlefield for e-commerce operators. In response to these market changes, we have, in addition to continuously consolidating the business of content e-commerce platforms such as Tmall and JD.com, split and established the short video e-commerce business department in a timely manner to achieve more focused and professional operations. In addition to domestic e-commerce platforms and cross-border import channels, we set up the cross-border export department in September 2021 to conduct pilot operations on Amazon.com. By combining the cost and quality strengths of Chinese products with the Company's e-commerce operation experience, we have developed new channels to serve overseas consumers. As at the end of 2021, we have opened 2 stores, launched 39 SKUs, and completed comprehensive testing for order production, customs declaration, international logistics, advertising, sales operations, etc., which has laid a solid foundation for business development in the next stage.

In 2021, more and more consumers acquired brand minds through "KOL" (Key Opinion Leader), which has effectively shortened the AIPL process (Awareness; Interest; Purchase; Loyalty). Following the new trend of live streaming, we adopted the integrated strategy of KOL live streaming + store live streaming. In addition to accurately looking for and cooperating with ultra-top, top and mid-tier KOLs according to brand minds, we have also newly established and expanded more than 40 brand-specific live streaming channels, and formed a professional live streaming team for live streaming, operations, planning, field control, etc. The subsidiary Fuli Media (芙立傳媒) won the Outstanding Service Provider Award in the 2020 Live Streaming Leader Competition at the Taobao Live Broadcasting Ceremony jointly organized by Taobao Live (淘寶直播), Alimama and Tmall.

The Company reviewed the basic business and improved efficiency through digitization and programming. We introduced "RPA" (Robotic Process Automation) to simulate manual operations on the system interface, which can efficiently complete highly repetitive and regular work in large quantities, thus achieving 7x24H uninterrupted work. Currently, it has been widely applied in cross-platform data collection and calculation, order processing, automatic payment and other businesses in departments like supply chain, customer service, finance and operations, achieving the increase in both efficiency and accuracy.

Looking back to 2021, we believe that it was absolutely unforgettable for everyone. 2022 is still full of uncertainties, but we firmly believe that "the future is bright and promising"！

FUTURE LAYOUT AND STRATEGY

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

1) 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, establish a KOL matrix with the main tags of "recognizing the high-quality products represented by Japanese brands" 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.

2) Continue to introduce high-quality goods and meet the diversified needs of consumers

   Continue to explore into the Japanese market and consolidate the Group's leading position in the domestic e-commerce services market of Japanese FMCG. On this basis, the Company will expand the high-quality goods from Europe, America, 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.

3) 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.

2022 ought to be a very challenging year as well. In the face of the industry changes, we firmly believe that all the hard work will eventually pay off with our forward-looking layout and continuous solid efforts.

Wang Yong
Chairman
Hong Kong, March 24, 2022

OVERVIEW

Competition has intensified in the e-commerce market in 2021. Although the overall market volume continued to expand steadily, innumerous 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 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 December 31,			
	2021		2020	
	Revenue	% of revenue	Revenue	% of revenue
	(RMB in thousands except for percentages)			
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 December 31,			
	2021		2020	
	Sales of goods revenue	**% of revenue**	Sales of goods revenue	% of revenue
	(RMB in thousands except for percentages)			
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	**3,007,276**	**100.0**	2,766,273	100.0

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 December 31,			
	2021		2020	
	Gross profit	**Gross profit margin (%)**	Gross profit	Gross profit margin (%)
	(RMB in thousands except for percentages)			
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 December 31,			
	2021		2020	
	Gross profit	**Gross profit margin (%)**	Gross profit	Gross profit margin (%)
	(RMB in thousands except for percentages)			
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 at December 31, 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 December 31,	
	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 December 31, 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 December 31, 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 December 31, 2021, the Group's total borrowings were RMB581.6 million, mainly consisting of bank borrowings. As at December 31, 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 December 31, 2021, all of the Group's borrowings are at a fixed interest rate.

As at December 31, 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 December 31, 2021, the Group had no material capital commitment.

FUTURE PLANS OF MAJOR INVESTMENTS AND CAPITAL ASSETS

As at December 31, 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 December 31, 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 December 31, 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 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 did not use financial instruments to hedge against any foreign currency fluctuations in 2021.

CONTINGENT LIABILITIES

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

RISKS AND UNCERTAINTIES

Coronavirus Disease ("**COVID-19**") emerged in occasions in China in 2021. The effectiveness of the overall pandemic prevention and control with China's dynamic zero COVID-19 strategy had little influence on the industry during the Reporting Period. Due to large-scale spread of variants of COVID-19, Shenzhen, Shanghai and other cities have adopted strict control measures such as working from home, citywide static management and blockade. The Group assumes that there might be possibilities of strict measures of lockdown in the future with the strategy of dynamic zero COVID-19 strategy. If it occurs in the cities where the Group's warehouse is located, it may result in potential delay with progress of our supply chain and warehouse logistics. We are closely paying attention to the development of the COVID-19 pandemic and national prevention and control policies and continuously evaluating any potential impact of the pandemic that may have on our business and financial conditions. Furthermore, we assume that online shopping is one of the important channels to satisfy consumers' shopping demand during the pandemic and in the future.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. WANG Yong (王勇，"**Mr. WANG**"), aged 50, was appointed as a Director in October 2019 and, re-designated as an executive Director and was appointed as the chairman of the Board and chief executive officer of the Company in June 2020. Mr. WANG currently also serves many positions within the Group, primarily including the chairman and the general manager of UNQ (Shanghai) Supply Chain Management Co., Ltd. (優趣匯（上海）供應鏈管理有限公司) ("**UNQ Supply Chain**"), a director of UNQ Hong Kong Limited (優趣匯香港有限公司) ("**UNQ HK**"), UNQ Japan Co., Ltd. (UNQジャパン株式會社) ("**UNQ Japan**"), Shanghai Fuli Culture Media Co., Ltd. (上海芙立文化傳媒有限公司) ("**Shanghai Fuli**") and Hangzhou Spot E-commerce Co., Ltd. (杭州思珀特電子商務有限公司) ("**Hangzhou SPT**"). Mr. WANG has over 20 years of experience in corporate management, Chinese e-commerce industry and Japanese cross-border trade. Mr. WANG is the founder of the Group by establishing Shanghai UNQ Business Consulting Co., Ltd. (上海普卉商務諮詢有限公司) ("**UNQ Business Consulting**") in August 2010 and UNQ Supply Chain in October 2014, and his working experience within the Group primarily includes serving as a director and the general manager of UNQ Business Consulting from July 2010 to December 2014, serving as an executive director of Hangzhou SPT since November 2014, consecutively serving as the director, chairman and the general manager of UNQ Supply Chain since December 2014, serving as a director of Shanghai Fuli since November 2016, serving as a director of UNQ HK since August 2015 and serving as a director of UNQ Japan since July 2017. Prior to establishing the Group, Mr. WANG's previous working experience primarily includes: serving in Beijing Itochu-Huatang Comprehensive Processing Co., Ltd. (北京伊藤忠華糖綜合加工有限公司) from January 2001 to June 2010 with his last position as the head of residential division.

Mr. WANG obtained a bachelor's degree in Japanese language from Guangdong University of Foreign Studies in Guangdong Province, the PRC in June 1995, a master's degree in business administration from University of Minnesota in Minnesota, the United States in July 2005.

Mr. SHEN Yu (沈宇，"**Mr. SHEN**"), aged 49, was appointed as a Director in June 2020 and re-designated as an executive Director, and was appointed as the chief financial officer, and vice president of the Company in June 2020. Mr. SHEN was also appointed as one of the joint company secretaries of the Company with effect from June 28, 2021. Mr. SHEN currently also serves as the deputy general manager and chief financial officer of UNQ Supply Chain and general manager of Shanghai Spot E-Commerce Co., Ltd. (上海思珀特電子商務有限公司) ("**Shanghai SPT**"). Mr. SHEN has over 15 years of experience in finance, marketing and corporate management. Mr. SHEN joined the Group in September 2016, and his working experience within the Group primarily includes: serving as the director of the financial department and the director of the personnel and administration department of UNQ Supply Chain from September 2016 to December 2017, serving as the deputy general manager and chief financial officer of UNQ Supply Chain since January 2018, serving as a director of UNQ HK since November 2018 and serving as the general manager of Shanghai SPT since June 2019. Prior to joining the Group, Mr. SHEN's previous working experience primarily includes: consecutively serving as the manager of the financial department and the head of the business management department of KOSÉ Cosmetics Co., Ltd. (高絲化妝品有限公司) (currently known as Kolmar Cosmetics (Hangzhou) Co., Ltd. (科歐瑪化妝品（杭州）有限公司)) from September 1995 to February 2004, and serving as the head of the administrative department and director of the business department of KOSÉ Cosmetics Sales (China) Co., Ltd. (高絲化妝品銷售（中國）有限公司) from March 2004 to August 2016.

Mr. SHEN obtained an associate diploma in financial accounting from Hangzhou Institute of Electronics Engineering (杭州電子工業學院) (currently known as Hangzhou Dianzi University (杭州電子科技大學)) in Zhejiang Province, the PRC, in July 1995 and an undergraduate diploma (correspondence program) in economic management from the Correspondence Institute of the C.P.C. Central Committee School (中共中央黨校函授學院) in Beijing, the PRC, in December 2004. Mr. SHEN obtained the qualification of medium-level accountant in May 2002 conferred by Ministry of Finance of the PRC. Mr. SHEN was recognized as "Outstanding Individual of Serving and Dedicating EXPO of Luwan District" (盧灣區服務世博、奉獻世博優秀個人) by the C.P.C. Shanghai Luwan District Committee (中共盧灣區委) and the People's Government of Shanghai Luwan District (盧灣區人民政府) in October 2010. Mr. SHEN was also recognized as "Excellent Competition Organizer" (優秀組織者) in a Shanghai Huangpu District competition called "Working Together to Ensure Growth, Keeping Harmony to Improve Development" (上海市黃浦區攜手保增長、和諧促發展立功競賽) and "Pioneer Worker" (工人先鋒號) by the Federation of Trade Union of Shanghai Huangpu District (上海市黃浦區總工會), the Federation of Industry and Commerce of Shanghai Huangpu District (上海市黃浦區工商業聯合會), the C.P.C. Social Working Committee of Shanghai Huangpu District (中共上海黃浦區社會工作委員會) and the Shanghai Huangpu District Association of Foreign Investment (上海市黃浦區外商投資企業協會) in December 2013.

Mr. MATSUMOTO Ryoji (松本良二，"**Mr. MATSUMOTO**"), aged 58, was appointed as a Director in June 2020 and re-designated as an executive Director, and was appointed as the general manager of overseas business division of the Company in June 2020. Mr. MATSUMOTO currently also serves as a director and the general manager of the overseas business department of the UNQ Supply Chain and the chairman of the board of UNQ Japan. Mr. MATSUMOTO has over 16 years of experience in corporate management, FMCG Industry and overseas business development in Japan. Mr. MATSUMOTO joined the Group in July 2015, and his working experience within the Group primarily includes: consecutively serving as the general manager, a director and the chairman of the board of UNQ Japan since October 2014, serving as a director of UNQ Supply Chain since April 2016, and serving as the general manager of the overseas business department of UNQ Supply Chain since January 2018. Prior to joining the Group, Mr. MATSUMOTO joined Shiseido Company, Limited (株式會社資生堂) (a company listed on Tokyo Stock Exchange under the stock code of 4911) in April 1987, and served as the head of cosmetic marketing department of Shiseido (China) Investment Co., Ltd. (資生堂（中國）投資有限公司) from October 2005 to March 2013, and he resigned from Shiseido Company, Limited in September 2013.

Mr. MATSUMOTO obtained a bachelor's degree in economics from Gakushuin University (學習院大學) in Tokyo, Japan in March 1987.

NON-EXECUTIVE DIRECTOR

Mr. NAKAYAMA Kokkei (中山國慶，**"Mr. NAKAYAMA"**) (former name: XUE Guoqing (薛國慶)), aged 58, was appointed as a Director and re-designated as a non-executive Director of the Company in June 2020. Mr. NAKAYAMA currently also serves as the chairman of Transcosmos Information Creative (China) Co., Ltd. (大宇宙信息創造(中國)有限公司), the indirect subsidiary of TCI, and a director of Beijing Tensyn Digital Marketing Technology Joint Stock Company (北京騰信創新網絡營銷技術股份有限公司) (a company listed on Shenzhen Stock Exchange under the stock code of 300392). Mr. NAKAYAMA has over 22 years of experience in corporate management. Prior to joining the Group in June 2020, Mr. NAKAYAMA's previous working experience primarily includes: consecutively serving as executive officer (常務執行役員), general manager of overseas business (海外事業總括) and deputy head of the China business division of the TCI (a company listed on Tokyo Stock Exchange under the stock code of 9715) since May 1998, and serving as a director of Beijing Tensyn Digital Marketing Technology Joint Stock Company (北京騰信創新網絡營銷技術股份有限公司) (a company listed on Shenzhen Stock Exchange under the stock code of 300392) since May 2015.

Mr. NAKAYAMA graduated from Shanghai Jiao Tong University (上海交通大學) with an undergraduate diploma in marine engineering in Shanghai, the PRC in July 1985 and he also obtained a master's degree and a doctor's degree in mechanical engineering from Nagoya University (名古屋大學) in Nagoya, Japan in March 1992 and March 1995, respectively. Mr. NAKAYAMA was awarded the Haihe Friendship Award (海河友誼獎) by the People's Government of Tianjin Municipal (天津市人民政府) in 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Kam Wah Webster (吳錦華，**"Mr. NG"**), aged 48, was appointed as an independent non-executive Director of the Company on June 28, 2021. Mr. NG has over 25 years of experience in accounting and auditing. Prior to joining the Group in June 2020, Mr. NG serving in various certified public accountant firms. Mr. NG founded WEBSTER NG & CO. (吳錦華會計師事務所) in August 2001, and has served as the founder and sole proprietor of the firm since then.

Mr. NG assumes various positions in associations involving finance and auditing which primarily including President of the Taxation Institute of Hong Kong and Hong Kong Institute of Accredited Accounting Technicians, Honorary secretary of The Society of Chinese Accountants & Auditors, Director of Accountancy Caring Alliance Limited, member of Small and Medium Practices Committee of Hong Kong Institute of Certified Public Accountants and the Small and Medium Enterprises Sub-committee of the Association of Chartered Certified Accountants.

Mr. NG also served in community as member of 6th Election Committee (Accountancy), non-executive director of eMPF Platform Company Limited (積金易平台有限公司), member of Lotteries Fund Advisory Committee (獎券基金諮詢委員會), member of Lump Sum Grant Steering Committee (整筆撥款督導委員會), Honorary Treasurer of Social Workers Registration Board (社會工作者註冊局), member of Citizens Advisory Committee on Community Relations of the Independent Commission against Corruption (廉政公署社區關係市民諮詢委員會), member of District Fight Crime Committee, Sai Kung (西貢區撲滅罪行委員會), finance, audit and risk committee member of Medecins Sans Frontieres (HK) Limited (無國界醫生（香港）) and Honorary Auditor of the North Kwai Chung District Scout Council, Scout Association of Hong Kong (香港童軍總會北葵涌區區務委員會).

Mr. NG graduated from HKU School of Professional and Continuing Education (香港大學專業進修學院) with a diploma in accounting in Hong Kong in September 1997. Mr. NG was admitted as member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants in April 2001, an associate of the Taxation Institute of Hong Kong in August 2002, an associate of the Institute of Chartered Accountants in England and Wales in January 2005 and an ordinary member of The Society of Chinese Accountants & Auditors in October 2006, a founding member of the Hong Kong Professionals and Senior Executives Association in June 2008. Mr. NG was admitted as a practisinig member in January 2003. Mr. NG was commended for dedicated service and outstanding contribution to the promotion of community building and improvement of community environment by the Secretary for Home Affairs Bureau of Hong Kong (香港民政事務局局長) in November 2018.

Mr. WEI Hang (魏航，"**Mr. WEI**"), aged 45, was appointed as an independent non-executive Director of the Company on June 28, 2021. Mr. WEI currently serves as the executive vice president and a professor of operation and management of the College of Business, Shanghai University of Finance and Economics (上海財經大學商學院). Prior to joining the Group in June 2020, Mr. WEI's previous working experience mainly includes: serving as a visiting scholar of The Chinese University of Hong Kong (香港中文大學) from March 2005 to April 2005 and July 2008 to September 2008, consecutively serving as a lecturer and the vice executive president of the Shanghai University of Finance and Economics College of Business since July 2006. Mr. WEI has rich experience in e-commerce research, commercial science and internet platforms, and his major research area includes Internet and operation management, operation and finance, new products and new technology management and service operation management. He published many thesis on the topics of management of supply chain, distribution and platforms, B2C platforms and online retail business, which are closely related to the businesses of the Company.

Mr. WEI obtained a doctor's degree in management science from Southwest Jiaotong University (西南交通大學) in Sichuan Province, the PRC in June 2006.

Ms. XIN Honghua (辛洪華，**"Ms. XIN"**) (alias: XIN Honghua (辛紅花)), aged 44, was appointed as an independent non-executive Director of the Company on June 28, 2021. Ms. XIN current also serves as the vice president of Zhejiang branch of Jonten Certified Public Accountants (Limited Liability Partnership) (中天運會計師事務所(特殊普通合夥)浙江分所). Prior to joining the Group in June 2020, Ms. Xin's previous working experience primarily includes: serving as the financial manager of Hangzhou JNBY Finery Co., Ltd. (杭州江南布衣服飾有限公司) from March 2003 to August 2006, serving as the financial manager of Hangzhou Whole set Throttling Device Co., Ltd. (杭州成套節流裝置有限公司) from October 2006 to October 2011, serving as the audit project manager of the Hangzhou branch of Jonten Certified Public Accountants Co., Ltd (中天運會計師事務所有限公司杭州分所) from November 2011 to November 2013, serving as the department manager of Zhejiang Zhongruiweisida Certified Public Accountants Co., Ltd (浙江中瑞唯斯達會計師事務所有限公司) from November 2013 to November 2016, and serving as the vice president of the Zhejiang branch of Jonten Certified Public Accountants (Limited Liability Partnership) (中天運會計師事務所(特殊普通合夥)浙江分所) since December 2016. Ms. XIN served as a director of Yuhua Wisdom Financial Management Consulting Limited (玉華慧財税管理諮詢有限公司).

Ms. XIN obtained an associate diploma in financial accounting (computerization) from Zhejiang University (浙江大學) in Zhejiang Province, the PRC in June 2003 and educational qualification in business administration management from China Central Radio & TV University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in Beijing, PRC in January 2007. Ms. XIN has various qualifications in tax and auditing including: being certified as Certified Internal Auditor (國際註冊內部審計師) by China Institute of Internal Audit (中國內部審計協會) with the authorization from the Institute of Internal Auditors (國際內部審計師協會) in November 2010, Registered Tax Agent by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in September 2011, Certified Public Accountant by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in June 2014, Certified Public Valuer by the China Appraisal Society (中國資產評估協會) in January 2015, Senior Accountant (高級會計師) by Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2016, Top Tax Talent (税務師行業高端人才) by The China Certified Tax Agents Association (中國註冊税務師協會) in December 2018, and qualification of Independent Director (獨立董事資格) by the Shanghai Stock Exchange in September 2018.

SENIOR MANAGEMENT

Mr. LAI Juncheng (賴俊成，"**Mr. LAI**"), aged 32, has been appointed as general manager of operation supporting center and new business department since September 2021. Mr. LAI currently also serves as a director of UNQ Supply Chain and the deputy general manager of Shanghai SPT. Mr. LAI has over ten years of experience in e-commerce business operations. Mr. LAI joined the Group in November 2011, and his working experience within the Group primarily includes: consecutively serving as the manager, operating manager, and operation director of Hangzhou UNQ E-Commerce from November 2011 to January 2015, consecutively serving as deputy general manager and general manager of Hangzhou SPT since January 2015, serving as the deputy general manager of Shanghai SPT since January 2017, serving as general manager of Tmall operations division of UNQ Supply Chain since October 2017, serving as the general manager of the retail business department of UNQ Supply Chain from January 2019 to June 2020, serving as the general manager of the retail operation department of UNQ Supply Chain from July 2020 to December 2020 and serving as general manager of operation department of UNQ Supply Chain from January 2021 to August 2021.

Mr. LAI obtained an associate diploma in computer application technology from Zhejiang Institute of Mechanical & Electrical Engineering (浙江機電職業技術學院) in Zhejiang Province, the PRC in June 2011 and a bachelor's degree (correspondence program) in business administration from Zhejiang University of Technology (浙江工業大學) in Zhejiang Province, the PRC in June 2014.

Ms. CHEN Weiwei (陳偉偉，"**Ms. CHEN**"), aged 38, has been appointed as general manager of operation center of the Company since September 2021. Ms. CHEN currently also serves as a director of UNQ Supply Chain. Ms. CHEN has over 10 years of experience in business operations and brand engagement. Ms. CHEN joined the Group in January 2011, and her working experience within the Group primarily includes: serving as the marketing head of the Hangzhou business operation department of UNQ Business Consulting from January 2011 to December 2014, marketing director of UNQ Supply Chain from December 2014 to January 2017, the general manager of the new media department of Shanghai Fuli from January 2017 to August 2019, general manager of the pharmaceutical and health department of UNQ Supply Chain from September 2019 to December 2020, general manager of brand center of UNQ Supply Chain from January 2021 to August 2021.

Ms. CHEN obtained an associate diploma in TV and network advertising design from the Shanghai Art & Design Academy (上海工藝美術職業學院) in Shanghai, the PRC in July 2006.

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2021.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liabilities on October 31, 2019. The Company was listed on the Stock Exchange on July 12, 2021 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

The Group is a leading brand e-commerce retail and wholesale solutions provider in China, strategically focusing on Japanese-branded fast-moving consumer goods, or FMCG, consisting of, among others, personal care products for adults, personal care products for babies, beauty products, health products and others.

Details of the principal activities of the principal subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS

The Group's results for the year ended December 31, 2021 are set out in the consolidated statement of comprehensive income on page 95 to page 96 of this annual report.

BUSINESS REVIEW

The business review and performance analysis of the Group for the Reporting Period are set out in the sections headed "Chairman's statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, the aggregate sales to the Group's five largest customers accounts for 41.0% of the Group's total revenue (2020: 38.9%), while the aggregate sales to the Group's largest single customer accounts for 29.7% of the Group's revenue (2020: 28.3%).

For the year ended December 31, 2021, the aggregate sales to the Group's five largest suppliers accounts for 73.8% of the Group's total cost of purchase (2020: 87.3%), while the aggregate sales to the Group's largest single supplier accounts for 38.2% of the Group's total cost of purchase (2020: 41.1%).

During the year ended December 31, 2021, none of the Directors, or any of their close associates, or any of the Shareholders (which to the best knowledge of the Directors own more than 5% of the issued shares of the Company) had any interest in the Group's five largest customers or suppliers.

REPORT OF THE DIRECTORS

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.3 per share for the year ended December 31, 2021. The final dividend is intended to be paid out of the share premium account. The final dividend is subject to approval by the Shareholders at the forthcoming AGM to be held on June 22, 2022, and is expected to be paid on July 12, 2022 to the Shareholders whose names appear on the register of members of the Company on June 30, 2022.

DIVIDEND POLICY

Currently, the Company does not have a formal dividend policy or a fixed dividend distribution ratio. Any future declarations and payments of dividends will be at the absolute discretion of our Directors after taking into account our results of operations, cash flows, financial position, cash dividends we receive from subsidiaries of our Company, future business prospects, statutory and regulatory restriction on payment of dividends by us, and other relevant factors. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all.

Under the Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this annual report, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business.

FINANCIAL SUMMARY

The results and summary of assets and liabilities of the Group during the last four financial years are set out on page 186 of this annual report. The summary shall not constitute a part of the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group for the year ended December 31, 2021 are set out in note 26 to the consolidated financial statements.

USE OF PROCEEDS FROM LISTING

The Company was listed on the Stock Exchange on 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 June 28, 2021, namely:

Item	Approximate percentage of total amount *(%)*	Amount of net proceeds allocated upon listing *(HK$ million)*	Utilized amount as at December 31, 2021 *(HK$ million)*	Unutilized amount as at December 31, 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 December 31, 2024
For diversifying our brand and product offerings for health products, in particular OTC drugs	15.7%	50	46	4	By December 31, 2024
For enhancing our technology systems and data analytics capabilities	7.0%	22	5	17	By December 31, 2024
For pursuing strategic investments in technology companies and O2O service providers	13.0%	42	0	42	By December 31, 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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended December 31, 2021 are set out on note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended December 31, 2021 are set out in note 23 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company or its subsidiaries during the year ended December 31, 2021 or subsisted at the end of the year.

RESERVES

Details of movements in the reserves of the Company and its subsidiaries for the year ended December 31, 2021 are set out in note 25 to the consolidated financial statements and the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution amounted to nil (2020: nil).

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

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the listed securities of the Company during the period from the Listing Date to December 31, 2021.

DONATIONS

During the year ended December 31, 2021, the Company made charitable contributions and other donations of RMB10,579 (2020: Nil).

DIRECTORS

During the year and up to the date of this annual report, the Directors were as follows:

Executive Directors
Mr. WANG Yong *(Chairman and Chief Executive Officer)*
Mr. SHEN Yu
Mr. MATSUMOTO Ryoji

Non-executive Director
Mr. NAKAYAMA Kokkei

Independent Non-executive Directors
Mr. NG Kam Wah Webster
Mr. WEI Hang
Ms. XIN Honghua

In accordance with the Articles of Association, Mr. WANG Yong, Mr. SHEN Yu, Mr. MATSUMOTO Ryoji, Mr. NAKAYAMA Kokkei, Mr. NG Kam Wah Webster, Mr. WEI Hang and Ms. XIN Honghua shall retire from office and have offered themselves for re-election at the AGM.

Details of the retiring Directors to be re-elected at the AGM are set out in the circular to be sent to the Shareholders in due course.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmation of independence from each independent non-executive Director made in accordance with Rule 3.13 of the Listing Rules and the Company considers all independent non-executive Directors to be independent since the Listing Date to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on page 17 to page 22 of this annual report.

DIRECTORS’ SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the executive Directors has entered into a service contract with the Company with an initial term of three years effective from the Listing Date. The respective executive Directors or the Company may terminate the contract by a prior written notice of at least three months. The appointment of an executive Director shall be in accordance with requirements on Directors’ retirement by rotation under the Articles of Association and applicable Listing Rules.

The non-executive Director and each of the independent non-executive Directors has signed a letter of appointment with the Company with a term of three years commencing from the date of appointment. In accordance with their respective letters of appointment, each of the independent non-executive Directors is entitled to receive a fixed amount of Director’s emoluments while the non-executive Director is not entitled to receive any remuneration. Relevant appointments shall be in accordance with the requirements on Directors’ retirement by rotation under the Articles of Association and applicable Listing Rules.

Save as disclosed above, none of the Directors has entered into any service contracts with any members of the Group, excluding the contracts expiring within a year or may be terminated by the employers without paying any compensation (legal compensations excluded).

REMUNERATION POLICIES

As at December 31, 2021, the Group had a total of 770 employees. We offer competitive compensation packages and systematic training programs and development programs across all levels, to attract and retain our key employees. We also aim at creating an open communication atmosphere and merit-based incentive mechanism for hard-working. We contribute to social insurance, including pension fund, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing provision funds for our employees.

The Remuneration Committee was set up for reviewing the Group’s emolument policy and structure of the Directors and senior management, having regard to the Group’s operating results, individual performance of the Directors and senior management and comparable market practices. The remuneration received by Directors and senior management include salaries, bonuses, allowances and benefits in kind and pension scheme contributions complied with the requirements under applicable laws, rules and regulations.

Details of the Directors’ emoluments and five highest paid individuals for the year ended December 31, 2021 are set out in note 9 and note 36 respectively to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 9 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2021, the interests and 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 (the "**SFO**")) which 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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Interests in shares of the Company:

Name of Director	Identity and nature of interests	Number of Shares held[1]	Approximate percentage of equity interest
Mr. WANG Yong ("**Mr. WANG**") [2]	Interest in controlled corporation	64,392,700	38.82%
Mr. MATSUMOTO Ryoji ("**Mr. MATSUMOTO**") [3]	Interest in controlled corporation	1,000,000	0.60%

Notes:

1. All interests stated are long positions.

2. Wisdom Oasis Holdings Limited ("**Wisdom Oasis**"), which is wholly owned by Mr. WANG, is interested in 64,392,700 Shares of the Company, and thus Mr. WANG is deemed to be interested in 64,392,700 Shares.

3. Athena Land V Holdings Limited, which is wholly owned by Mr. MATSUMOTO, is interested in 1,000,000 Shares, and thus Mr. MATSUMOTO is deemed to be interested in 1,000,000 Shares.

Save as disclosed above, as at December 31, 2021, none of the Directors and chief executives of the Company had interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which 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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2021, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares, which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Identity and nature of interests	Number of Shares held[1]	Approximate percentage of equity interest
Wisdom Oasis	Beneficial owner	64,392,700	38.82%
TCI	Beneficial owner	57,264,100	34.52%

Note:

(1) All interests stated are long positions.

Save as disclosed above, as at December 31, 2021, the Directors or chief executive of the Company were not aware of any persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept by the Company under section 336 of the SFO.

NON-COMPETITION UNDERTAKING

To minimize the potential conflict between the TCI's operations in China and the Company's principal businesses, the TCI executed a deed of undertaking in favor of the Company on June 23, 2021 (the "**Deed of Referral Undertaking**").

For details regarding the Deed of Referral Undertaking, see the section "RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS" in the Prospectus.

Based on the information and confirmation provided by the TCI, the independent non-executive Directors have reviewed the implementation of the Deed of Referral Undertaking for the year ended December 31, 2021 and are satisfied that TCI has complied with the Deed of Referral Undertaking.

CONTINUING CONNECTED TRANSACTIONS

The TCI is a controlling shareholder of the Company. Pursuant to Chapter 14A of the Listing Rules, the TCI is the connected person of the Company. During the Reporting Period, details of the continuing connected transactions conducted between the Company and the TCI are as follows:

Products Procurement Framework Agreement

The Company entered into a framework agreement (the "**Products Procurement Framework Agreement**") with the TCI on June 23, 2021, pursuant to which, the Group agrees to purchase, and the TCI agrees to sell, certain products under various Japanese brand partners and other products, including but not limited to personal care products for babies under the brands of Unicharm and Combi and the OTC drug and healthcare products under the brands of Nichiban, Taisho and Lion. The Products Procurement Framework Agreement will terminate on December 31, 2022 unless renewed otherwise. For further details of the continuing connected transactions, please refer to the section headed "CONNECTED TRANSACTIONS" – "NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS" on pages 314 to 321 of the Prospectus.

Reasons for the Transactions

In connection with the Company's procurement of the Unicharm branded products from the TCI, the TCI offers the Company (i) a credit term under which the Company is allowed to settle the consideration for its procurement in a given month two months thereafter (such credit term can be further extended to three months and 15 days for the purchase for the November 11 of a year (the "**Singles Day**") and (ii) liaison service with transportation and logistics service providers in Japan, which strengthens the Company's ability to serve customers' needs and further optimizes delivery services during the peak seasons of online shopping, particularly before the 618 Promotion and the Singles Day. Accordingly, while the Group can purchase Unicharm branded products from Unicharm directly, Directors consider that the procurement of Unicharm branded products from the TCI offers strategic benefits to the Group and supplements the purchases made by the Group through our direct procurement channel. Those strategic benefits and the alternative procurement channel enable us to (i) have flexible payment options and longer credit terms, and (ii) secure products sources and delivery during peak seasons of online shopping.

The procurement prices have been determined after arm's length negotiation between the parties with reference to the TCI's costs of purchasing relevant products. In terms of similar products, the Company has compared quotations from the TCI with other Independent Third-party suppliers to ensure the reasonableness of the procurement prices.

With regard to the Products Procurement Framework Agreement, the consideration to be paid by the Group to the TCI in respect of the transactions contemplated thereunder for the two years ending December 31, 2021 and 2022 shall not exceed RMB246 million and RMB346 million respectively. During the Reporting Period, the consideration paid by the Group to the TCI in respect of the transactions contemplated under the Products Procurement Framework Agreement was approximately RMB87.79 million.

During the Reporting Period, save as disclosed above, the Company did not have any other connected transactions which are required to be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

At the time of the Company's initial public offering, the Company had applied to the Stock Exchange for, and the Stock Exchange had granted, waivers in relation to such continuing connected transactions from strict compliance with (i) the announcement and (ii) independent shareholders' approval requirements under the Listing Rules.

During the Reporting Period, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has performed certain pre-determined audit procedures regarding the continuing connected transactions conducted by the Group during the year ended December 31, 2021 as set out above and stated that:

(1) the foresaid Continuing Connected Transactions have been approved by the Board;

(2) the foresaid Continuing Connected Transactions were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(3) the aggregate amount of the foresaid Continuing Connected Transactions has not exceeded the relevant caps as disclosed in the Prospectus.

The related party transactions of the Group are disclosed in note 35 to the consolidated financial statements, and they did not constitute the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements in Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors are aware, during the Reporting Period and up to the date of this report, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on its business and operations.

TAX RELIEF

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no Director has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party during the year ended December 31, 2021 and up to the date of this annual report.

CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "CONNECTED TRANSACTIONS" above and in this annual report, no controlling shareholder or its subsidiaries has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party during the year ended December 31, 2021 and up to the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended December 31, 2021 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or minor children were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

MATERIAL LEGAL ACTIONS

During the year ended December 31, 2021, the Company was not involved in any material legal actions or arbitrations. To the best knowledge of the Directors, the Company was not involved in any unsettled material legal actions or claims or in any such material legal actions or claims that might threaten the Company.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, during the year ended December 31, 2021, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which was in competition or was likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws, the Company has arranged for appropriate insurance to cover all costs, charges, losses, expenses and liabilities incurred by any Directors or officers in the execution and discharge of his duties or in relation thereto. The relevant provisions in the Articles of Association and such directors and officers liability insurance were in force during the year ended December 31, 2021 and as at the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended December 31, 2021, the Company did not have any material acquisition and disposal of subsidiaries, associates and joint venture.

SUBSEQUENT EVENTS

Details of the material events after the Reporting Period are set out in note 39 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public as at the date of this annual report.

AUDIT COMMITTEE

The Audit Committee, together with the Board, has reviewed the accounting principles and practices adopted by the Group and has discussed the internal control procedures and the financial reporting of the Group, together with the management. The Audit Committee has reviewed and discussed the annual results of the Group for the year ended December 31, 2021.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment.

ENVIRONMENTAL POLICIES

The Group recognizes the importance of protecting the environment and strives to minimize the impact to the environment by reducing use of energies and other resources. For details of the Company's environmental policies and performance, please refer to the "Environmental, Social and Governance Report" on pages 50 to 88 of this annual report.

For and on behalf of the Board
WANG Yong
Chairman

Hong Kong, March 24, 2022

CORPORATE GOVERNANCE REPORT

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 CG Code set out in Appendix 14 to 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 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.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee the particular affairs of the Company, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees the responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and Shareholders at all times.

The Company has arranged appropriate liability insurance covering any legal actions against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this annual report, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors
Mr. WANG Yong *(Chairman and Chief Executive Officer)*
Mr. SHEN Yu
Mr. MATSUMOTO Ryoji

Non-executive Director
Mr. NAKAYAMA Kokkei

Independent Non-executive Directors
Mr. NG Kam Wah Webster
Mr. WEI Hang
Ms. XIN Honghua

The biographies of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

During the Relevant Period, the Board has complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors (among which, at least one independent non-executive Director shall possess appropriate professional qualifications or accounting or related financial management expertise).

The Company has also complied with the requirement of Rule 3.10A of the Listing Rules regarding the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules. Therefore, the Company considers all independent non-executive Directors to be independent.

Save as disclosed in the biographies of Directors in the section headed "Biographical Details of Directors and Senior Management" of this annual report, no Directors have any personal relations (including financial, business, family or other material relations/correlations) with any other Directors or the chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, Remuneration Committee, and Nomination Committee.

In regard to the CG Code provision of requiring Directors to disclose to the issuer the number and nature of offices held in public companies or organizations and other significant commitments, as well as their identity and the time involved, all the Directors have agreed to disclose their commitments to the Company in a timely manner.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standards of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity, and length of service. The ultimate decision will be based on merit and the contribution that the selected candidates will bring to the Board.

The Board comprises seven members, including one female independent non-executive Director. In recognising the particular importance of gender diversity, we confirm that the Nomination Committee will use its best efforts to identify and recommend suitable female candidates to the Board for its consideration.

Under the current composition of our Board, our Board has a balanced mix of knowledge, skills and experience, including experience in e-commerce, finance, corporate management, accounting and financial markets. Our Directors have diverse educational background including economics, financial accounting, machine technology and management. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of the Board. Furthermore, the Board has a wide range of age, ranging from 44 to 58 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies our Board Diversity Policy.

The Nomination Committee is delegated by our Board to be responsible for compliance with relevant code provisions governing board diversity under the CG Code. The Nomination Committee, from time to time and at least once annually, reviews Board Diversity Policy and compliance with the CG Code to ensure its continued effectiveness, and the Company discloses in the corporate governance report about the implementation of the Board Diversity Policy on an annual basis. Furthermore, The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors will be provided with necessary induction training and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide all Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages all Directors to seek continuous professional development and thus develop and update their knowledge and skills. The joint company secretaries of the Company, from time to time, update and provide written training materials relating to the roles, functions and duties of directors.

According to the information provided by the Directors, they have accepted the training as follows during the year ended December 31, 2021:

Name of Directors	Participated in Continuous Professional Development (1)
Mr. WANG Yong	√
Mr. SHEN Yu	√
Mr. MATSUMOTO Ryoji	√
Mr. NAKAYAMA Kokkei	√
Mr. NG Kam Wah Webster	√
Mr. WEI Hang	√
Ms. XIN Honghua	√

Notes: (1) Attended trainings/seminars/conference arranged by the Company or other external parties or read relevant materials.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. WANG Yong, the chairman of the Board and chief executive officer of the Company, provides leadership and is responsible for the effective functioning and leadership of the Board. He is also responsible for the Group's business development and daily management and operations generally. Mr. WANG Yong ensures that the Board maintains effective operation to perform its functions and discusses all important and appropriate matters in a timely manner. Mr. WANG Yong must also ensure that all Directors have been formally notified of the matters to be discussed at the Board meetings.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company with an initial term of three years effective from the Listing Date. The respective executive Directors or the Company may terminate the contract by serving not less than three months' written notice to the other party. The appointment of an executive Director shall be made in accordance with the requirements on Directors' retirement by rotation under the Articles of Association and applicable Listing Rules.

The non-executive Director and each of the independent non-executive Directors has signed a letter of appointment with the Company with a term of three years commencing from the date of the appointment. In accordance with their respective letters of appointment, each of the independent non-executive Directors is entitled to receive a fixed amount of Director's emoluments while the non-executive Director is not entitled to receive any remuneration. Relevant appointments shall be made in accordance with the requirements on Directors' retirement by rotation under the Articles of Association and applicable Listing Rules.

Save as disclosed above, none of the Directors has entered into any service contracts with any members of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

In accordance with the Articles of Association, one-third of the Directors (or the nearest number but no less than one-third of the Directors, if the number of Directors is not a multiple of three (3)) are subject to retirement by rotation at each annual general meeting and each Director shall retire by rotation at least once every three years at an annual general meeting. Any Director newly appointed by the Board to fill a causal vacancy of the Board or serve as a new Director shall submit himself/herself for election by Shareholders at the next general meeting after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and providing recommendations regarding the appointment, re-election and succession plans of Directors to the Board.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately once each quarter. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend regular meetings and discuss the matters on the agenda.

For other Board and Board Committees meetings, reasonable notices will be given. The agenda and accompanying meeting papers are dispatched to the Directors or Board Committees members at least three days or two working days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When any Directors or Board Committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings should be kept by the joint company secretaries of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient detail including the matters considered by the Board and the Board Committees and the decisions reached, and any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committees meeting are sent to the Directors for consideration within a reasonable time after the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

During the Relevant Period, the Board held two Board meetings and no general meeting was held. The attendance of individual Directors at the Board meetings is as follows:

Directors	Number of meetings attended/ number of meetings requiring attendance
Mr. WANG Yong	2/2
Mr. SHEN Yu	2/2
Mr. MATSUMOTO Ryoji	2/2
Mr. NAKAYAMA Kokkei	2/2
Mr. NG Kam Wah Webster	2/2
Mr. WEI Hang	2/2
Ms. XIN Honghua	2/2

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific inquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Relevant Period.

Delegation by the Board

The Board reserves its right to decide all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in its corporate governance reports.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to handle particular responsibilities of the Board and the Company's affairs. All Board Committees are established with defined written terms of reference which have been uploaded to the website of the Stock Exchange and that of the Company.

Audit Committee

The Company established the Audit Committee which consists of three independent non-executive Directors being Mr. NG Kam Wah Webster, Mr. WEI Hang and Ms. XIN Honghua. Mr. NG Kam Wah Webster has been appointed as the chairman of the Audit Committee.

The principal duties of the Audit Committee include:

1. to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to handle matters relating to its resignation or dismissal;

2. to monitor integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein; and

3. to review the Company's financial controls, internal control and risk management system, and to discuss the internal control systems with the management to ensure that the management has performed its duty to have effective internal control systems.

During the Relevant Period, the Audit Committee held two meetings. The table below sets out the attendance of each member of the Audit Committee at the meetings:

Directors	Number of meetings requiring attendance	Number of meetings attended
Mr. NG Kam Wah Webster	2	2
Mr. WEI Hang	2	2
Ms. XIN Honghua	2	2

The Audit Committee's major work during the Relevant Period includes:

- to review the Company's 2021 interim report; and
- to review the Company's financial controls, internal controls and risk management system, and discuss with the management the effectiveness of the internal control system.

Remuneration Committee

The Company established the Remuneration Committee which consists of three Directors, being Mr. WEI Hang, Ms. XIN Honghua and Mr. WANG Yong. Mr. WEI Hang has been appointed as the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee include:

1. to make recommendation to the Board in relation to remuneration policy and structure for all Directors and senior management of the Company, and establishment of a formal and transparent procedure for developing such remuneration policy;
2. to review and if appropriate, approve the management's remuneration proposals with reference to corporate goals and objectives of the Board; and
3. to determine remuneration packages of all executive Directors and senior management according to the authorization of the Board.

During the Relevant Period, the Remuneration Committee held one meeting. The table below sets out the attendance of each member of the Remuneration Committee at the meeting:

Directors	Number of meetings requiring attendance	Number of meetings attended
Mr. WEI Hang	1	1
Ms. XIN Honghua	1	1
Mr. WANG Yong	1	1

The Remuneration Committee's major work during the Relevant Period includes:

- to review the remuneration policy and structure of the Directors and senior management; and
- to make recommendations to the Board the remuneration package of Directors.

Nomination Committee

The Company established the Nomination Committee which consists of one executive Director, being Mr. WANG Yong, and two independent non-executive Directors, being Mr. NG Kam Wah Webster and Mr. WEI Hang. Mr. WANG Yong has been appointed as the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include:

1. to review the structure, size and composition of the Board at least once a year and to make recommendations to the Board regarding any proposed changes to the corporate strategy of the Company;
2. to identify individuals qualified to become Board members and to select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of the independent non-executive Directors according to the Listing Rules;
4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors; and
5. to formulate the policy concerning the diversity of the Board members.

The Board has delegated its responsibilities to the Nomination Committee for identification and selection of candidates to stand for election as Directors. The factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, include diversity in aspects, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how; sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to a reasonable number; qualifications, including skills, accomplishments and experience in the relevant industries the Company's business is involved in; and independence etc.

During the Relevant Period, the Nomination Committee held one meeting. The table below sets out the attendance of each member of the Nomination Committee at the meeting:

Directors	Number of meetings requiring attendance	Number of meetings attended
Mr. WANG Yong	1	1
Mr. NG Kam Wah Webster	1	1
Mr. WEI Hang	1	1

The Nomination Committee's major work during the Relevant Period includes:

- to review the structure, size, diversity and composition of the Board; and
- to review the Board Diversity Policy.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remunerations of the Directors for the year ended December 31, 2021 are set out in note 36 to the consolidated financial statements. Details of the remuneration by band of Directors and senior management of the Company, whose biographies are set out in the section headed "Directors and Senior Management" of this annual report, and for the year ended December 31, 2021 are set out below:

Remuneration range *(in RMB)*	Number of person
0	1
1 – 1,000,000	3
1,000,001 – 2,000,000	4
2,000,001 – 3,000,000	1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows. The management has provided the Board with such explanations and information as necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which were submitted to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going-concern.

The statement by the auditor of the Company regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 89 to 94 of this annual report. In preparing the financial statements for the year ended December 31, 2021, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimations that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk control system, including certain organizational arrangements with clear responsibilities and authorization boundaries, as well as comprehensive systems and monitoring procedures, so as to always protect the investment of the Shareholders and the assets of the Group. These systems are designed to manage and mitigate the risks inherent in the Group's business faced by the Group to an acceptable level, not to eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance that there will be no material misstatement, loss or fraud.

The internal control department of the Group is responsible for performing the internal audit function, continuously monitoring the Group's risk management and internal control systems, and reviewing the adequacy and effectiveness of these systems every year. The review covers all important controls such as financial, operational and compliance monitoring.

During the year ended 31 December 2021 and up to the date of this annual report, the Audit Committee conducted a review of the effectiveness of the Company's risk management and internal control systems and considered that such systems are effective and adequate. During the year ended 31 December 2021, there were no significant matters relating to risk management and internal control systems that required the attention and action from the Company.

The Board, through the Audit Committee, reviewed the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2021, which covered controls over financial reporting, operations and compliance, as well as risk management functions, and considered that the system of internal controls in operation in the Group have been in place and functioning effectively.

The Company has followed internal guidelines to ensure that inside information is released to the public in a fair and timely manner in accordance with applicable laws and regulations. Relevant personnel and other relevant professionals are required to maintain the confidentiality of such inside information before it is publicly disclosed. The Company has also implemented other relevant procedures, such as pre-approval of trading in the Company's securities by Directors and notification to Directors and employees of regular blackout periods and restrictions on trading in securities, to prevent possible improper handling of inside information within the Group.

In addition, the Board is of the opinion that the accounting and financial reporting functions of the Company have been performed by employees with appropriate qualifications and experience, and such employees have received appropriate and sufficient training and development. According to the audit report of the Audit Committee, the Board also believes that sufficient resources have been obtained for the internal audit function of the Company, and its employee qualifications and experience, training plan and budget are sufficient.

INDEPENDENT AUDITORS' REMUNERATION

The approximate remuneration for the audit and non-audit services provided by the auditor to the Company during the Relevant Period is as follows:

Service category	Amount *(RMB')*
Audit services	2,380,000
Non-audit services (consulting service on environmental, social, and governance report and strategy consulting service)	980,000
Total	**3,360,000**

JOINT COMPANY SECRETARIES

Mr. SHEN Yu ("**Mr. SHEN**") was appointed as our joint company secretary on June 28, 2021. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Szeto Kar Yee Cynthia ("**Ms. Szeto**") of TMF Hong Kong Limited (a company secretarial services provider), as another joint company secretary to assist Mr. Shen to fulfill his duties as company secretary of the Company. Her primary contact person at the Company is Mr. Shen. Mr. Shen and Ms. Szeto have undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable the Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board and each of the chairmen of the Board Committees will attend the annual general meetings to answer Shareholders' questions. The auditor of the Company will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and Shareholders and maintains a website at www.youquhui.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue (including election of individual Directors) at general meetings.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of Extraordinary General Meetings and Putting Forward Proposals

Shareholders may put forward proposals for consideration at the Company's general meetings according to the Articles of Association. Any one or more Shareholders with the right to vote on the Company's general meetings and hold a paid-up capital of no less than one-tenth on the date of submitting a request shall have the right to call an extraordinary general meeting at any time with such a written request to the Board or any one of the joint company secretaries of the Company to address any matters stated in such request. If the Board does not within 21 days from the date of submission of the request proceed duly to convene the meeting to be held within a further 21 days, the persons submitting such requests may convene a meeting according to normal procedures and all expenses reasonably incurred by the persons submitting such requests due to the Board's failure to convene such a general meeting shall be compensated by the Company.

As regards proposing a person for election as a Director, relevant procedures are available on the Company's website.

Inquiries to the Board

Shareholders who intend to put forward their inquiries about the Company may contact Investor Relation Department at the Company's headquarters via e-mail at IR@myunq.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Relevant Period, there were no changes to the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the website of the Company (www.youquhui.com) and that of the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This is the first environmental, social, and governance (“**ESG**”) report by the Company to highlight the Company’s ESG policies, measures, actions, and accomplishments in 2021.

Reporting Scope

Unless otherwise specified, this report covers UNQ Holdings Co., Ltd., and its subsidiaries (hereinafter referred to as “**UNQ**”, “**the Group**” or “**we**”). The disclosure period of the report starts on January 1, 2021, and ends on December 31, 2021 (hereinafter referred to as “**the reporting period**”).

Reporting Standards

This ESG report complies with the *Environmental, Social and Governance Reporting Guide* (“***ESG Guide***”) in Appendix 27 to the Listing Rules issued by the Stock Exchange of Hong Kong.

Reporting Principles

- “Materiality” Principle: The communication with stakeholders and material assessment are engaged in the preparing process of the ESG report to identify important ESG topics.

- “Quantitative” Principle: The report adopts quantitative data to present the key performance indicators (“**KPIs**”) at the environmental and social aspects, with descriptions to explain their purpose and impact.

- “Balance” Principle: This ESG report follows the Principle of Balance and presents our ESG performance in an unbiased manner.

- “Consistency” Principle: This report is the first ESG report of the Company. We will use consistent statistical methods in the report so that meaningful comparisons can be made in the future.

Reporting Form

This report is published in both print and online versions. The online version of the report can be viewed and downloaded on the HKEXnews website (http://www.hkexnews.hk) and the Company’s website (http://youquhui.com).

Statement of the Board of Directors

The Board guarantees that no false records, misleading statements or major omissions are contained in the content of this ESG report, and make the following statement on the ESG supervision and management of the Board:

Governance Framework	The Board is the highest governance body for the Company's ESG work. The Company has established a "Sustainable Development Working Group" to assist the Board in guiding and supervising the Company's development and implementation of ESG work. For the specific content of the Governance Framework, please refer to the chapter entitled "Governance Responsibility and Stable Development" in this report.
Management Policy and Strategy	During the reporting period, the Company conducted extensive and in-depth communication with various stakeholders through various channels, analysed and identified major ESG-related issues of the Company, responded to relevant issues, and expounded the management methods to address these related issues.

ENTERPRISE HONORS

2021

- Tmall Global Purple-Star Service Provider in the third quarter of 2021
- 2021 Cainiao International Superior Partner
- No. 5 of Tmall Global 11.11 Most Popular Service Providers
- In the first half of 2021, Tmall's TOP10 list of excellent parent-child service providers
- Tmall Five-star Service Provider

2020

- 2020 Tmall Global Q1 KA Service Provider
- Tmall Global Beloved Partner (Service Provider)
- Phase 1 Tmall Global Business Development Partners
- Alibaba Brand Data Bank Certified Service Provider
- Tmall Five-star Service Provider

2019

- Mawards – Bronze Award for Best E-Commerce Marketing Innovation Award
- JD's exclusive service provider for beauty categories from September to December in 2019
- CIBE Beauty Trend Carnival – Excellent Guochao Store Award
- Silver Award for TaoBao Partner
- Tmall Global Beloved Partner (service provider)
- JD Best JDP Operation Jingmei Award
- Tmall Global New Store Award
- Tmall Beauty Award for Outstanding Logistics Service Brand
- Tmall Five-star Service Provider

2018

- Tmall Beauty Award for Outstanding Logistics Service Brand
- Excellence Award for Tmall Merchant Supply Chain Management
- Top Touch Festival 2018 Global Business Innovation Award Brand Strategy and Image Management Gold Award
- Tmall Five-star Service Provider

1. ESG MANAGEMENT

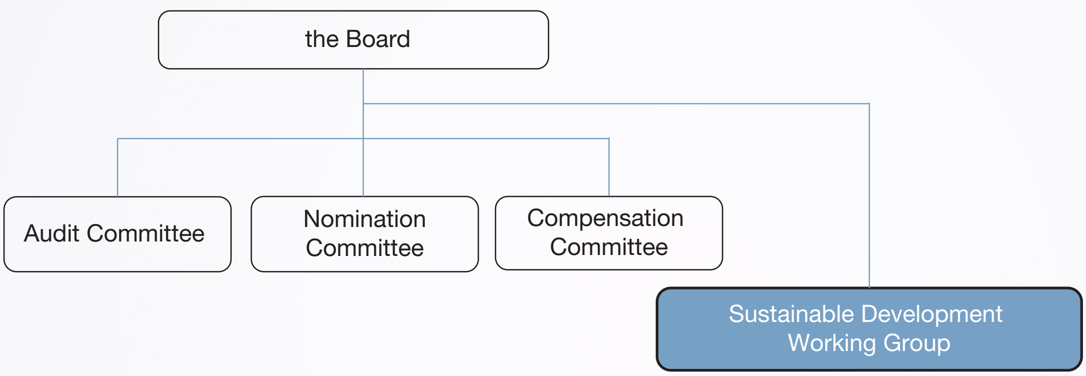
UNQ caters to meet the increasingly diversified needs of consumers, takes bringing consumers health and beauty as its mission, and looks forward to creating higher social value. We actively construct a corporate governance framework that keeps pace with the times, pay attention to communication with various stakeholders, and continuously optimize ESG management strategies for the purpose of achieving balanced development in multiple dimensions of environment, society and economy.

1.1. Governance Structure

To incorporate ESG management into the sustainable development strategy of the enterprise and implement it into the specific work of each department, we established a sustainable development working group and formed a systematic and scientific ESG management structure with the Board:

- The Board is responsible for evaluating and determining ESG management policies and strategies, supervising ESG matters, taking full responsibility for the Company's ESG strategies and reporting, regularly reviewing ESG-related matters, and reviewing the progress of ESG-related goals, and approving the annual ESG report.

- The Sustainable Development Working Group is responsible for formulating specific ESG management policies, strategies, and performance indicators, making annual plans for ESG work, assessing and determining risks and opportunities related to ESG matters, ensuring that a suitable and effective ESG risk management system is in place, regularly reviewing ESG goals and commitments, implementing ESG management policies and ESG policy guidelines, and reporting the progress of ESG work to the Board.



UNQ ESG Management Structure

1.2. Stakeholder Communications

The Company's key stakeholders include shareholders and investors, government and regulators, media and NGOs, partners, customers, employees, community and public. We set great goal by communications with stakeholders, and understand their ESG expectations and demands through various effective channels, which serve as an important reference when the Company formulate ESG strategies.

Stakeholders	Issues in focus	Way of communication
Shareholders and investors	Return on investment Information disclosure Risk management	Annual report, financial statement and announcement Investor briefing Company website Conferences, roadshows and investor summit
Government and regulators	Compliance operation Tax payment according to law	Direct communication Corporate forums, seminars, and communication meetings
Media and NGOs	Driving industry development Accountable marketing Business integrity Social responsibility	Social media Official website Press conference Conference communication
Partners	Fairness and justice Win-win Cooperation	Business communication Regular meeting Field visit Evaluation and Assessment
Customers	Guarantee of personal privacy Guarantee of service quality	Official website Customer service hotline Customer satisfaction survey Social Media
Employees	Employee rights protection Occupational health and safety Employee benefits Equal opportunities and diversity	Internal meeting Performance communication mechanism CEO mailbox
Community and public	Charity Community involvement	Company website Mass media Social media

1.3. Materiality Assessment

During the reporting period, the Company has conducted a materiality assessment to determine the importance of each ESG issue to the Company's business development and various stakeholders, and used the assessment results as an important reference for the preparation of ESG management strategies and ESG reports. The specific process is as follows:

Step 1 Identify ESG issues

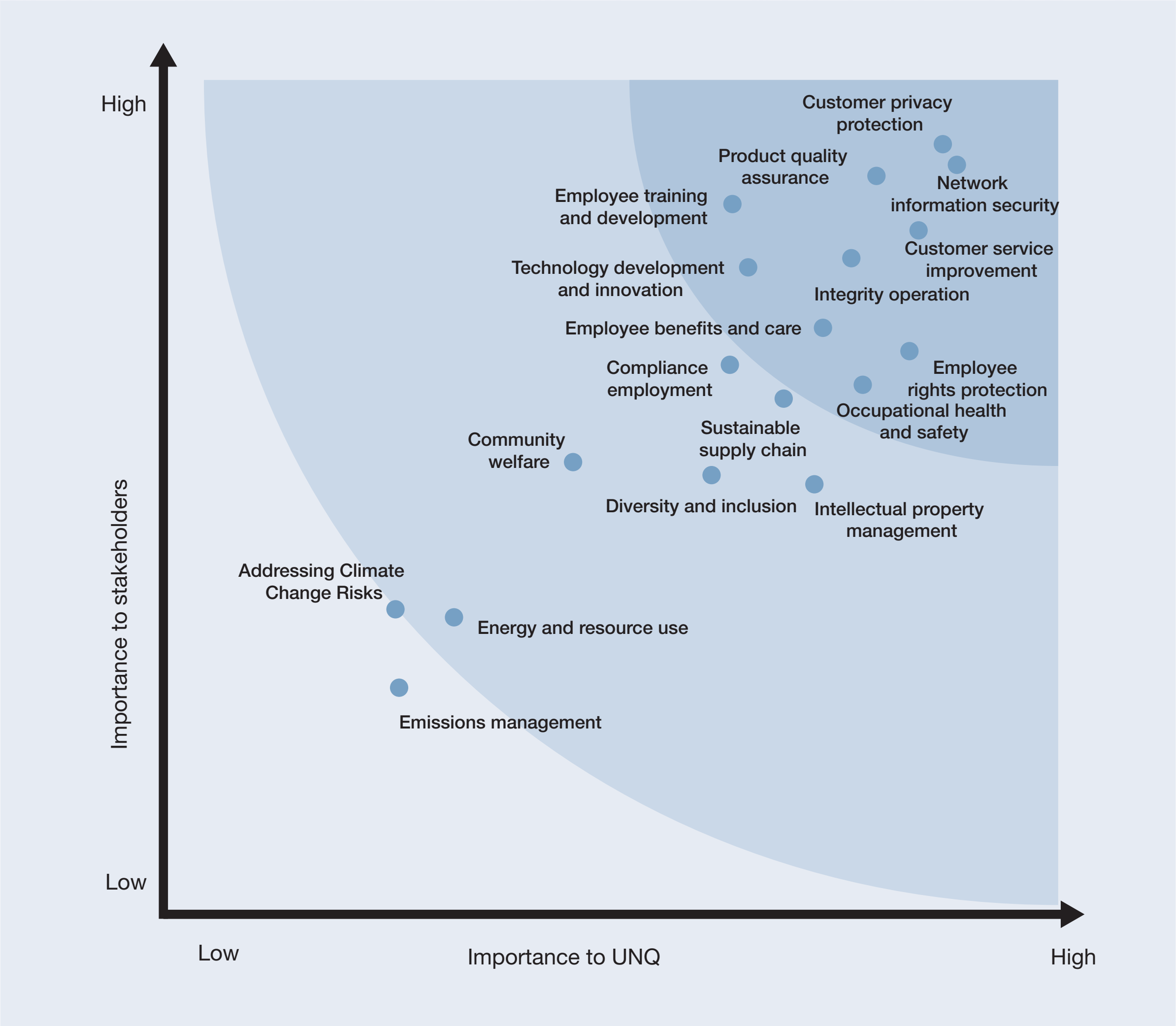
In line with the requirements of the *ESG Guide* and combined with the Company's actual business and industry characteristics, we have analysed and identified 18 ESG-related issues which stakeholders are concerned about through a series of methods, and confirmed that they have covered our ESG practices during the reporting period;

Step 2 Confirm the materiality

Through internal interviews and discussions, and soliciting opinions from external experts, the Company has evaluated various issues from two aspects: "importance to UNQ" and "impact on stakeholders", and generated a materiality assessment matrix based on the results of the survey;

Step 3 Validate assessment results

The Board and the Sustainable Development Working Group of the Company have reviewed and confirmed the assessment results. According to the assessment results, the Company has identified 10 issues which are of critical importance to the Company, including customer privacy protection, network information security, product quality assurance, customer service improvement, integrity and honest operation, technological development and innovation, employee training and development, etc. We will carry out targeted responses to key issues in the corresponding chapters of the report, so as to respond to the concerns of various stakeholders.



UNQ Material Analysis Matrix

2. COMMIT TO CUSTOMER

UNQ, as a leading brand e-commerce operation service provider in China, is committed to becoming the link between consumers and brands and building a bridge for multi-party to achieve win-win cooperation. Through the integration of digital marketing and the Company's technology, we have built a professional customer service team, to provide all-channel, multi-dimensional, full-link operation and customized services for major brands, and continuously improve the quality of service for consumers while empowering the influence of various brands to the maximum.

2.1. Supplier Management

As a brand e-commerce operation service provider, we regard high-quality partners as the foundation for us to provide high-quality products and services. We attach great importance to supply chain management, identify and control risks related to supply chain links, and select high-quality partners by formulating strict supplier access and evaluation procedures.

Our main suppliers are brand suppliers and logistics suppliers. To standardize supplier access control, we formulated documents such as *KPI Rules for Suppliers* to specify the relevant provisions for supplier access assessment and evaluation.

During the reporting period, we have built cooperative relationships with 166 suppliers.

Number of suppliers by region	2021
Total in 2021	166
Domestic	138
Northeast China	1
North China	12
East China	105
South China	12
Central China	3
Southwest China	5
Overseas	28

I. Brand Suppliers

Over the years, we continuously deepened our cooperation with brands, and are committed to providing more high-quality products and services to cater to the changing needs of our customers. As at the end of the reporting period, we have conducted cooperation with 26 brand partners and 62 brands.

To select high-quality brand partners, we formulated the *Potential Evaluation Form for New Brands* and other documents to evaluate the brand in question from the four dimensions of "market", "product", "brand" and "investment", and conducted reviews and gradings based on various details such as "brand scale", "negative comment rate", and judge whether to cooperate with the brand according to the scoring results.

We regularly review the qualifications and certification materials of brands, such as product filing certificates, imported product inspection and quarantine reports, product testing reports, brand licensing and business licenses, etc., and actively urge them to update the approvals to ensure that brands provide authentic high-quality products to cater to consumer demand and protect consumer rights.

II. Logistics Providers

When evaluating new suppliers, we make a comprehensive evaluation through multiple efficiency dimensions such as inventory accuracy, on-time warehousing rate, and on-time delivery rate, and choose the best one for cooperation. In the meantime, we incorporate social impact evaluation into the supplier access assessment process, and clarify management requirements for its personnel safety, fire safety, warehouse safety, equipment safety, etc.; we also signed *Data Security Survey Form* with all logistics suppliers to control and avert potential risks related to information security such as data leakage in the logistics process.

Meanwhile, we regularly conduct supplier audits and put reward and punishment rules in place. We have established a KPI compliance point mechanism to reward qualified suppliers with points, and at the end of the year, we selected excellent partners according to the point ranking, and given awards simultaneously. We have also put forward rectification requirements for suppliers that fail to meet the assessment requirements, and suspended cooperation with suppliers who still failed to meet the audit requirements after rectification.

In addition to selecting high-quality suppliers, we also continue to optimize the logistics structure, and reduce corporate carbon footprint through intelligent warehousing, logistics LCL (less than container load), etc., and worked with suppliers to create a green supply chain.

Cainiao Door-to-Door Pickup

Scattered customer orders are transported in a centralized way according to the city category, and then small trucks will be arranged for separate loading and distribution after these orders reach the destination city; and Tmall supermarket orders are processed in a centralized way according to the ordering rules. The centralized distribution method reduces the number of vehicles dispatched from the departure place to the destination and improve the full load rate of trunk vehicles.

Direct Delivery of Cross Border Brand to the Bonded Area

After communicating with the brand party, we adjusted the original goods transportation process from "brand's overseas warehouse – UNQ's overseas warehouse – UNQ's domestic bonded warehouse" to directly transport overseas brand goods to the domestic bonded zone for shelf sales by sea, eliminating the labor consumption and repeated packaging during the original overseas ex-warehousing and the receiving period.

Shipping LCL

We prioritize low-carbon sea transportation. From 2020, the original port lines, namely, Tianjin, Shanghai and Ningbo have been merged in Ningbo port line, so that the shipping line becomes basically regular and fixed (Japan-Ningbo). Up to now, LCL has been conducted for more than 60 times, greatly reducing the number of marine containers.

Intelligent Warehousing

Based on the reasonable layout of our warehouses across China, through the calculation logic of the intelligent system, the goods are automatically shipped from the nearest warehouse according to the consumer's place of receipt, so as to ensure the optimal logistics transportation route and unnecessary waste of logistics manpower and resources.

2.2. Customer Relationship

We adhere to the service principle of "customer first", strictly abide by the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and other relevant laws and regulations, protect the legitimate rights and interests of consumers, and take the increasingly diversified needs of the consumer as the service goal, create the link between the brands and consumers, and provide consumers with high-quality services through a variety of ways to continuously optimize our own service level.

Customer Service

We built a complete customer service network and formed a top-down customer management system. We formulated the *Customer Service Paradigm – Customer Service Standard Manual*, which covers the pre-sales and after-sales customer consultation process, problem scenarios and standard talk skills of corresponding service scenarios, etc., so as to provide targeted guidance for customer service personnel and help them improve their service ability.

We regularly carry out evaluation and promotion assessments of customer service personnel, and evaluate customer service personnel from multiple dimensions such as knowledge and skills, general skills, professional ability, and management ability through the *Job Competency Standards* to normalize customer service quality management. At the same time, we arrange quality inspectors to supervise and spot check the customer service level through the intelligent tool 100% monitoring and manual sampling, and timely and effectively control the service quality in terms of their service attitude, professionalism, language expression and other aspects.

To commend outstanding customer service personnel and increase their enthusiasm, we carried out several sharing event for excellent after-sales cases in 2021, and awarded "Excellent Case Star" silk banner to the winning employees, as well as in-kind rewards worth thousands of RMB in total.

"Excellent Case Star" Award Ceremony

At the same time, in order to train customer service personnel more professionally and efficiently, we have established an integrated training system, including pre-job training, in-service training, temporary promotion training, management personnel training, and office skills training to empower customer service personnel with logic and regular training content.

Case: Career Development Training – In-service Training Program for Customer Service Personnel

During the reporting period, based on the development requirements of customer service positions, we carried out Career Development Training, an in-service training program for customer service personnel to help improve the sales and problem-handling capabilities of each customer service position; in addition, we carried out training effect evaluation and collected feedback to continuously optimize the quality of customer service training.

Smart Service

To further improve customer service experience and customer service efficiency, we have introduced automated tools and smart customer service into the customer service link, and launched a series of intelligent customer service tools such as "Store Honey Girl", "Automatic Refund System", "Yingdao" RPA (Robotic Process Automation), "Banniu" applets.

"Store Honey Girl" Customer Service Robot

By configuring the official scene Q&A and customized Q&A outside the official scene in the background Q&A scene of Store Honey Girl, after opening the Store Honey Girl App, customer inquiries is first answered by Store Honey Girl, and the questions that cannot be answered or more in-depth questions are forwarded to human operator for reply, so as to reduce the reception pressure of customer service personnel and the waiting time of customers.

"Automatic Refund System" Automatic Batch Refund

By setting the automatic refund strategy, the status of orders which have not been shipped and require only refund validation can be confirmed, thereby connecting the ERP interception or cancellation status, and further allowing for automatic completion of batch refund and order labelling and remarking result content, which greatly shortens the refund processing time and improves the after-sales refund experience of consumers.

Automatic Batch Message Leaving of "Yingdao" RPA

Through the "Yingdao" App, customers can be informed the problem processing results. Also, content information can be sent automatically for multiple scenarios such as supplementing order number, marketing information, and active invitation for ratings. The information sent can reach consumers in batches. "Yingdao" RPA replaces human beings to deal with the repetitive work in batches, so as to improve efficiency and reduce cost.

"Banniu" Self Service Hall

By setting various question templates and sharing links in advance in Banniu applet, the system can automatically pop up links to guide customers to fill in and submit the requirements content by themselves when the front-end customer service is not online or does not reply in time. At the same time, the applet realizes the visual display of processing progress, making it convenient for customers to query progress and results at any time.

Improvement Based on Feedback

To understand customer demands, we collect service experience feedback from customers after the provision of customer service each time, and conduct the timely follow-up, improvement and rectification according to the feedback information. Meanwhile, we conduct store evaluations through logistics, services, events, products, and other dimensions, to understand consumers' opinions and suggestions on store products and service experience, and strive to provide customers with better services.

We formulated the *Maintenance Mechanism for Customer Complaints*, which clearly clarifies six types of complaints, and regulates the corresponding maintenance workflow and the responsibilities of relevant staff. After receiving a complaint, we classify the complaints as "shop operation", "commodity issue", "customer service behavior", "brand behavior", "industrial and commercial complaint" or "public opinion monitoring" according to their source and content, and promptly take corresponding solutions and mobilize relevant resources to ensure that all kinds of complaints can be dealt with and resolved efficiently and reasonably. During the reporting period, we received a total of 27 complaints about products and services from various channels, all of which have been properly handled.

In addition, as UNQ's business activities do not involve product production, the relevant conditions for triggering a product recall do not apply. To protect the legitimate rights and interests of consumers and their health and safety, we have actively cooperated with the brand in the relevant processes of product recall initiated by the brand to ensure the timely implementation of relevant measures such as consumer notification, outbound suspension and unified return, and ensure the smooth implementation of the recall processes.

Compliance Marketing

We strictly abide by the requirements of relevant laws and regulations such as the *E-Commerce Law of the People's Republic of China* and *the Advertising Law of the People's Republic of China*, and constantly strengthen the management of daily marketing activities. We formulated the *Self-Inspection Checklist for UNQ Store Operation Compliance*, requiring stores to conduct compliance self-inspection on their online prices, promotions, and information disclosure of goods and services; in the meantime, we summarized the *List of Prohibited Words with High Frequency and List of Common High-Risk Words* to help personnel of relevant departments avoid using inappropriate publicity words and descriptions.

We also carry out regular trainings, publicity and implementation activities related to compliance marketing, and send notifications of relevant legal and regulatory information through the OA (Office Automation) system to make relevant personnel informed of and familiar with the industrial and legal regulatory requirements to avert potential compliance risks. During the reporting period, we carried out "Compliance Training for UNQ Advertising Promotions" to explain the relevant background and overall legal framework to employees, and clarified relevant risks through case presentations to enhance employees' awareness of compliance marketing.

2.3. Technological Innovations

We adhere to the innovative thinking and concept of “Boldness to Challenge and Change” and commit to improving the efficiency of operation and management through the data-driven technology to embrace the digital age.

In recent years, we have realized the automatic cleaning, precipitation and visual analysis and presentation of data through the launch of the business intelligence (BI) system, the implementation of the supply chain middle-ground project and the customer-end data automation project, which have reduced the input of manpower and time resources in daily operation and management activities, and helped improve operational efficiency. We also cooperate with brands to carry out the whole-domain analysis projects. Through the automatic return of monitoring data to match the overall schedule, we conducted the labelling and indexed processing of the data, and solved the problem of massive data, multiple media channels, belated data monitoring, and inability to re-transform the flow of the exposure people, and other pain points, so as to achieve rapid analysis of the output and promotion effect.

At the same time, we actively carried out university-enterprise cooperation with research institutes, so that to promote the efficient use of big data at the level of enterprise decision and analysis through the use of scientific data research methods and business analysis models for collaborative innovation and iteration, so as to promote the industry development.

Case: Inventory Forecast Cooperation Project

Since 2020, we started to carry out an inventory forecasting project with Shanghai Data Technology and Decision Frontier Research Base affiliated to Shanghai University of Finance and Economics. Through big data analysis, the project explores the characteristics of customer needs, and realizes product category management functions (including explosive goods prediction, personalized recommendation, dynamic pricing, discount promotion optimization, etc.) as well as inventory forecast management functions (including prepositioned-warehouse location selection, distribution path planning, safety inventory setting, dynamic replenishment strategy, dynamic allocation strategy, etc.).

3. COMMIT TO COMPLIANCE

As China's leading e-commerce service provider for brand operation, we have a rich brand and channel resources, committed to becoming a more quality and personalized commodity expert. We attach great importance to establishing fully trustworthy relationships with all stakeholders, adhere to high standards of business ethics in our daily operations, and continuously strengthen information security management and intellectual property protection, so as to provide sustained protection for the information, data and legitimate rights and interests of the Company and customers.

3.1. Business Ethics and Anti-Corruption

We strictly abide by the relevant provisions of the *Criminal Law of the People's Republic of China,* the *Law of the People's Republic of China for Countering Unfair Competition*, the *Company Law of the People's Republic of China* and other laws and regulations on job embezzlement, prevention of bribery, extortion, fraud, and money laundering and have established a sound risk control mechanism. We adopt "zero tolerance" attitude towards any form of dishonest behaviour. We have required all employees to abide by various laws and professional ethics requirements and clarified the penalty provisions for accepting or soliciting bribery, fraud and other violations of discipline and regulations in the *Reward and Punishment Policy*. If the circumstances are serious, the violator shall be dismissed immediately. We also require all key personnel and partners to sign the *Letter of Commitment for Anti-Commercial Bribery*, which clarifies the relevant requirements for integrity and compliance and violation measures in terms of improper interests and conflicts of interest, and ensures that the business operation process conforms to the requirements of business ethics.

We established a sound reporting channel and processing procedure. Employees and external related personnel can report violations of business ethics or related incidents through the reporting mailbox jubao@myunq.com. After the reporting is confirmed as true, we will deal with the case seriously and publicize the results. We keep all whistle-blowers and all information provided strictly confidential and prohibit retaliation against whistle-blowers and employees who assist us in the investigation. In addition, we will give whistle-blowers a certain amount of cash rewards or corresponding resource awards according to the impact of the incident to encourage and guide the employees' whistleblowing behaviour on violations of laws and disciplines in accordance with the law. During the reporting period, there were no corruption incident within the Group.

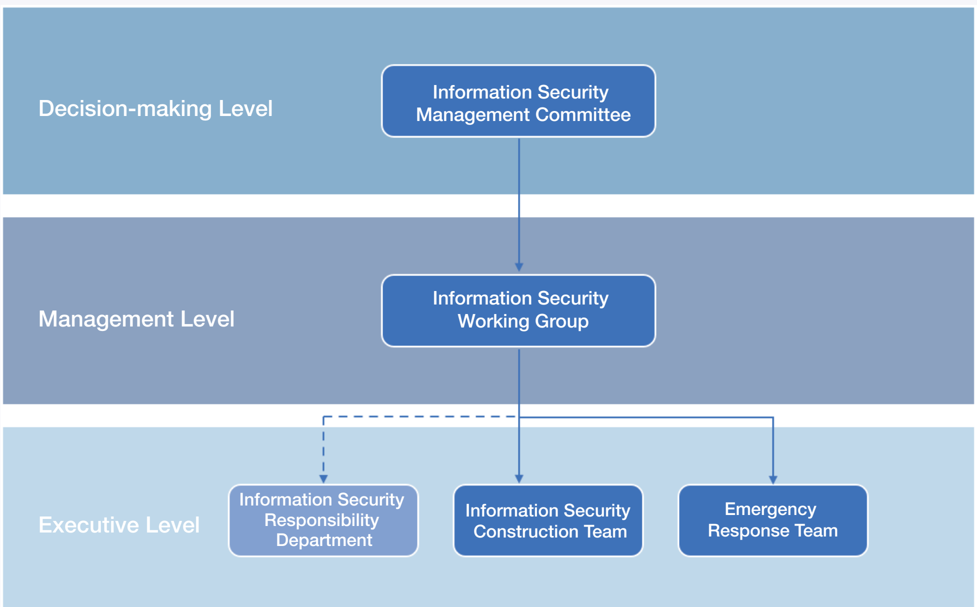
We highlight the construction of a clean culture, and actively create a good corporate atmosphere of honesty, diligence and dedication through multiple channels and methods. We have included business ethics and anti-corruption as one of the key contents of induction training to help new employees cultivate a good awareness of integrity and compliance upon their entry. At the same time, we regularly conduct business ethics training, publicity and implementation for all employees, and organized anti-corruption and insider information control training for directors and senior management, and passed on the values of integrity, honesty, incorruptibility and self-discipline to every employee.

3.2. Information Security and Privacy Protection

Information security is the footing for ensuring stable business operations. We comply with the information security requirements such as the *Cybersecurity Law of the People's Republic of China* and the *Provisions on the Technical Measures for the Protection of the Security of the Internet*, and formulated the *Information Security Management Policy* combined with our business strategy, and strengthen information security management through a series of security measures to ensure the continuity of the organizational business operation.

Management Framework

To improve the Company's overall information security management capabilities, we established the Information Security Management Committee, responsible for information security planning and strategy formulation, as well as for promoting the establishment of an emergency response mechanism. We regard the Information Security Management Committee as the decision-making body and the Security Working Group as the management, and set up the Security Responsibility Department, Security Construction Team and Emergency Response Team to be responsible for the specific implementation of the corresponding work.

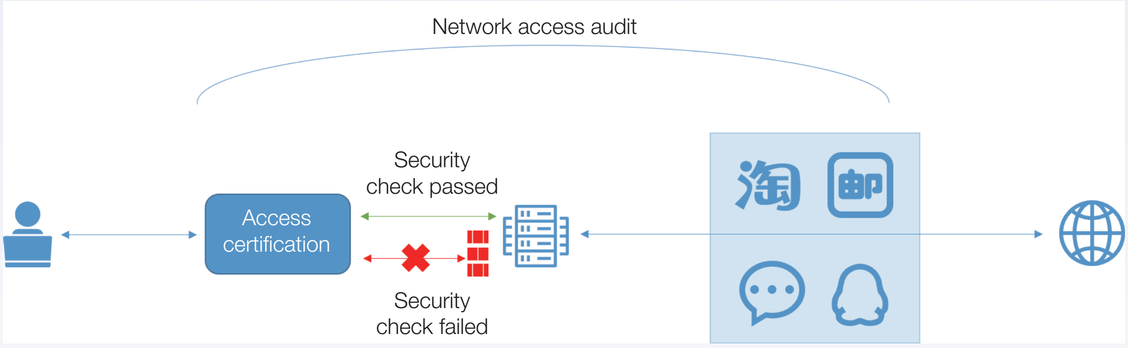


Information Security Governance Structure

We have specified the relevant responsibilities for the department in charge of information security, and the management and employees of each department, requiring all employees to abide by the relevant regulations on data security and privacy protection. We regulate the use of computers and mobile media and software, account password management, and authority management, Internet access guidelines, Internet access regulations, virus prevention, email security, physical site security and security incident handling methods in the employee's work process. We carry out information security awareness training and corresponding examinations as a necessary process for the employee entry, as well as information security knowledge training, publicity and implementation, organized employee information security reviews from time to time, and formulated an information security-related reward and punishment policy to improve employees' information security awareness and reduce information security risks faced by the Company. In addition, we review all information security-related systems at the beginning of each year, and revise and perfect them in a timely manner to ensure the effectiveness of the information security management system.

Cyber Security

To strengthen network, software, computer room management, and ensure the safe operation of systems and databases, we formulated the *Cyber Security Management Policy*, which regulates that the network administrators regularly maintain network servers, regularly check and analyse security logs, and promptly deal with abnormal phenomena and complete other security protection duties, and puts in place virus prevention and control measures, standardizes network behaviour of employees in the workplace, and clarifies the security management system of the computer room to minimize the risks of the computer room being attacked and invaded, and ensure network and information security. We also launched the relevant domain control settings to restrict access to the intranet and extranet through the network access system and online behaviour management system, and audited the network access records of the terminals.



Intranet and Extranet Access Restrictions and Audit Procedures

To further ensure the stable and smooth operation of the Company's system, improve the efficiency of operation and maintenance, and reduce operational risks, we formulated the *Daily Work Specifications of Helpdesk*, which clarifies the installation of operating systems and application software, addition and replacement of hardware, and related information of the information system, specifications for computer room and server management, covering the Company's internal system technical support, cyber security management, mailbox management, electronic equipment procurement, hardware technical support and maintenance and other daily business, so as to comprehensively reduce the risk incidence of the Company's system security.

Data Security

To improve the information security management system and ensure the security of the Company's information assets, we formulated the *Data Security Management Policy*, which clarifies the responsibilities of employees to protect the Company's information assets, and functions jointly with the *Reward and Punishment Policy* to ensure that all employees understand and abide by the information security management system document. We make clear classification and hierarchical management of information assets, which are divided into five categories: electronic data, software, hardware, physical information, and services, and five confidentiality levels: general, internally public, secret, confidential, and top secret. We also regulate the change and removal of confidentiality levels and the workflow information asset labelling management, and clarified information asset processing and protection requirements, as well as classification and handling requirements of secret leakage incidents.

Through the data security and privacy protection sub-sections in the *Information Security Management Policy*, we standardize the workflow of data transmission, data interaction, data transfer, etc., managed and controlled all aspects of the data life cycle, and adopted stringent data security management measures for the third-party in need of data sharing due to business cooperation, requiring them to sign relevant confidentiality agreements to avert potential risks or losses caused by misconduct and safeguard the Company's interests. To further standardize the information transmission process, we formulated the *Account Permission Management Policy* and the *Company Mailbox Management Policy*, clarifying the account permission and mailbox usage management procedures of each platform, and strengthening the security construction for the related accounts and mailbox whole-life cycle of the Company and customers.

In response to information security incidents such as data leakage, we formulated a complete emergency response plan by the adoption of the *Information Security Incidents Management Policy* to standardize the scope of responsibilities of relevant departments in relevant situations, specify incident classification methods and related workflows for incident monitoring, response, disposal and filing. We also formulated the *Data Backup and Disaster Recovery Plans*, clarifying the backup method and backup cycle of the Company's system data, and providing corresponding solutions for different types of system failures. We regularly conduct data recovery tests and regulated that data recovery should be carried out at least once a year and the validity and availability of data should be tested to improve our emergency handling capabilities, ensure that data can be restored as soon as possible in the event of an unexpected equipment failure, and maximize the continuity of business.

Privacy Security

Protection of personal information and privacy security is the premise for us to provide quality services to our customers. We carry out personal privacy information management in strict accordance with the *Personal Information Protection Law of the People's Republic of China* and other relevant laws and regulations, and only collect necessary privacy information in the business production environment, adopt an open and transparent information processing method, and incorporate the concept of privacy protection in various links of service, research and development, and operation to minimize the risks related to personal information protection and fully protect the rights and interests of customers.

We designate special personnel and special positions to be responsible for the collection and use of customer privacy data, regularly review the platform operation logs, desensitize relevant fields of various exported data involving customer privacy information, and conduct the reviews of the desensitization handling. We closely monitor the platform store opening tools, and at the same time taking hierarchical management measures for customer service account permissions, and regulate that the main store account is only used by a very small number of personnel involved in operations, customer service management, and finance, and the use permissions of the sub-accounts are classified according to post, and basic permissions such as viewing are only reserved for designated personnel level to realize isolation of information viewing or use permissions. We also require all employees to sign a non-disclosure agreement upon entry to raise their awareness of privacy protection. In addition, we actively participate in relevant industry activities and industry associations to understand the latest industry background, and strive to ensure user data security from both management and technology.

Case: Industry Conference – "Enterprise Opportunities and Challenges Against the Background of Data Supervision"

During the reporting period, we participated in the "Enterprise Opportunities and Challenges Against the Background of Data Supervision" organized by the Shanghai Electronic Business Association and "Personal Information Protection and Enterprise Data Security Governance Salon" organized by the Shanghai Artificial Intelligence Technology Association to understand the impact of the promulgation of the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China* on the data compliance operation and data governance of enterprises, and conducted discussions and exchanges with peers on topics such as data privacy and security.

3.3. Intellectual Property Management

We continuously improve the standardization of intellectual property management to effectively safeguard the rights and interests of our Company and our customers. We maintain intellectual property rights strictly in accordance with the *Copyright Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and the *Patent Law of the People's Republic of China*, and comprehensively manage the pictures, fonts, audio, video, software, and trademarks, etc. required in the business operation process, to minimize and avert intellectual property-related risks. As at the end of the reporting period, we own a total of 60 trademarks, 21 software copyrights, and 5 fine art works' copyrights.

4. COMMIT TO EMPLOYEES

Human resources are important resources that influence and contribute to enterprise development. Adhering to the core values of "innovation, efficiency, simplicity and happiness", we are committed to creating a fair, diverse, healthy and harmonious workplace, and providing employees with training and development opportunities that keep pace with the times, so as to achieve the common prosperity for employees and the Company.

4.1. Employee Employment

Recruitment

We strictly abide by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and *the Provisions on the Prohibition of Using Child Labor* and other relevant laws and regulations, and formulated the *Recruitment, Employment and Contract Rules* to standardize relevant procedures for employee recruitment, employment and labor contract signing, protect the basic legitimate rights and interests of employees, and establish a good and harmonious labor relationship with them. We adhere to the basic principles of "recruiting employees for vacant positions, open recruitment, employing suitable applicants for jobs, and recruiting employees on a selective basis", attracted outstanding talents through diversified recruitment channels such as media recruitment, campus recruitment, headhunting recruitment, and employee recommendation, adopted scientific interview methods to select the most suitable talents, and strived to provide fair and reasonable employment and competitive opportunities for all applicants. We strictly review the identity information of each personnel recruited, establish personnel files for employees, and explicitly prohibited the employment of child labour in the *Recruitment, Employment and Contract Rules*. Since its incorporation, the Group was not involved in any child labour incident.

We attach great importance to diversity and inclusion in the workplace. As at the end of the reporting period, the Group had 770 employees, of which female employees account for more than 50% of the mid-level management. The number of employees and turnover rates are as follows:

Employee Structure	As at December 31, 2021 (person)
Total	770
By gender	
Male	215
Female	555
By employment type	
Full time	761
Part time	9
By age	
Under 30	564
30-50	196
Over 50	10
By region	
Shanghai	171
Hangzhou	444
Beijing	31
Guangzhou	0
Bengbu	107
Overseas	17

Employee turnover rate[1]	2021
Total	39.1%
By gender	
Male	42.7%
Female	37.6%
By age	
Under 30	39.7%
30-50	37.6%
Over 50	33.3%
By region	
Shanghai	42.4%
Beijing	32.6%
Guangzhou	100.0%
Hangzhou	37.3%
Bengbu	43.4%
Overseas	10.5%

Working Hours and Holidays

In accordance with the *Labor Law of the People's Republic of China*, we formulated the *Rules for Attendance Management* and the *Rules for Overtime Management* and conducted the employee attendance management through the online system to standardize working hours management. We prohibit forced labor and ensure that employees enjoy a reasonable and sufficient rest time, and advocate that employees balance work and rest on the premise of ensuring the work progress and quality. In addition, we formulated the *Rules for the Holidays Management*, which specifies that employees are entitled to various holidays, including national statutory holidays, annual leave, marriage and childbirth leave, sick leave, personal leave, bereavement leave, etc.

1 The equation for calculating the employee turnover rate used by the Group: Employee turnover rate = Number of turnover during the Reporting Period/ (Number of turnover during the Reporting Period + Number of staff at the end of the Reporting Period) *100%.

Compensations, Benefits and Incentives

To construct a fair, reasonable and market-competitive compensation and benefit system, we formulated systems such as the *Compensation Management Policy, the Performance Evaluation Management Policy*, and the *Employee Benefits Policy* to standardize the employee compensation performance management workflow and clarify various benefit policies that employees are entitled to. According to the requirements of relevant national and local laws and regulations, we pay basic social insurance and housing provident fund for employees and provide high temperature allowances. In addition to statutory benefits, we also provide employees with various enterprise benefits such as wedding and funeral benefits, various holiday benefits, regular physical examinations, birthday benefits, afternoon tea, etc.

In addition, to further motivate employees, stoke their enthusiasm for work, and reduce employee turnover, we provide employees with outstanding performance with incentives through the incentive mechanism, including annual incentives, long-term service incentives and special incentives and other forms of incentives. During the reporting period, we selected and commended outstanding individuals and teams who set a good example in the current year's performance and behavior in accordance with the *Year 2021 Employee Evaluation Policy* to motivate and retain high-quality talents. We also launched special incentive activities such as the "11.11 Incentive Plan" to further stimulate the vitality of the organization and employees and realize the common prosperity of employees and the Company.

Case: Incentive Plan for "Double Eleven (11.11)" Event

From September to December 2021, we issued the "Double Eleven (11.11) Incentive Plan", divided the overall sales goals into the basic goal and sprint goal, and set different bonus bases and evaluation methods according to different departments, job attributes and job contributions. In the end, we achieved the basic goal of the "Double Eleven (11.11)" event. For this, we gave corresponding bonuses to employees according to the incentive rules, and the bonus coverage rate was about 90%. After the "Double Eleven (11.11)" event was over, all departments conducted a replay in a timely manner, summed up experience, and laid a more solid foundation for the event in the coming year.

Promotion Assessment

Adhering to the principle of "paying salary for the position, ability, and performance", we conduct regular evaluation of employees performance, and combined with the salary increase mechanism, including "annual salary adjustment" and "salary adjustment for post change"; determined specific salary for employees according to the importance and difficulty level of their serving positions, work ability, work performance, qualifications and working conditions of employees. At the same time, we used the results of performance evaluation as an important reference for employee promotion. Combined with the review of debriefing report, we provided corresponding promotion opportunities for outstanding talents every year. During the reporting period, we carried out two times of promotion evaluations, and a total of 67 people got promotions.

4.2. Training and Development

We regard employee training as a basic project to accelerate the development of the enterprise, taken a variety of effective measures combined with our own characteristics and advantages, and explored a set of the open and inclusive characteristic training systems. According to different job requirements and training needs, we built three types of training plans: "management", "occupation" and "newcomers". Through multiple channels and multiple methods such as enterprise open courses and online learning platforms, we provided customized talent development programs for different types of employees.

Type of Training	Project Name	Training Object	Training Content
Management Training	**Azure Project**	Middle Management	Through the practical guidance and ideological sharing and exchange of superiors, what have been learned are applied to management scenarios, so that the middle-level management strengthened their business management while calmly dealing with employee management.
	Cyanine Project	Primary Management	
Vocational training	**U Enjoy Hall B+**	Brand center, operation headquarters, new media, general management	Through professional skills training, including sharing salon (operation case competition), professional improvement courses (key position training camp), and other contents, we helped employees obtain the latest and trendiest news in the industry and improve their key capabilities.
	U Enjoy Hall G+	All employees	General skills training, 4-5 open courses held quarterly. Employees were enabled to learn various knowledge and skills through face-to-face teaching, online training camps and offline training, etc.

Type of Training	Project Name	Training Object	Training Content
Newcomer training	Excellent Student Project	New campus recruits	Through the learning path of "centralized training – job rotation training – teaching practice – job debriefing to determine posts", we helped school recruits to quickly understand the basic business of the Company, and cultivated their general skills in the workplace, and completed the transition from students to newcomers in the workplace.
	Bud Project	New social recruits	Through the three links of "induction training-online self-study and self-assessment-offline intensified training", we helped newcomers to quickly integrate into the team, understand the corporate culture, familiarize themselves with the business contents of various departments, various rules, and regulations, and quickly master the basic general workplace skills.

Staff trainings

We actively cultivated and built a team of internal trainers to provide a stage for employees to exercise themselves and grow. As at the end of the reporting period, we have trained nearly 20 internal lecturers. During the reporting period, in addition to the lecture remuneration and Teacher's Day activities, we selected the most popular and excellent internal lecturers at the end of the year to commend with incentives. We also actively carry out internal communication activities among employees, such as Fun Sharing – the First Operation Case Selection Competition. In addition, we encourage employees to actively participate in external training to improve their abilities and competency without affecting their work.

Case: Fun Sharing – the First Operation Case Selection Competition

From July to August 2021, we held the first Operation Case Selection Competition oriented to all operators. A total of 34 case reports were received in the competition, and 5 best case awards and 5 case finalists were selected. This incentive project can help employees to internalize their learning, improve their ability to summarize, and promote communication between departments; meanwhile, it enriches the Company's operation case library and provides direct materials for the upcoming operation case sharing meeting.

During the reporting period, more than 88.7% of the Group's employees received trainings, and the annual average hours of employee training reached 6.9 hours.

Indicators	Percentage of trained employees[2]	Training hours per capita (hours)[3]
By gender		
Male	98.6%	7.6
Female	84.9%	6.6
By employment type		
Senior management	32.3%	3.9
Middle management	73.8%	13.9
Junior employees	92.1%	6.6

2 Percentage of employees = trained employees/total employees*100%
Percentage of employees by relevant category = number of trained employees in this category/total number of employees in this category*100%

3 Average training hours per employee = total training hours/total number of employees
Average training hours of employees in a specific category = total training hours of employees in a specific category/number of employees in a specific category

4.3. Care for employees

Team building

In addition to caring about the personal development of employees, we also attach great importance to the team building in which they worked. During the reporting period, we organized a variety of team outreaching activities according to the characteristics of different departments, such as the outdoor outreaching activities of the management club and the paradise team building activities of the maternal and infant operation department, to promote the interaction, communication and trust within the team and improve the team cohesion and enhance employees' sense of identity with the core values of the Company.

Case: Outdoor outreaching activities of the management club

During the reporting period, we carried out the management CLUB project. We promoted the improvement in management cohesion, enhanced the comprehensive quality and management ability of the management, broke down the barriers between various departments, and accelerated the collaboration between business departments and collaboration between the middle ground and background supportive departments and strengthened the management echelon building by means of the outdoor outreaching activities.

Management's outdoor outreaching activities

Cultural and sports activities

To enrich employees' spare time cultural life and improve employees' on-the-job happiness, we regularly organize birthday parties, club activities, traditional activities, theme activities, annual meetings, and other diversified activities for employees.

Employee birthday party The activities included birthday party games, making wishes, candle blowing and cake cutting. We specially provided an exclusive afternoon tea, birthday gifts and birthday cards for employees on birthdays.

Employee birthday party

Employee clubs There were the basketball club, badminton club, handicraft club, and board game club. Each club regularly held friendly matches, salons and other activities.

Basketball games

Traditional activities Based on traditional culture, we carried out various interactive and interesting activities to enhance employees' awareness of inheriting the traditional festival culture. During the reporting period, various activities such as the March 8th Goddess Festival, the Lantern Festival, Chinese Valentine's Day and the Mid-Autumn Festival were held.

Mid-Autumn garden party

Themed activities During the reporting period, theme activities such as the "Cool Summer Month" and Christmas market were held.

Summer cool themed month

Christmas themed market

Employee communication

We encourage open and honest two-way communications. We understand and respond to employee questions and suggestions by establishing diverse communication and feedback channels, and take face-to-face interviews as the main way to communicate with employees. According to different work situations and communication needs of employees, we conducted targeted interviews such as interviews during probation period, daily interviews, resignation interviews, and job transfer interviews, so as to timely find out problems existing in the employees' work process, and timely intervention to reduce unnecessary employee turnover.

We also regularly conduct employee satisfaction surveys to collect employees' real thoughts and suggestions for the Company while understanding the health of organizational capabilities and employee dedication. By analyzing the obtained data, we deeply explored the advantages and disadvantages of the Company's management, formulated effective solutions in a targeted manner, and created an organizational culture suitable for employee retention and development. The survey results showed that the overall satisfaction of our employees in 2021 reached 87.6%, up more than 10 percentage points as against 2019.

4.4. Safety and Health

We pay close attention to the health and safety of our employees, strictly abide by applicable safety and health laws and regulations such as the *Labor Law of the People's Republic of China* and the *Fire Prevention Law of the People's Republic of China*, and constantly improve the safety and health management system to increase the efficiency of safety management.

To eliminate potential safety hazards in the workplace, we set up a complete fire protection system in the office area, conduct regular fire self-inspection and safety hazards checks, and formulated the *Rules on the Company's Office Environment* to strictly control the use of high-power electrical equipment, and explicitly prohibit employees from smoking and using open flames in the office area. We also attach great importance to the publicity on employees' safety awareness, so that every employee could understand the fire escape route map, the placement and use of fire extinguishers.

To protect the health of employees, we formulated the *Employee Physical Examination Policy* to provide all employees with free pre-service physical examinations and annual physical examinations, and provide employees with supplementary medical insurance. In addition, we pay sustained attention to the disease progression of seriously ill employees and provided assistance to them. We provide consolation money to seriously ill employees according to their personal circumstances, make salary payment according to the regulations of sick leave, and continue to pay five insurances and one housing fund for them in full, and gave out holiday benefits, etc.

In the normal state of the epidemic, we have taken a series of epidemic prevention and control management measures to ensure the health and safety of our employees. We established an epidemic prevention and control task force to pay attention to the epidemic prevention and control situation in real time, publicize relevant policies and information in a timely manner, and guide employees to do a good job in personal epidemic prevention work; we implemented epidemic prevention and control in the office, did a good job of disinfection and ventilation in the workplace on time, and conducted checking, testing and registration of visitors.

In the past three years, there were no work-related fatality incidents happened within the Group. During the reporting period, there was no the lost workdays due to working related injury.

5. COMMIT TO COMMUNITY

As a leading service provider in the field of e-commerce, we not only strive to create value for the industry, but also actively assume our due social responsibilities. We adhere to the public welfare concept of "care, love, and mutual love", and integrate social public welfare with community construction, by taking social needs into consideration and relying on our own advantages. We set up an internal charity project team and established an honor mechanism, established a long-term support relationship with social welfare organizations, continuously paid attention to new demands and new trends in public welfare, and committed ourselves to establishing a sustainable and long-lasting public welfare system.

We care about ecology. Since 2017, we cooperated with the public service organization "Mother Yi's Initiative for Public Welfare Tree Planting", and have organized internal volunteer teams to go to Inner Mongolia several times to be personally involved in the desertification control public welfare project. We are also concerned about the community building. During the epidemic of COVID-19, we joined hands with Jinyang Community Public Welfare Foundation in Pudong New Area to donate 100 epidemic prevention and cooling gift bags to local police officers and outdoor workers. We support the development of public welfare education by donating materials and money to different schools and regions, providing voluntary services, etc., to give support to more groups of special children in need of help.

Case: Spring Bud Project

In 2018, we began to cooperate with the Green Ecological Team (Ecological Association) and joined the "Spring Bud Project" public welfare project, designed to contribute ourselves to the basic education of rural primary schools. During the reporting period, we continued to provide targeted assistance to schools in poverty-stricken areas in Guangxi Zhuang Autonomous Region and Sichuan Province, and helped inspire left-behind children in rural areas to have lofty ideals by organizing volunteer teachers to teach in these areas and donating funds and materials needed for learning. During the reporting period, we made a donation with a total value of RMB4,000 to the Spring Bud Project, and provided assistance to 100 students in a school in Sanjiang County, Guangxi.

Spring Bud Project

Case: Changning Special School – Birthday Party

We always pay attention to the educational development of special children's groups, and signed a "co-construction agreement" with Shanghai Changning Special School, which plans to provide long-term funding to special students suffering from autism, cerebral palsy, or mental retardation. In June 2021, we held a special 10th birthday party for the students of Shanghai Changning Special School, and attracted all employees' involvement in caring for children by combining the online livestreaming and customers placing orders on the "Wish Convenience Store". The public welfare livestreaming of the birthday party lasted for 40 minutes and was viewed by 813 people. The Group and its employees donated supplies worth a total of RMB6,579.3 online and offline.

Birthday party at Changning Special School

Case: Charitable donations to children in impoverished mountainous areas in Yunnan

We continue to care for students from poor families in mountainous areas in the form of employee donations. In October 2021, we called on employees to participate in a charity activity to donate for Wenquan Primary School in Yongning Town, Ninglang Yi Autonomous County, Yunnan Province. More than 100 employees participated in the fund-raising activity, donating books, clothes and other supplies to 120 students and 15 volunteer teachers of the school.

Poster of Charitable Donation Activity for Children in the Impoverished Mountainous Areas

6. COMMIT TO ENVIRONMENT

We adhere to the business principle of green development and commit ourselves to reducing the impact of various links of business activities on the environment through various measures to implement sustainable development.

The business of UNQ does not involve large-scale production activities and does not consume energy in large amounts. Nor does it generate large amounts of emissions. Therefore, it does not exert any significant negative impact on the environment and natural resources.

In the future, we will continue to practice the concept of green development, and strive to gradually cut down the consumption of energy and resources, and diminish the carbon footprint of the enterprise; we will continuously improve and standardize emissions management, and strive to reduce waste emissions.

6.1. Green Operation

We deeply understand the corporate responsibility for environmental protection, we actively promote energy conservation and emission reduction, improve resource utilization, and practice green operations.

I. *Energy and Carbon Emissions Management*

We strictly comply with the *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China* and other relevant laws and regulations. We formulated policies and rules such as the *Rules on the Company's Office Environment* to heighten employees' awareness of environmental protection and regulate the requirements and measures for energy-saving and consumption-reducing in the daily office process, including:

- Turn off the air conditioner and lights in the office building in time after getting off work
- LED energy-saving lamps were adopted in the entire office space to reduce power consumption
- Advocate green office habits to employees by regularly sending notifications of through the OA system and posting energy-saving slogans
- Encourage online teleworking to reduce travels so as to diminish the carbon footprints due to travels

II. *Resource and Emissions Management*

Our operations do not involve packaging materials. In order to reduce the impact of the use of packaging materials in the supply chain on the environment, we encourage suppliers to use simple packaging and reuse packaging materials in logistics, continuously optimize logistics packaging methods, and upgrade logistics packaging materials. During the reporting period, measures such as delivery in original boxes and the use of recyclable plastic pallets have been implemented to greatly reduce the consumption of packaging materials.

We strictly abide by the *Water Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution* and other relevant laws and regulations, and constantly strengthen water management, improve the efficiency of water resources utilization, and reduce water consumption. The pollutants involved in our operations were only domestic sewage. During the Reporting Period, the Group did not have any illegal water use incidents.

We generate almost no hazardous waste in the process of our operations, and a small number of used ink cartridges from printers are handed over to qualified third parties for recycling. We also promote the practice of “Paperless Office” through electronic office systems such as OA and online communication; We kindly remind employees to print on both sides, reduce unnecessary color printing, and recycle waste paper for secondary use at the front desk; at the same time, we encourage employees to recycle express delivery cartons and fillers to reduce waste generation such as waste paper and waste packaging.

6.2. Addressing Climate Change Risks

With the more frequent occurrence of extreme weather events, climate change has become a global issue that cannot be ignored. We pay sustained attention to climate change trends and the challenges posed to us and our partners, actively identify risks and opportunities faced by enterprises in the context of global climate change and mapped out relevant countermeasures.

Against the background of “peaking carbon emissions and carbon neutrality”, we are facing with opportunities related to climate change for “strengthening green operations” and “rising consumer demand for green and low-carbon products”. Therefore, we will continue to improve our management level, reduce energy consumption, and work with our partners to provide the market with products and services more friendly to the environment.

As we are not involved in large-scale production activities, we are less exposed to climate transition risks from policies, regulations, technology, market, reputation, etc. Our business involves extensive logistics and extreme weather has been evaluated as a major physical risk encountered in our operations. When extreme weather such as typhoons, rainstorms, and snowstorms occur, it may cause a slowdown in delivery speed or interruption in our logistics, resulting in an increase in the number of storage days. In addition, such extreme weather can also result in damage to our warehouse equipment, loss of product, and delays or even interruptions in product supply.

To cope with and mitigate the impact of climate change on the Company’s business operations, and at the same time strengthen the resistance to climate change, we will gradually establish corresponding disaster response procedures and response mechanisms for each type of extreme weather in the future and clarify the response responsibilities of all parties in the event of emergency events to enhance our ability to manage risks related to climate change.

6.3. Environmental KPIs

During the reporting period, the KPIs for all environmental aspect are as follows:

Emissions	2021
Total GHG Emissions (Scope 1 and 2) (tonnes)	501.39
Direct GHG emissions (Scope 1) (tonnes)	10.55
Of which: Gasoline (tonnes)	10.55
Indirect GHG emissions (Scope 2) (tonnes)	490.84
Of which: Purchased electricity (tonnes)	490.84
GHG emissions per capita (tonnes/capita)	0.65

Resource use	2021
Total energy consumption (MWh)	738.36
Total direct energy consumption (MWh)	43.16
Of which: Gasoline (MWh)	43.16
Total indirect energy consumption (MWh)	695.20
Of which: Purchased electricity (MWh)	695.20
Energy consumption per capita (MWh/capita)	0.96
Total consumption of packaging materials (tons)	497.76
Of which: Plastic pallets (tonnes)	141.14
Packaging cartons (tonnes)	356.62

1. Environmental KPIs cover the Group's office areas in Shanghai, Hangzhou, Beijing and Bengbu;

2. Due to the our operation features, no exhaust emissions were generated during the office process of our Group. Domestic wastewater was discharged into the municipal pipe network, and the Group was unable to measure the amount of discharge. Therefore, KPI A1.1 (type of discharge and related discharge data) were not disclosed in the ESG report;

3. The hazardous wastes generated in the office process of our Group were a small number of waste ink cartridges, etc., which were all recycled by qualified recyclers, and had little impact on the environment. The KPI A1.3 (total amount and intensity of hazardous waste generated) were not disclosed in the ESG report;

4. The non-hazardous wastes of the Group were domestic wastes such as waste paper, express fillers, packaging, etc. generated during the office, and were collectively collected and processed by the property management personnel. The garbage disposal fees were also included in the property management fees and handed over to the property management company. The amount of waste generated could not be measured. Therefore, KPI A1.4 (total amount and intensity of non-hazardous waste generated) were not disclosed in the ESG report;

5. The GHG emissions were all caused by the purchase of electricity, namely, Scope 2: indirect GHG emissions from energy. The emissions were presented in carbon dioxide equivalent. The accounting method and conversion factor were from the "Accounting Methods and Reporting Guidelines of GHG Emissions for Public Building Operating Enterprises" released by the National Development and Reform Commission;

6. The water used by our Group was from the municipal pipe network, and the water charges were also included in the property management fees and handed over to the property management company. The Group couldn't measure the water consumption. Therefore, KPI A2.2 (total water consumption and intensity) was not included in the ESG report for disclosure;

7. We do not involve the use of packaging materials in the course of our operations and therefore KPI A2.5 was not disclosed in the ESG report;

8. We do not involve extensive use of non-renewable energy, forest resources, or impact on biodiversity, etc. in the course of our operations, and according to the materiality assessment, the A3 environment and natural resources were of relatively low importance to the Group and were not disclosed in the ESG report.

To the Shareholders of UNQ HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of UNQ HOLDINGS LIMITED (the "Company") and its subsidiaries (the "Group"), which are set out on pages 95 to 185, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition from sales of goods
- Recognition of vendor rebates

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from sales of goods	
Refer to Note 2.20, Note 4(a) and Note 6 to the consolidated financial statements relating to revenue. For the year ended 31 December 2021, revenue recognised amounted to approximately RMB3,033,124,000. The Group's revenue mainly comprises of proceeds from sales of goods under Business To Business ("B2B") model and Business To Consumer ("B2C") model, which amounted to approximately RMB1,410,136,000 and RMB1,597,140,000, respectively for the year ended 31 December 2021. Revenue from sales of goods is recognised when the control of the underlying products has been transferred to the customers, being when goods are delivered to customers under B2B distribution model or B2C model, or when end customers confirm acceptance on e-commerce platforms under B2B consignment model. We focused on the auditing of revenue recognition from sales of goods due to the large volume of sales transactions and the different business models involved, with the timing and basis of recognition under the B2B and B2C models being different. In addition, revenue from sales of goods is recognised on a gross or net basis, which the determination involves significant judgments. We have incurred significant time and resources in carrying out our procedures in this area.	Our procedures in relation to revenue recognition from sales of goods included: – We understood, evaluated and tested relevant internal controls related to the revenue recognition under different business models. – We involved our internal IT audit specialists to assist us in understanding, evaluating and testing the information technology general controls in which the business systems operate, and relevant information technology application controls related to revenue recognition. – We assessed the appropriateness of accounting treatment of revenue recognition, including on a gross or net basis and the timing of revenue recognition by making enquiries with management and reviewing contracts with customers and e-commerce platforms on a sample basis. – We performed sample test of sales transactions against relevant supporting documents, including sales orders, goods delivery notes or delivery records on e-commerce platforms and subsequent payments from customers. – We performed cut-off test on sales transactions that took place shortly before and after the year end date, by checking goods delivery notes or delivery records on e-commerce platforms to assess whether revenue was recognised in the proper financial reporting periods. Based on the procedures performed, we considered that revenue recognised from the sales of goods were supportable by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of vendor rebates	
Refer to Note 2.23 to the consolidated financial statements. The Group receives consideration from certain vendors, representing volume rebates for products purchased which are calculated based on purchase volumes over a period of time, and reimbursement for the expenditures occurred for brand marketing and promotion activities. The Group accounts for the volume rebates as a reduction to the price it pays for the products purchased, related rebates are deducted from the cost of revenue if the products are sold, and accounts for the expenditure reimbursement as a reduction of selling and marketing expenses. We focused on auditing the recognition of vendor rebates due to the significance of transaction volume and amounts, and a large number of vendors the Group cooperated with.	Our procedures in relation to recognition of vendor rebates included: – We understood, evaluated and tested relevant internal controls related to the recognition of vendor rebates. – We assessed the appropriateness of accounting treatment of vendor rebates by reviewing contracts with vendors on a sample basis with reference to the requirements of the prevailing accounting standards. – We recalculated, on a sample basis, the volume rebates based on the terms of the underlying vendor rebate policies and relevant inputs, including purchase volume data and rebate rates; and tested, on a sample basis, the above relevant inputs used to calculate vendor rebates by checking them to supporting documents such as invoices and delivery notes. – We tested, on a sample basis, vendor rebates recognised during the year against relevant correspondence documents between the Group and the vendors on the amounts confirmed by the vendors and respective invoices. – We obtained, on a sample basis, external confirmations from vendors to confirm the amounts of rebates earned from them for the year. Based on the procedures performed, we considered the recognition of vendor rebates to be supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	6	3,033,124	2,800,846
Cost of revenue	6, 8	(2,132,317)	(1,912,732)
Gross profit		900,807	888,114
Selling and marketing expenses	8	(764,213)	(640,568)
General and administrative expenses	8	(80,815)	(97,859)
Research and development expenses	8	(6,531)	(8,761)
Net impairment losses on financial assets	20	(1,018)	(5,914)
Other income	7	14,816	12,635
Other gain/(losses) - net	10	395	(3,106)
Operating profit		63,441	144,541
Finance income	11	1,170	565
Finance costs	11	(27,558)	(22,761)
Finance costs – net		(26,388)	(22,196)
Fair value changes from preferred shares	24	–	(88,634)
Share of net profit of associates and joint ventures accounted for using the equity method	14	6,381	9,286
Profit before income tax		43,434	42,997
Income tax expenses	12	(13,428)	(44,911)
Profit/(loss) for the year		30,006	(1,914)
Attributable to:			
– Owners of the Company		30,477	(1,088)
– Non-controlling interests		(471)	(826)
		30,006	(1,914)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Other comprehensive losses			
Items that may be reclassified to profit or loss			
Share of other comprehensive losses of associates and joint ventures accounted for using the equity method	14	(749)	(893)
Exchange differences on translation of foreign operations		(23,328)	(14,181)
Total other comprehensive losses		(24,077)	(15,074)
Total comprehensive income/(losses) for the year		5,929	(16,988)
Attributable to:			
– Owners of the Company		6,400	(16,162)
– Non-controlling interests		(471)	(826)
		5,929	(16,988)
Earnings per share for profit/(loss) attributable to owners of the Company			
– Basic earnings/(loss) per share	13	0.20	(0.99)
– Diluted earnings/(loss) per share	13	0.20	(0.99)

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	25,005	34,893
Intangible assets	16	1,905	1,922
Deferred tax assets	28	28,951	25,830
Investments accounted for using the equity method	14	29,631	23,999
Total non-current assets		85,492	86,644
Current assets			
Inventories	18	783,481	659,361
Trade and other receivables	20	435,054	526,959
Other current assets	19	271,312	264,977
Financial assets measured at fair value through profit or loss	21	5,000	–
Restricted cash	22	7,550	3,200
Cash and cash equivalents	22	442,085	252,334
Total current assets		1,944,482	1,706,831
Total assets		2,029,974	1,793,475
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	23	14	–
Share premium	23	2,585,491	2,318,000
Other reserves	25	(1,505,516)	(1,481,399)
Accumulated losses		(187,393)	(217,870)
		892,596	618,731
Non-controlling interests		(1,515)	(1,044)
Total equity		891,081	617,687

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

		As at 31 December	
	Note	2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	67,333	42,305
Lease liabilities	29	4,398	14,983
Preferred shares	24	–	–
Total non-current liabilities		71,731	57,288
Current liabilities			
Contract liabilities	6(a)	5,879	3,425
Trade and other payables	27	528,503	489,620
Lease liabilities	29	10,850	9,722
Current tax liabilities	31	7,649	35,094
Borrowings	26	514,281	580,639
Total current liabilities		1,067,162	1,118,500
Total liabilities		1,138,893	1,175,788
Total equity and liabilities		2,029,974	1,793,475

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 95 to 185 were approved by the Board of Directors on 24 March 2022 and were signed on its behalf.

Wang Yong
Director

Shen Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to owners of the Company						
	Note	Share capital RMB'000 (Note 23)	Share premium RMB'000	Other reserves RMB'000 (Note 25)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total (deficits)/ equity RMB'000
At 1 January 2020		–	–	(125,397)	(220,677)	(346,074)	(73)	(346,147)
Comprehensive (losses)/income								
Loss for the year		–	–	–	(1,088)	(1,088)	(826)	(1,914)
Other comprehensive losses	25	–	–	(15,074)	–	(15,074)	–	(15,074)
Transactions with owners:								
Extinguishment of preferred shares	25	–	–	977,867	3,895	981,762	–	981,762
Completion of Reorganisation	25	–	2,318,000	(2,318,000)	–	–	–	–
Acquisition of non-controlling interests	25, 34	–	–	(55)	–	(55)	(145)	(200)
Distribution to shareholders	25	–	–	(740)	–	(740)	–	(740)
At 31 December 2020		–	2,318,000	(1,481,399)	(217,870)	618,731	(1,044)	617,687
At 1 January 2021		–	2,318,000	(1,481,399)	(217,870)	618,731	(1,044)	617,687
Comprehensive (losses)/income								
Profit/(loss) for the year		–	–	–	30,477	30,477	(471)	30,006
Other comprehensive losses	25	–	–	(24,077)	–	(24,077)	–	(24,077)
Transactions with owners:								
Issuance of ordinary shares upon IPO, net of underwriting commissions and other issuance costs	23	3	267,502	–	–	267,505	–	267,505
Capitalisation Issue	23	11	(11)	–	–	–	–	–
Distribution to shareholders	25	–	–	(40)	–	(40)	–	(40)
At 31 December 2021		14	2,585,491	(1,505,516)	(187,393)	892,596	(1,515)	891,081

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations	32(a)	(81,070)	(300,581)
Interest received		1,170	565
Income tax paid		(44,849)	(68,400)
Net cash used in operating activities		(124,749)	(368,416)
Cash flows from investing activities			
Purchases of property, plant and equipment	15	(4,079)	(8,340)
Purchases of intangible assets	16	(209)	(1,282)
Proceeds from disposal of property, plant and equipment		14	19
Acquisition of financial assets at FVPL	21	(208,000)	(114,000)
Proceeds from disposal of financial assets at FVPL and investment income	21	203,144	158,398
Loans to related parties	35(b)	(123,200)	(36,200)
Loans to third parties		–	(4,000)
Repayment of loans by related parties	35(b)	186,400	36,200
Repayment of loans by third parties		4,245	–
Interest income on loans		2,387	5,121
Net cash generated from investing activities		60,702	35,916
Cash flows from financing activities			
Proceeds from borrowings from third parties	32(b)	1,824,099	1,039,806
Payment of listing expenses		(1,997)	(3,083)
Repayment of borrowings to third parties	32(b)	(1,836,481)	(757,514)
Repayment of borrowings to related parties	32(b), 35(b)	(12,998)	(130,001)
Payment of guarantees for borrowings	35(b)	–	(51,330)
Interest paid		(26,576)	(17,509)
Dividends distribution	30	–	(2,055)
Transactions with non-controlling interests	34	–	(200)
Distribution to shareholders	25	(40)	(740)
Payments of lease liabilities	32(b)	(15,144)	(13,158)
Issuance of ordinary shares		274,554	–
Repayment of onshore guarantees for offshore borrowings		49,324	–
Net cash generated from financing activities		254,741	64,216
Net increase/(decrease) in cash and cash equivalents		190,694	(268,284)
Cash and cash equivalents at beginning of year		252,334	538,561
Effect on exchange rate difference		(943)	(17,943)
Cash and cash equivalents at end of year	22	442,085	252,334

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

UNQ HOLDINGS LIMITED (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 Company and its subsidiaries (together, the "Group") are 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.

1.2 History and Reorganisation of the Group

1.2.1 History of the Group

Prior to the incorporation of the Company and the completion of the Reorganisation (the "Reorganisation") as described in Note 1.2.2, the Listing Business were carried out by Shanghai UNQ Business Consulting Co., Ltd. (上海普卉商務諮詢有限公司，"UNQ Business Consulting") and its subsidiaries, and UNQ (Shanghai) Supply Chain Management Co., Ltd. (優趣匯(上海)供應鏈管理有限公司，"UNQ Supply Chain") and its subsidiaries (collectively, the "Operating Companies").

On 5 August 2010, UNQ Business Consulting was incorporated in the PRC by Mr. Wang Yong, Mr. Ning Jing and Hangzhou Xunala E-commerce Co., Ltd. ("Hangzhou Xunala"). The share capital was RMB5,000,000. On 17 October 2014, UNQ Supply Chain was incorporated by Mr. Wang Yong, Mr. Ning Jing and Hangzhou Xunala. The share capital of UNQ Supply Chain was RMB1,000,000. Starting in 2014, the business of UNQ Business Consulting was gradually transferred to another newly incorporated company UNQ Supply Chain. UNQ Business Consulting eventually liquidated and deregistered on 25 July 2018.

1 GENERAL INFORMATION AND REORGANISATION *(Continued)*

1.2 History and Reorganisation of the Group *(Continued)*

1.2.1 History of the Group (Continued)

On 8 December 2014, Transcosmos Inc. ("TCI") entered into an investment agreement pursuant to which TCI acquired UNQ Supply Chain's newly issued shares as well as shares of Mr. Wang Yong and Mr. Ning Jing ("Round A Pre-IPO Investment"). Upon the completion, the share capital of UNQ Supply Chain was increased to RMB1,187,500. The shares acquired by TCI contained certain mandatory purchase rights and call option and therefore are regarded as preferred shares (Note 24).

On 15 July 2016, TCI entered into another investment agreement pursuant to which TCI acquired UNQ Supply Chain's newly issued shares as well as shares of Mr. Wang Yong, Mr. Ning Jing and Hangzhou Xunala ("Round B Pre-IPO Investment"). Upon the completion, the share capital of UNQ Supply Chain were further increased to RMB1,289,541. The shares acquired by TCI contained certain mandatory purchase rights and call option and therefore are regarded as preferred shares.

To implement the share incentive scheme, Langyu (Shanghai) Enterprise Management Consulting Center (Limited Partnership) ("Langyu Partnership") and Ningbo Meishan Bonded Port Area Langyue Investment Management Enterprise (Limited Partnership) ("Langyue Partnership") were incorporated in the PRC. On 18 December 2016, UNQ Supply Chain increased its share capital and the newly issued shares of 39,883 was acquired by Langyu Partnership. On 26 June 2017, UNQ Supply Chain further increased its share capital and the newly issued shares of 22,617 was acquired by Langyue Partnership. Upon the completion of above two transactions, the share capital of UNQ Supply Chain was increased to RMB1,352,041.

On 28 July 2017, Mr. Ning Jing entered into an equity transfer agreement pursuant to which Mr. Ning Jing transferred his 2.72% equity interest to Mr. Wang Yong. Meanwhile TCI acquired 2.45% equity interest from Mr. Ning Jing ("Round C Pre-IPO Investment") and the shares acquired also contained certain mandatory purchase rights and call option and therefore are regarded as preferred shares.

1.2.2 Reorganisation of the Group

In preparation for the listing for the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent following steps to further complete the Reorganisation. Prior to the Reorganisation, Mr. Wang Yong, TCI and other shareholders owned 47.37%, 42.35% and 10.28% of equity interest of UNQ Supply Chain respectively.

(i) On 10 July 2019, according to equity transfer agreements, Langyu Partnership, Langyue Partnership and Hangzhou Xunala transferred all the shares in UNQ Supply Chain to their individual shareholders.

1 GENERAL INFORMATION AND REORGANISATION *(Continued)*

1.2 History and Reorganisation of the Group *(Continued)*

1.2.2 Reorganisation of the Group (Continued)

(ii) The Company was incorporated in the Cayman Islands on 31 October 2019. The initial authorized capital of the Company was HK$380,000 divided into 3,800,000,000 shares of par value of HK$0.0001 each. Upon incorporation, the Company allotted and issued 653,927 and 125,473 shares to offshore holding vehicles owed by Mr. Wang Yong and other shareholders except for TCI.

(iii) On 5 November 2019, E-Bloom Holdings Limited ("E-Bloom Holdings") was incorporated in the British Virgin Islands ("BVI") with limited liability and is authorized to issue 50,000 shares of a single class, each with a par value of US$0.01, of which 100 share has been allotted and issued to the Company for cash at par upon incorporation. E-Bloom Holdings became a wholly-owned subsidiary of the Company.

(iv) On 19 November 2019, UNQ Holdings (HK) Limited ("UNQ Hong Kong Holdings") was incorporated in Hong Kong with limited liability with the initial issued share capital of HK$1.00 of one share of HK$1.00, which was allotted and issued to E-Bloom Holdings. UNQ Hong Kong Holdings became an indirect wholly-owned subsidiary of the Company.

(v) On 31 January 2020, UNQ Hong Kong Holdings acquired 57.65% equity interest of UNQ Supply Chain from Mr. Wang Yong and other shareholders except for TCI, with reference to the price of register capital.

(vi) On 5 June 2020, a series of agreements (collectively, "Restructure Framework Agreement") was entered into among TCI, UNQ Supply Chain, UNQ Hong Kong Holdings, the Company and Mr. Wang Yong. Pursuant to the Restructure Framework Agreement and supplemental agreement, the mandatory purchase right and call option attached to the shares of UNQ Supply Chain had been terminated by TCI. On 10 June 2020, UNQ Hong Kong Holdings acquired 42.35% equity interest of UNQ Supply Chain from TCI, as the result, the Company allotted and issued 572,641 new ordinary shares on 12 June 2020 to TCI representing 42.35% of total number of issued shares of the Company.

Upon the completion of Reorganisation transactions, Mr. Wang Yong, TCI, other shareholders owned 47.63%, 42.35% and 10.02% of equity interest of the Company respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with IFRSs and HKCO

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.

(ii) Historical cost convention

The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and preferred shares, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated financial statements are disclosed in Note 4.

(iii) New and amended standards adopted by the Group

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(iv) New standards and interpretations not yet adopted

New standards, amendments and interpretations that have been published but not yet effective and have not been early adopted by the Group during the year ended 31 December 2021, are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IFRS 1 and IFRS Practice Statement 2	Making Materiality Judge	1 January 2023
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
Amendments to IAS 12	Income Taxes	1 January 2023
Annual Improvements to IFRS Standards 2018-2020		1 January 2022

The Group has already commenced an assessment of the impact of these new or amended standards which are relevant to the Group's operations. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of combination and equity accounting

2.2.1 Subsidiaries

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statements.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in consolidated income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of combination and equity accounting *(Continued)*

2.2.1 Subsidiaries (Continued)

Consolidation (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statements.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Separate financial statements

Investments in subsidiaries are carried at cost less impairment. Cost includes direct attributable costs of investment. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of combination and equity accounting *(Continued)*

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.2.4 below), after initially being recognised at cost.

2.2.3 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures.

Interests in joint ventures are accounted for using the equity method (see Note 2.2.4 below), after initially being recognised at cost.

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investees in profit or loss, and the Group's share of movements in other comprehensive income of the investees in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investees, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these investees. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in impairment of non-financial assets (see Note 2.7).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of combination and equity accounting *(Continued)*

2.2.5 Changes in ownership interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid or received and the relevant share acquired or disposed of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries consider RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other (losses)/gains – net.

2.4.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in consolidated statements of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the year during in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased property, plant and equipment, the shorter lease term as follows:

- Vehicles — 4-5 years
- Office and other equipment — 3-5 years
- Leasehold improvements — Shorter of the term of the lease or the estimated useful lives of the assets
- Right-of-use-assets — Shorter of the term of the lease or the estimated useful lives of the assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Construction in progress represents the direct costs of leasehold improvement less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets

2.6.1 Computer software

Acquired computer software programs are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 10 years.

2.7 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

2.8.2 Recognition and derecognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income (FVOCI) are measured at fair value. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

2.8.3 Measurement (Continued)

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 20 for further details.

Derecognition

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of derecognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred; and

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

2.8.3 Measurement (Continued)

Other financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.10 Inventories

Merchandises are stated at the lower of cost and net realizable value. The cost of inventories is measured by using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. Trade and other receivables are generally due for settlement within 90 days after acceptance of delivery, and are all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 20 for further information about the Group’s accounting for trade receivables and Note 3.1.2 for a description of the Group’s impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments with maturity of less than three months.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Preferred shares

Preferred shares are redeemable upon occurrence of certain future events and at the option of the holders.

Preferred shares are designated as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statement of profit or loss.

Subsequent to initial recognition, preferred shares are carried at fair value with changes in fair value recognised in the consolidated statement of profit or loss, except for the portion attributable to credit risk change that should be charged to other comprehensive income. Dividends on preferred shares classified as debt were recognised as expenses in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Preferred shares *(Continued)*

The preferred shares are extinguished when the obligation specified in the contract is discharged or cancelled or expired. The Group settled the preferred shares by issuing its own equity instruments, which is not in accordance with the original terms of the preferred shares, the Group recognises a gain or loss in profit or loss for the difference between the carrying amount of the preferred shares and the fair value of the equity instrument.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

All borrowing costs are recognised in the consolidated statements of comprehensive income in the period in which they are incurred.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax *(Continued)*

2.17.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.17.2 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as interest expense.

2.20 Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. Control of good or service refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service.

The Group generates revenues from two major revenue stream, including sale of goods and provision of services.

2.20.1 Sales of goods

Revenue from sale of goods includes two models, Business To Business Model ("B2B") and Business To Consumer Model ("B2C"). Revenues are measured as the amount of consideration the Group expects to receive in exchange for transferring goods to customers, net of discounts, rebate to customers, refund liabilities, value added tax and related surcharges. Refund liabilities, which are reduced from revenue, are estimated based on historical data the Group has maintained and its analysis of returns by categories of goods, and subject to adjustments to the extent that actual returns differ or expected to differ.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Revenue recognition *(Continued)*

2.20.1 Sales of goods (Continued)

B2B Model

The Group sells goods to e-commerce platforms and other small-scale distributors ("Platforms and Distributors"). The Group acts as a principal under B2B Model since it controls the goods purchased from suppliers, takes inventory risk and has pricing latitude when selling goods to Platforms and Distributors. Revenue from sale of goods under B2B Model is recognised when control of goods is transferred to Platforms and Distributors.

Under B2B distribution model, control of goods is transferred to Platforms and Distributors when the goods are delivered to Platforms and Distributors. Platforms and Distributors have full discretion over the channel and price to sell the goods to end customers, and there is no unfulfilled obligation that could affect the Platforms and Distributors' acceptance of the goods.

Under B2B consignment model, control of goods is transferred to Platforms and Distributors when end customers confirm acceptance on platforms. The Group has the call back right and controls the goods before end customers confirm acceptance on platforms.

Particularly for cross-border transactions, control of goods is transferred to Platforms and Distributors when the goods pass the ship's rail at the named port of shipment or other fulfilled International Rules for the Interpretation of Trade Terms ("Incoterms") agreed in the contracts, and the delivery service is recognised in the accounting period when the services are rendered.

B2C Model

Under B2C Model, the Group established and operates online stores authorized by the brand owners on platform. The Group acts as a principal under B2C Model since it controls the goods purchased from suppliers, takes inventory risk and has pricing latitude when selling goods to users of the platform. Users of the platform are considered as the customers as they place orders on the online stores and make online payments through third-party payment channels. Revenue from sale of goods under B2C Model is recognised when control of goods is transferred to users, being when users receive the goods upon delivery. The funds will not be released to the Group by these third-party payment channels until the users confirm the acceptance on the platform. Commission paid to platforms, which are considered as incremental costs of obtaining a contract, are expenses as incurred because the amortization period of the asset is less than one year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Revenue recognition *(Continued)*

2.20.2 Provision of services

Revenue from providing services is recognised in the accounting period when the services are rendered.

Online operating services

The Group provides online operating services to the customers. The Group is not involved in determining goods specifications and display of the goods in the online store and is not the primary obligor for the delivery of the goods, does not have legal title to the goods and does not have any latitude in establishing prices and selecting merchandise. Based on these facts, the Group has determined that it acts as online operating services provider under these arrangements and recognised service fees on the value of merchandise sold or sharing of online operating results, which was calculated based on a pre-determined formula. Revenue generated from online operating services is recognised on a gross basis which the Group acts as a principal to control the specified services before being transferred to the customer, be primarily responsible for fulfilling the contract and have discretion in establishing prices. Therefore, the Group recognises service fees as revenue in the consolidated statements of comprehensive income. All direct costs that the Group incurs in the provision of online operating services are classified as cost of revenue in the consolidated statements of comprehensive income.

Digital marketing services

The Group also provides digital marketing services to customers. Customers may elect to use the Group's comprehensive end-to-end e-commerce solutions or select specific elements of its e-commerce supporting infrastructure and marketing services that best fit their needs. The Group charges its customers a combination of fix fees based on the prices charged to comparable customers or expected cost plus margin. Revenue generated from digital marketing services is recognised on a gross basis which the Group acts as a principal to control the specified services before being transferred to the customer, be primarily responsible for fulfilling the contract and have discretion in establishing prices. Therefore, the Group recognises service fees as revenue in the consolidated statements of comprehensive income. All direct costs that the Group incurs in the provision of digital marketing services are classified as cost of revenue in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Revenue recognition *(Continued)*

2.20.3 Contract asset and contract liability

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group has a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2.21 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

2.22 Leases

The Group leases properties as lessee. Rental contracts are typically made for fixed periods of 2 to 4 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Leases *(Continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The right-of-use assets are presented under the property, plant and equipment in Note 15(b), the lease liabilities are present separately on the consolidated statements of financial position. The Group considers the lease as a single transaction in which the assets and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, the differences arisen on settlement of the liabilities and the amortization of the right-of-use assets, there will be a net temporary difference on which deferred tax is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Vendor rebates

The Group periodically receives consideration from certain vendors, representing:

– Volume rebates for products purchased which are calculated based on purchase volumes over a period of time. The Group accounts for the volume rebates received from its vendors as a reduction to the price it pays for the products purchased, related rebates are deducted from the cost of revenue if the products are sold.

– Reimbursement for the expenditures occurred for brand marketing and promotion activities. The Group accounts for the reimbursement as a reduction of selling and marketing expenses.

2.24 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the year in which the dividends are approved by the entities' shareholders or directors, where appropriate.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.26 Research and development expenses

Research and development expenses are recognised as expenses as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets during the years ended 31 December 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1.1 Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group determines to present its consolidated financial statements in RMB. The Group determines that the functional currency of UNQ Hong Kong Limited is USD and that of UNQ Japan Co., Ltd. is JPY.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB currency units, was as follows:

	As at 31 December 2021				
	USD	JPY	RMB	HKD	AUD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalent	2,173	7,362	14,553	1,382	5,408
Trade receivables	3,783	23,156	1,827	720	–
Trade payables	–	(1,930)	–	–	–

	As at 31 December 2020				
	USD	JPY	RMB	HKD	AUD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalent	2,359	1,489	12,027	157	–
Trade receivables	1,123	18,273	1,642	631	–
Trade payables	–	(3,538)	–	–	–

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

Foreign exchange risk (Continued)

(a) Sensitivity

A 5 percent strengthening of foreign currency against the following currencies at each period end would have changed post tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
USD	190	114
JPY	1,193	674
RMB	628	66
HKD	88	23
AUD	223	–
	2,322	877

A 5 percent weakening of the RMB against the above currencies at 31 December 2021 and 2020 would have the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Cash flow and fair value interest rate risk

The Group's interest-bearing assets and liabilities are bank borrowings, cash and cash equivalents and financial assets carried at FVPL. Therefore, the Group's interest rate risk mainly arises from bank borrowings, cash and cash equivalents and financial assets carried at fair value through profit or loss. Except for bank borrowings which are entitled to fixed interest rates and expose the Group to the fair value interest rate risk, cash and cash equivalents and financial assets carried at FVPL are carried at variable rates and expose the Group to cash flow interest rate risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, wealth management products, as well as trade and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Credit risk of cash deposit and wealth management products at banks

The Group expects that there is no significant credit risk associated with cash and cash equivalents and short-term investments, which were held by reputable financial institutions in the jurisdictions where the Company and its subsidiaries are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality.

(ii) Credit risk of trade receivables

The Group's mainly customers are e-commerce platforms with high reputation in China. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- actual or expected significant changes in the operating results of customers
- significant changes in the expected performance and behavior of the customers, including changes in the payment status.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables, details of which was included in Note 20.

(iii) Credit risk of other receivables

Other receivables mainly comprise amounts due from related parties, rebates from vendors, deposits and other receivables. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the years ended 31 December 2021 and 2020. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty;
- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fall due.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 360 days past due.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(iii) Credit risk of other receivables (Continued)

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data. The group has identified the GDP and CPI of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

No significant changes to estimation techniques or assumptions were made during the years ended 31 December 2021 and 2020.

3.1.3 Liquidity risk

Liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Financial liabilities					
– Trade and other payables (excluding accrued payroll and other taxes payable)	494,847	–	–	–	494,847
– Borrowings – principal	514,281	15,043	44,721	7,569	581,614
– Borrowings – interest	4,340	232	316	94	4,982
– Lease liabilities (including interest payments)	13,880	4,410	108	–	18,398
	1,027,348	19,685	45,145	7,663	1,099,841
As at 31 December 2020					
Financial liabilities					
– Trade and other payables (excluding accrued payroll and other taxes payable)	464,460	–	–	–	464,460
– Borrowings – principal	580,639	14,896	16,241	11,168	622,944
– Borrowings – interest	5,939	325	400	181	6,845
– Lease liabilities (including interest payments)	12,174	11,924	3,774	–	27,872
	1,063,212	27,145	20,415	11,349	1,122,121

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and share premium) by regularly reviewing the capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "borrowings" and "lease liabilities" as shown in the consolidated statement of financial position) less cash and cash equivalents, and liquid investment which are financial assets held at fair value through profit or loss. The Group does not consider the amount of preferred shares when calculating net debt. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is not high.

The gearing ratios at 31 December 2021 and 2020 of the Group were as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Net debt (Note 32(b))	149,777	408,457
Total equity	891,081	617,687
Gearing ratio	17%	66%

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorized by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorized into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Assets				
– Financial assets at FVPL	–	–	5,000	5,000

As at 31 December 2020, there were no financial instruments carried at fair value.

The Group's financial assets at fair values included wealth management goods, fair value of which are estimated based on unobservable inputs (level 3).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There were no changes in valuation techniques during the years ended 31 December 2021 and 2020.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2021 (2020: nil).

The changes in level 3 instruments for the year ended 31 December 2021 are described in Note 21 (2020: nil).

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, restricted cash, trade and other receivables, financial assets at FVPL and financial liabilities, including borrowings, lease liabilities, trade payables, other payables, dividend payable, interest payables and refund liabilities approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Gross or net assessment in revenue recognition

The Group sells goods to customers, provides online operating service and digital marketing service to its customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal vs. agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified goods or services before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

(b) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected credit loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the years in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(c) Provision of inventories

Inventories, consisting of goods available for sale, are valued at the lower of cost or net realizable value. Cost of inventories is determined using the weighted average cost method. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition and expected recoverable values of each disposition category. Our inventory provision is made for valuation of inventory at the lower of cost or net realizable value, which is the estimated by selling price in the ordinary course of business, less applicable variable selling expenses. In addition, we generally reserve provision for inventories according to aging over certain period of time. Inventory provisions are charged to cost of goods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC, Hong Kong and Japan. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

5 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.

6 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:

		Year ended 31 December			
		2021		2020	
	Timing of recognition	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

(a) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contract liabilities		
– Third parties	5,879	3,425

6 REVENUE AND COST OF REVENUE *(Continued)*

(a) Contract liabilities *(Continued)*

Contract liabilities generated from the following revenue categories:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Sales of goods		
– B2B	5,366	3,414
– B2C	–	–
Sales of services		
– digital marketing and other services	513	11
	5,879	3,425

(i) Changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the goods/services are yet to be delivered.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Sales of goods		
– B2B	2,972	3,609
Sales of services		
– online operating service	–	3
– digital marketing and other services	11	–
	2,983	3,612

6 REVENUE AND COST OF REVENUE *(Continued)*

(a) Contract liabilities *(Continued)*

(iii) Unsatisfied performance obligations

The Group has elected the practical expedient for not to disclose the remaining performance obligations because the performance obligation is part of a contract that has an original expected duration of one year or less.

(iv) Assets recognised from incremental costs to obtain a contract

During the years ended 31 December 2021 and 2020, commission paid to Platforms, which are considered as incremental costs of obtaining a contract, are expenses as incurred because the amortization period of the asset is less than one year.

7 OTHER INCOME

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Government grants (a)	12,429	7,283
Interests on loans to related parties (Note 35(b))	2,387	5,121
Interests on loans to third parties	–	231
	14,816	12,635

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

8 EXPENSES BY NATURE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
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 (Note 9)	163,694	129,867
Depreciation and amortization charges (Note 15,16)	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 (Note 29)	187	929
Auditors' remuneration		
– Audit services	2,380	103
– Non-audit service	980	–
(Reversal)/provision for inventories (Note 18)	(12,101)	31,764
Others	4,394	5,119
	2,983,876	2,659,920

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	123,109	105,354
Pension costs – defined contribution plans (a)	11,561	1,658
Bonuses	13,253	10,501
Social insurance expenses	8,237	6,437
Housing benefit	7,534	5,917
	163,694	129,867

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary to the scheme to fund the retirement benefits of the employees.

During the year ended 31 December 2021, no forfeited contributions were utilized by the Group to reduce its contributions for the current year (2020: Nil).

(b) According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, affected by Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced or exempted accordingly.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 3 (2020: 2) directors whose emoluments are reflected in the analysis shown in Note 36.

The emoluments to the remaining 2 (2020: 3) individuals during the year are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages and salaries	1,596	1,728
Bonuses	865	1,735
Contribution to pension scheme	90	10
Other social security costs, housing benefits and other employee benefits	159	188
	2,710	3,661

The emoluments fell within the following bands:

	Year ended 31 December	
	2021	2020
Emolument bands (in RMB) Nil – 1,000,000	–	–
1,000,001 – 1,500,000	2	3
1,500,001 – 2,000,000	–	–
More than 2,000,000	–	–
	2	3

10 OTHER GAIN/(LOSSES) – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Gain from extinguishment of preferred shares to ordinary shares	–	3,054
Net foreign exchange losses	(257)	(6,822)
Fair value gains on financial assets at FVPL (Note 21)	144	398
Net gains on disposal of property, plant and equipment	12	8
Others	496	256
	395	(3,106)

11 FINANCE COSTS – NET

(a) Finance income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Bank interest income	1,170	565

(b) Finance costs

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expense on borrowings	(26,159)	(21,189)
Interest expense on lease liabilities (Note 29)	(1,399)	(1,445)
Others	–	(127)
	(27,558)	(22,761)

12 INCOME TAX EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax	17,020	60,801
Deferred income tax (Note 28)	(3,592)	(15,890)
	13,428	44,911

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the notional tax rate applicable to profits of the Group entities as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	43,434	42,997
– Notional tax on profit before income tax	10,859	10,749
– Difference in overseas tax rates	(3,281)	3,350
– Tax effect of fair value changes from preferred shares and gains from extinguishment of preferred shares	–	21,395
– Tax effect of other non-deductible expenses	6,738	8,022
– Tax effect of non-taxable investment income	(1,595)	873
– Tax effect of unrecognised tax losses	122	(10)
– Others	585	532
Income tax expenses	13,428	44,911

No deferred tax liabilities on profits relating to investments accounted for using the equity method.

As at 31 December 2021 and 2020, the Group has not recognised deferred tax liabilities in respect of undistributed retained earnings of RMB87,057,000 and RMB80,850,000 from Group's PRC subsidiaries. The Group does not have any profit distribution plan on its PRC subsidiaries, and intends to remain their retained earnings undistributed for daily operation and expansion of business in the PRC.

12 INCOME TAX EXPENSES *(Continued)*

As at 31 December 2021 and 2020, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,490,000 and RMB987,000 as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation.

	Unused tax losses for which no deferred tax asset was recognised	
	As at 31 December	
Expiry year	**2021** **RMB'000**	2020 RMB'000
Expiring in year 2022	**–**	–
Expiring in year 2023	**–**	–
Expiring in year 2024	**142**	142
Expiring in year 2025	**845**	845
Expiring in year 2026	**503**	–
	1,490	987

(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.

12 INCOME TAX EXPENSES *(Continued)*

(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).

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

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 (Note 23) 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)	0.20	(0.99)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As the Group incurred losses for the year ended 31 December 2020, the potential ordinary shares were not included in the calculation of dilutive earnings/(loss) per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2020 are same as basic loss per share.

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

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Amounts recognised in the consolidated balance sheet

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Investments accounted for using the equity method		
– A joint venture	27,446	21,433
– An associate	2,185	2,566
	29,631	23,999

Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Share of net profit of associates and joint ventures accounted for using the equity method – net		
– A joint venture	6,761	8,694
– An associate	(380)	592
	6,381	9,286
Share of other comprehensive losses of joint ventures accounted for using the equity method – net		
– A joint venture	(749)	(893)

(a) Investment in a joint venture

Entity	Investing date	Operating region	Share of the invested company As at 31 December 2021	2020
UNQ International (HK) Limited	November 2015	Hong Kong	50%	50%

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(b) Investment in an associate

			Share of the invested company As at 31 December	
Entity	Investing date	Operating region	2021	2020
Shanghai Xuyi Industry Co., Ltd. ("Shanghai Xuyi")	August 2018	The PRC	30%	30%

(c) Movement in a joint venture and an associate

	Year ended 31 December 2021 RMB'000	2020 RMB'000
At the beginning of the year	23,999	15,606
Share of profit for the year	6,381	9,286
Exchange differences recorded in other comprehensive income for the year	(749)	(893)
At the end of the year	29,631	23,999

15 PROPERTY, PLANT AND EQUIPMENT

	As at 31 December 2021 RMB'000	2020 RMB'000
Property, plant and equipment (a)	8,993	10,602
Right-of-use assets (b)	16,012	24,291
	25,005	34,893

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Property, plant and equipment (excluding right-of-use assets)

	Vehicles RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2020					
Cost	1,068	3,612	3,334	2,886	10,900
Accumulated depreciation	(832)	(1,895)	(2,275)	–	(5,002)
Net book amount	**236**	**1,717**	**1,059**	**2,886**	**5,898**
Year ended 31 December 2020					
Opening net book amount	236	1,717	1,059	2,886	5,898
Additions	–	2,723	3,455	2,451	8,629
Transfer to leasehold improvements	–	–	5,307	(5,307)	–
Disposals	–	(11)	–	–	(11)
Depreciation charge	(146)	(1,074)	(2,692)	–	(3,912)
Exchange differences	–	–	(2)	–	(2)
Closing net book amount	**90**	**3,355**	**7,127**	**30**	**10,602**
As at 31 December 2020					
Cost	1,068	6,118	12,091	30	19,307
Accumulated depreciation	(978)	(2,763)	(4,964)	–	(8,705)
Net book amount	**90**	**3,355**	**7,127**	**30**	**10,602**

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Property, plant and equipment (excluding right-of-use assets) *(Continued)*

	Vehicles RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2021					
Opening net book amount	90	3,355	7,127	30	10,602
Additions	812	1,506	741	1,727	4,786
Transfer to leasehold improvements	–	–	1,756	(1,756)	–
Disposals	–	(2)	–	–	(2)
Depreciation charge	(155)	(1,584)	(4,654)	–	(6,393)
Exchange differences	–	–	1	(1)	–
Closing net book amount	747	3,275	4,971	–	8,993
As at 31 December 2021					
Cost	1,880	7,343	14,588	–	23,811
Accumulated depreciation	(1,133)	(4,068)	(9,617)	–	(14,818)
Net book amount	747	3,275	4,971	–	8,993

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Selling and marketing expenses	1,234	–
Administrative expenses	5,159	3,912
	6,393	3,912

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Right-of-use assets

	Properties RMB'000
As at 1 January 2020	
Cost	36,058
Accumulated depreciation	(17,711)
Net book amount	18,347
Year ended 31 December 2020	
Opening net book amount	18,347
Additions	17,938
Termination of lease contracts	(14,546)
Depreciation for the year	(11,994)
Depreciation disposal	14,546
Closing net book amount	24,291
As at 31 December 2020	
Cost	39,450
Accumulated depreciation	(15,159)
Net book amount	24,291
Year ended 31 December 2021	
Opening net book amount	24,291
Additions	4,288
Termination of lease contracts	(7,782)
Depreciation for the year	(12,567)
Depreciation disposal	7,782
Closing net book amount	16,012
As at 31 December 2021	
Cost	35,956
Accumulated depreciation	(19,944)
Net book amount	16,012

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Right-of-use assets *(Continued)*

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Selling and marketing expenses	3,699	1,833
Administrative expenses	8,868	10,161
	12,567	11,994

16 INTANGIBLE ASSETS

	Computer Software RMB'000
As at 1 January 2020	
Cost	2,533
Accumulated amortization	(1,663)
Net book amount	870
Year ended 31 December 2020	
Opening net book amount	870
Addition	1,282
Amortization	(230)
Closing net book amount	1,922
As at 31 December 2020	
Cost	2,226
Accumulated amortization	(304)
Net book amount	1,922
Year ended 31 December 2021	
Opening net book amount	1,922
Addition	209
Amortization	(226)
Closing net book amount	1,905
As at 31 December 2021	
Cost	2,435
Accumulated amortization	(530)
Net book amount	1,905

16 INTANGIBLE ASSETS *(Continued)*

Amortization of intangible assets has been charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Selling and marketing expenses	9	–
Administrative expenses	217	230
	226	230

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial asset at amortized cost		
Trade and other receivables (Note 20)	435,054	526,959
Restricted cash (Note 22)	7,550	3,200
Cash and cash equivalents (Note 22)	442,085	252,334
	884,689	782,493
Financial assets at FVPL (Note 21)	5,000	–
	889,689	782,493
Financial liabilities at amortized costs		
Borrowings (Note 26)	581,614	622,944
Trade and other payables (excluding accrued payroll and other taxes payable) (Note 27)	494,847	463,540
Lease liabilities (Note 29)	15,248	24,705
	1,091,709	1,111,189

18 INVENTORIES

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

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
	RMB'000	RMB'000
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)
At end of year	20,775	43,129

19 OTHER CURRENT ASSETS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
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
	271,312	264,977

20 TRADE AND OTHER RECEIVABLES

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables		
– Related parties (Note 35(d))	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 (Note 35(d))		
(i) Loans	–	63,200
(ii) Guarantee for borrowings (Note 26(a))	–	49,324
(iii) Others	1,588	3,380
– Third parties		
(i) Rebate receivables (Note 2.23)	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 (a)	–	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

(a) The loan to a third party is due within one year at interest rate of 8% per annum.

20 TRADE AND OTHER RECEIVABLES *(Continued)*

Sales of goods under lump sum basis are received in accordance with the terms of the relevant agreements. Sales income is due for payment by the customer upon the issuance of invoices.

For online operating services and digital marketing services, customers are generally given a credit term up to 90 days.

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 RMB'000	2020 RMB'000
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

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing based on invoice. The expected loss rates are based on the payment profiles of sales and the corresponding historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

20 TRADE AND OTHER RECEIVABLES *(Continued)*

During the years ended 31 December 2021 and 2020, the expected loss rates of trade receivables are determined as follows:

	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
As at 31 December 2021					
Collectively assessed					
Expected loss rate	0.40%	4.72%	27.79%	100.00%	
Gross carrying amount (RMB'000)	233,903	17,175	535	597	252,210
Loss allowance provision (RMB'000)	936	811	149	597	2,493
Individually assessed					
Expected loss rate					
Gross carrying amount (RMB'000)					71,243
Loss allowance provision (RMB'000)					4,192
Total gross carrying amount (RMB'000)					323,453
Total loss allowance provision (RMB'000)					6,685
As at 31 December 2020					
Collectively assessed					
Expected loss rate	1.56%	4.63%	13.66%	54.15%	
Gross carrying amount (RMB'000)	218,187	21,169	14,491	2,183	256,030
Loss allowance provision (RMB'000)	3,410	980	1,979	1,182	7,551

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
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)
At end of year	6,685	7,551

20 TRADE AND OTHER RECEIVABLES *(Continued)*

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 RMB'000	2020 RMB'000
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
	123,301	281,650

The Group uses three categories for other receivables which reflect their credit risk and how the expected credit loss provision is determined for each of those categories. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers both historical loss rates and forward-looking macroeconomic data.

A summary of the assumptions underpinning the Group's expected credit loss model is as follow:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage one	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage two	Receivables is more than 30 days past due in making a contractual payment/repayable demanded	Lifetime expected credit losses
Stage three	Receivables for which the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fall due	Lifetime expected credit losses

20 TRADE AND OTHER RECEIVABLES *(Continued)*

The carrying amount of other receivables assessed under Stage one, two and three are as follows:

	Stage one	Stage two	Stage three	Total
As at 31 December 2021				
Gross carrying amount (RMB'000)	115,286	126	7,889	123,301
Loss allowance provision (RMB'000)	694	44	4,277	5,015
As at 31 December 2020				
Gross carrying amount (RMB'000)	281,226	56	368	281,650
Loss allowance provision (RMB'000)	3,143	1	26	3,170

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
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)
At end of year	5,015	3,170

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

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

21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Wealth management products	5,000	–

The short-term investments measured at fair value through profit or loss were investment in wealth management products, denominated in RMB, without maturity date, with expected rates of return at 2.80% and 3.12% per annum for the years ended 31 December 2021 and 2020, respectively. The returns of the investment on these wealth management products were not guaranteed and they were measured at fair value through profit or loss. The wealth management products are expected to be disposed within one year. None of these investments were past due.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

	Fair value at 31 December 2021 RMB'000	Valuation technique	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
– Wealth management products	5,000	Discounted cash flow	Expected interest rate	2.80%	A change in expected interest rate per annum by 100 base point results in a change in fair value by RMB48,170.

The following table presents the changes in level 3 instruments for the years ended 31 December 2021 and 2020.

	Financial assets at FVPL Wealth management products Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Opening balance	–	44,000
Addition	208,000	114,000
Gains for the period recognised in profit or loss (Note 10)	144	398
Redemption	(203,144)	(158,398)
Closing balance	5,000	–
Includes unrealized gains recognised in profit or loss attributable to balances held at the end of the reporting period	–	–

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank and on hand	424,382	236,330
Other monetary funds	17,703	16,004
	442,085	252,334
Restricted cash (a)	7,550	3,200
	449,635	255,534

(a) Restricted cash consists primarily of online stores guarantee bank deposits required by e-commerce platforms.

23 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Number of ordinary shares	Equivalent value of ordinary shares RMB
Issued:		
Issuance of ordinary shares upon incorporation of the Company (i) and as at 31 December 2020	1,352,041	123
Capitalisation Issue for outstanding ordinary shares (ii)	133,852,059	11,163
Issuance of ordinary shares upon IPO (iii)	30,690,600	2,560
As at 31 December 2021	165,894,700	13,846

(i) On 31 October 2019, the Company was incorporated in the Cayman Islands with authorized capital of HKD380,000 divided into 3,800,000,000 ordinary shares of par value HKD0.0001 each. At the same date, the Company issued 779,400 ordinary shares at par value of HKD0.0001 each.

On 12 June 2020, the Company issued 572,641 ordinary shares at par value of HKD0.0001 each to TCI pursuant to the Restructure Framework Agreement and supplemental agreement.

23 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

(a) Share capital *(Continued)*

(ii) The Company allotted and issued a total of 133,852,059 ordinary shares of HKD0.0001 each credited as fully paid at par to the shareholders whose names were on the register of members of the Company immediately preceding the date on which the IPO becomes unconditional in proportion to their respective shareholdings in the Company by way of capitalisation of the sum of HKD13,385.2059 standing to the credit of the share premium account of the Company ("Capitalisation Issue"). The ordinary shares allotted and issued pursuant to the above Capitalisation Issue rank pari passu in all respects with the existing issued ordinary shares with effect from the 12 July, 2021.

(iii) Upon completion of the IPO, the Company issued 30,690,600 new shares at par value of HKD0.0001 each for cash consideration of HKD11.86 each, and raised gross proceeds of approximately HKD363,990,456 (equivalent to RMB303,571,680). The respective share capital amount was approximately RMB2,560 and share premium arising from the issuance was approximately RMB267,501,982, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB36,067,139 (including prepaid listing expenses of RMB7,048,715 which was recorded as other current assets as at 31 December 2020) were treated as a deduction against the share premium arising from the issuance.

(b) Share premium

Share premium of the Company represent the fair values of the subsidiaries comprising the Group acquired by the Company pursuant to the Reorganisation (Note 25) and share premium from Capitalisation Issue and ordinary shares issuance upon IPO (Note 23(a)).

24 PREFERRED SHARES

On 8 December 2014, TCI entered into a shareholders agreement pursuant to which TCI acquired UNQ Supply Chain's newly issued shares of 15.79% equity interest with a total cash consideration of RMB44,355,000. Meanwhile, TCI acquired 12.50% equity interest from Mr. Wang Yong and Mr. Ning Jing with a total cash consideration of RMB32,931,000. The shares acquired also contained certain mandatory purchase rights and call options and therefore are regarded as preferred shares. The holder of preferred shares shall be entitled to equivalent voting right and participate in any dividend or distribution of UNQ Supply Chain. (collectively, "Series A Preferred Shares").

On 15 July 2016, TCI entered into a shareholders agreement pursuant to which TCI acquired UNQ Supply Chain's newly issued shares of 7.91% equity interest with a total cash consideration of RMB100,000,000. Meanwhile, TCI acquired 9.69% equity interest from Mr. Wang Yong, Mr. Ning Jing and Hangzhou Xunala with a total cash consideration of RMB122,500,000. The shares acquired also contained certain mandatory purchase rights and call options and therefore are regarded as preferred shares. The holder of preferred shares shall be entitled to equivalent voting right and participate in any dividend or distribution of UNQ Supply Chain. (collectively, "Series B Preferred Shares").

24 PREFERRED SHARES *(Continued)*

On 28 July 2017, Mr. Ning Jing entered into a shareholders agreement pursuant to which Mr. Ning Jing transferred his 2.72% equity interest to Mr. Wang Yong. Meanwhile, TCI acquired 2.45% equity interest from Mr. Ning Jing with a total cash consideration of RMB33,050,000 and the shares acquired also contained certain mandatory purchase rights and call options and therefore are regarded as preferred shares. The holder of preferred shares shall be entitled to equivalent voting right and participate in any dividend or distribution of UNQ Supply Chain. (collectively, "Series C Preferred Shares").

In June 2020, pursuant to the Restructure Framework Agreement and supplemental agreement, the mandatory purchase right and call option attached to the shares of UNQ Supply Chain had been terminated by TCI. TCI exchanged their equity interests in UNQ Supply Chain to the Company's ordinary shares proportionately. Thus, the financial liabilities were extinguished when the obligation specified in the contract is discharged or cancelled. The differences between the carrying amount of the financial liabilities extinguished, and the fair value of the equity instruments issued, was recognised in profit or loss.

The key terms of Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares (collectively, "Preferred Shares") are summarized as follows:

(a) Voting rights

Each preferred share has voting rights equivalent to the number of ordinary shares at the record date. The holders of preferred shares shall vote together with the ordinary shareholders, and not as a separate class or series, on all matters put before the shareholders.

(b) Redemption feature

(i) Mandatory purchase rights

TCI has the mandatory purchase rights to require redemption either from UNQ Supply Chain or Mr. Wang Yong, if any of the following conditions are met: 1) the Group fails to achieve financial performance as defined in the shareholders agreement within three years after the closing date of the issue; or 2) upon the occurrence of any event of default defined in the subscription agreement which includes but not limited to events such as revoking of any licenses or qualifications of the Group; or 3) Mr. Wang Yong or any companies controlled directly or indirectly by him, or any member of Group breach any terms of the shareholders agreement, or Mr. Wang Yong breaches the managing service agreement.

24 PREFERRED SHARES *(Continued)*

(b) Redemption feature *(Continued)*

(i) Mandatory purchase rights (Continued)

The redemption price for the above condition 1) shall be paid by Mr. Wang Yong or the Company to TCI in an amount equal to: (i) one hundred percent (100%) of the original transaction cost paid by TCI, plus (ii) benchmark bank borrowing rate per annum interest of the original issue price of the transaction cost, and (iii) any accrued but unpaid dividend thereon. The redemption price for the above condition 2) and 3) shall be paid by Mr. Wang Yong or the Company to TCI in an amount equal to one hundred and fifty percent (150%) of the original issue or transferred redeemable shares set out in the Restructure Framework Agreement.

(ii) Call options

TCI has the call options to require Mr. Wang Yong to sell shares held by him whether directly or indirectly to TCI or UNQ Supply Chain to allot and issue new shares to TCI, if any of the following conditions are met: 1) the Group fails to achieve financial performance as defined in the subscription agreement within three years after the closing date of the issue; or 2) upon the occurrence of any event of default defined in the subscription agreement which includes but not limited to events such as revoking of any licenses or qualifications of the Group; or 3) Mr. Wang Yong or any companies controlled directly or indirectly by him, or any member of Group breach any terms of the shareholders agreement, or Mr. Wang Yong breaches the managing service agreement.

The call option exercise price is determined on the basis of the net asset value or fair value of UNQ Supply Chain in the most recent month of transaction date. The shares to be sold or issued is determined through further negotiations between TCI and Mr. Wang Yong and/or such company controlled directly or indirectly by Mr. Wang Yong holds the relevant shares.

Presentation and Classification

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments of preferred shares as financial liabilities at fair value through profit or loss. The fair value change of the preferred shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The financial liabilities shall be extinguished when the obligation specified in the contract is discharged or cancelled. The differences between the carrying amount of the financial liabilities extinguished, and the fair value of the equity instruments issued, shall be recognised in profit or loss.

24 PREFERRED SHARES *(Continued)*

(b) Redemption feature *(Continued)*

(ii) Call options (Continued)

Presentation and Classification (Continued)

The movement of the preferred shares for the years ended 31 December 2021 and 2020 are set out below:

	Fair value RMB'000
As at 1 January 2020	896,182
Changes in fair value	
– change in fair value charged in profit or loss	88,634
Extinguishment of preferred shares	(984,816)
As at 31 December 2020 and 2021	–

The Group has engaged an independent valuer to determine the underlying share value of the Group by discounted cash flow method and adopted equity allocation model to determine the fair value of the preferred shares as at the date of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of preferred shares are as follows:

	As at 31 December		As at 12 June
	2018	2019	2020
Discount rate	16.5%	16.5%	16.5%
Risk-free interest rate	0.1%-1.4%	0.9%	0.2%
Volatility	43%-48%	42%	57%
Possibilities under listing scenario	98%	99%	99%

24 PREFERRED SHARES *(Continued)*

(b) Redemption feature *(Continued)*

(ii) Call options (Continued)

Presentation and Classification (Continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Unobservable inputs	Range of inputs (weighted average) 2020	Relationship of unobservable inputs to fair value
Discount rate	16.5%	2020: increasing/decreasing the discount rate by +/- 0.25% respectively would change the fair value by – RMB14,887,000/+RMB15,290,000
Risk-free interest rate	0.2%	2020: A change in the risk-free interest rate by +/- 0.05% would change the fair value by +RMB6/-RMB3
Volatility	57%	The higher the volatility, the higher the fair value. A change in the volatility would have immaterial quantitative impact on fair value

Discount rate was estimated by weighted average cost of capital as at each valuation date. The directors estimated the risk-free interest rate based on the yield curve of Hong Kong treasury strips as at the valuation date. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Group's projections of future performance were also factored into the determination of the fair value of the preferred shares on each valuation date.

25 OTHER RESERVES

	Combined capital RMB'000	Capital reserve RMB'000	Statutory reserve (i) RMB'000	Foreign currency translation RMB'000	Change in credit risk of preferred shares RMB'000	Total other reserves RMB'000
As at 1 January 2020	5,279	(148,475)	676	13,228	3,895	(125,397)
Extinguishment of preferred shares	981,762	–	–	–	(3,895)	977,867
Completion of Reorganisation	(987,041)	(1,330,959)	–	–	–	(2,318,000)
Foreign currency translation	–	–	–	(15,074)	–	(15,074)
Acquisition of non-controlling interests (Note 34)	–	(55)	–	–	–	(55)
Distribution to shareholders	–	(740)	–	–	–	(740)
As at 31 December 2020	–	(1,480,229)	676	(1,846)	–	(1,481,399)
As at 1 January 2021	–	(1,480,229)	676	(1,846)	–	(1,481,399)
Foreign currency translation	–	–	–	(24,077)	–	(24,077)
Distribution to shareholders	–	(40)	–	–	–	(40)
As at 31 December 2021	–	(1,480,269)	676	(25,923)	–	(1,505,516)

(i) Statutory Reserves

The balance is reserved by the subsidiaries of the Group in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are related for specific purposes. PRC incorporated Company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

26 BORROWINGS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Secured or guaranteed		
– Bank loans (a)		
– Current	479,940	549,559
– Current portion of non-current	740	6,577
– Non-current	13,668	20,431
– Corporate bonds (c)		
– Current portion of non-current	3,879	4,553
– Non-current	10,806	8,221
– Loans from other financial institutions		
– Current	–	6,554
	509,033	595,895
Unsecured		
– Bank loans (b)		
– 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 (b)		
– Current	–	1,200
– Non-current	27,708	–
	72,581	27,049
Total borrowings	581,614	622,944

As at 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

	Bank loans As at 31 December		Other loans As at 31 December	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Within 1 year	510,402	568,332	3,879	12,307
Between 1 and 2 years	11,164	12,366	3,879	2,530
Between 2 and 5 years	10,086	10,550	34,635	5,691
Over 5 years	7,569	11,168	–	–
	539,221	602,416	42,393	20,528

26 BORROWINGS *(Continued)*

(a) As at 31 December 2021, borrowings of HKD179,500,000 (RMB146,759,200) were secured by the Group's inventories with a carrying amount of RMB150,000,000, account receivables with a carrying amount of RMB150,000,000 and the subsidiaries.

As at 31 December 2021, borrowings of USD10,045,268 (equivalent to RMB64,045,614), borrowings of JPY2,784,000,000 (equivalent to RMB154,275,360) and borrowings of RMB114,860,000 were guaranteed by the Company and its subsidiaries.

As at 31 December 2021, borrowings of JPY160,000,000 (equivalent to RMB8,866,400) were guaranteed by other financial institutions.

As at 31 December 2021, borrowings of JPY100,000,000 (equivalent to RMB5,541,500) were guaranteed by the subsidiaries and other financial institutions.

(b) As at 31 December 2021, borrowings of JPY809,768,000 (equivalent to RMB44,873,294) were from commercial banks and unsecured.

As at 31 December 2021 and 2020, borrowings of JPY500,000,000 (equivalent to RMB27,707,500) and borrowings of RMB1,200,000 were from other financial institutions and unsecured.

(c) On 25 December 2018, UNQ Japan issued three-year corporate bond of JPY100,000,000 (equivalent to RMB6,189,000), with guarantee by a commercial bank. This bond was repaid during the year ended 31 December 2021.

On 30 September 2019, UNQ Japan issued five-year corporate bond of JPY100,000,000 (equivalent to RMB6,409,000), with guarantee by a commercial bank and one other financial institution. As at 31 December 2021, the remaining balance of the bond was JPY60,000,000 (equivalent to RMB3,325,000).

On 29 May 2020, UNQ Japan issued five-year corporate bond of JPY100,000,000 (equivalent to RMB6,580,800), with guarantee by a commercial bank and a related party (Note 35(b)). In June 2021, all guarantee provided by related party over the borrowings were released prior to listing. As at 31 December 2021, the remaining balance of the bond was JPY70,000,000 (equivalent to RMB3,879,000).

On 30 April 2021, UNQ Japan issued five-year corporate bond of JPY150,000,000 (equivalent to RMB8,312,250), with guarantee by one other financial institution. As at 31 December 2021, the remaining balance of the bond was JPY135,000,000 (equivalent to RMB7,481,000).

(d) As at 31 December 2021 and 2020, the Group's borrowings' carried weighted average interest rates were 4.11% and 4.63% per annum, respectively.

(e) Interest expenses were RMB26,159,000 and RMB21,189,000 for the years ended 31 December 2021 and 2020, respectively.

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables		
– Related parties (Note 35(d))	5,784	111,865
– Third parties	442,650	286,781
	448,434	398,646
Other payables		
– Related parties (Note 35(d))	300	15,615
– Third parties	44,974	32,401
	45,274	48,016
Accrued payroll	20,849	20,979
Accrued listing expenses	–	15,322
Other taxes payables	12,807	5,101
Interest payables	1,139	1,556
	528,503	489,620

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
	448,434	398,646

28 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	21,883	16,840
– Deferred tax assets to be recovered within 12 months	11,071	15,063
	32,954	31,903
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(1,063)	(3,337)
– Deferred tax liabilities to be recovered within 12 months	(2,940)	(2,736)
	(4,003)	(6,073)
Net deferred tax assets (a)	28,951	25,830

The movement in deferred income tax assets and liabilities during the years ended 31 December 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – allowance on doubtful debts RMB'000	Deferred tax assets – provision for inventory RMB'000	Deferred tax assets – lease liabilities RMB'000	Deferred tax assets – tax losses RMB'000	Deferred tax assets – others RMB'000	Deferred tax liabilities – right-of-use assets RMB'000	Total RMB'000
As at 1 January 2020	1,433	4,696	4,620	3,856	84	(4,587)	10,102
Charge to profit or loss	1,094	5,440	1,556	9,238	48	(1,486)	15,890
Exchange differences	(1)	(161)	–	–	–	–	(162)
As at 31 December 2020	2,526	9,975	6,176	13,094	132	(6,073)	25,830
As at 1 January 2021	2,526	9,975	6,176	13,094	132	(6,073)	25,830
Charge to profit or loss	294	(4,446)	(2,364)	8,038	–	2,070	3,592
Exchange differences	4	(126)	–	(349)	–	–	(471)
As at 31 December 2021	2,824	5,403	3,812	20,783	132	(4,003)	28,951

28 DEFERRED INCOME TAX *(Continued)*

(a) The Group only offset deferred tax assets and deferred tax liabilities for presentation purposes only if the deferred tax assets and the deferred tax liabilities related to income taxes levied by the same tax authority on same tax payee.

(b) The Group does not have any profit distribution plan on its PRC subsidiaries to foreign investors, and intends to remain their retained earnings undistributed for daily operation and expansion of business in the PRC. Accordingly, no deferred income tax liability on withholding tax was accrued as at 31 December 2021 and 2020.

29 LEASES

(i) Amounts recognised in the balance sheet

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Right-of-use assets		
Properties (Note 15)	16,012	24,291
Lease liabilities		
Current	(10,850)	(9,722)
Non-current	(4,398)	(14,983)
	(15,248)	(24,705)

As at 31 December 2021 and 2020, right-of-use assets were included in property, plant and equipment in the consolidated balance sheet.

29 LEASES *(Continued)*

(ii) Amounts recognised in the consolidated statements of comprehensive income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of Right-of-use assets		
Properties (Note 15)	12,567	11,994
Interest expense (included in finance costs) (Note 11)	1,399	1,445
Expenses relating to short-term leases (included in selling and marketing expenses and administrative expenses) (Note 8)	187	929

The total cash outflow for leases for the years ended 31 December 2021 and 2020 is RMB15,331,000 and RMB14,087,000, respectively.

30 DIVIDENDS

No dividend has been declared by UNQ Supply Chain during the year ended 31 December 2021 (2020: nil). UNQ Supply Chain paid RMB nil to its shareholders during the year ended 31 December 2021 (2020: RMB2,055,000).

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 Board of Directors' meeting dated 24 March 2022, the Board of Directors 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.

31 CURRENT TAX LIABILITIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
CIT payables	7,649	35,094

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax	43,434	42,997
Adjustments for:		
– Depreciation of property, plant and equipment (Note 15)	18,960	15,906
– Amortization of intangible assets (Note 16)	226	230
– Allowance for impairment of trade and other receivables (Note 20)	1,018	5,914
– (Reversal)/provision for inventories (Note 18)	(12,101)	31,764
– Interests income on loans (Note 7)	(2,387)	(5,352)
– Net gains on disposal of non-current assets (Note 10)	(12)	(8)
– Fair value gains on financial assets at FVPL (Note 10)	(144)	(398)
– Gains from extinguishment of preferred shares (Note 10)	–	(3,054)
– Fair value changes of preferred shares (Note 24)	–	88,634
– Share of profits of associates and joint ventures (Note 14)	(6,381)	(9,286)
– Finance income (Note 11)	(1,170)	(565)
– Finance cost (Note 11)	27,558	22,761
	69,001	189,543
Changes in working capital:		
– Inventories	(111,208)	(289,909)
– Other current assets	(8,171)	(88,090)
– Trade and other receivables	(46,876)	(111,748)
– Restricted cash	(4,350)	1,631
– Contract liabilities	2,454	(488)
– Trade and other payables	18,080	(1,520)
	(81,070)	(300,581)

32 CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of net debt

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash and cash equivalents (Note 22)	442,085	252,334
Financial assets at FVPL (Note 21)	5,000	–
Lease liabilities (Note 29)	(15,248)	(24,705)
Borrowings from related parties (Note 35(d))	–	(13,142)
Borrowings – repayable within one year (Note 26)	(514,281)	(580,639)
Borrowings – repayable after one year (Note 26)	(67,333)	(42,305)
Net debt	(149,777)	(408,457)
Cash and liquid investments	447,085	252,334
Gross debt – borrowings	(581,614)	(636,086)
Gross debt – lease liabilities	(15,248)	(24,705)
Net debt	(149,777)	(408,457)

	Other assets		Liabilities from financing activities			
	Cash and cash equivalents RMB'000	Financial assets at FVPL RMB'000	Leases liabilities RMB'000	Borrowings from third parties RMB'000	Borrowings from related parties RMB'000	Total RMB'000
Net debt as at 1 January 2020	538,561	44,000	(18,480)	(345,280)	(139,650)	79,151
Cash flows	(268,284)	(44,398)	13,158	(282,292)	130,001	(451,815)
Foreign exchange differences	(17,943)	–	–	4,628	(1,773)	(15,088)
Other non-cash movements	–	398	(19,383)	–	(1,720)	(20,705)
Net debt as at 31 December 2020	252,334	–	(24,705)	(622,944)	(13,142)	(408,457)
Net debt as at 1 January 2021	252,334	–	(24,705)	(622,944)	(13,142)	(408,457)
Cash flows	190,694	4,856	15,144	12,382	12,998	236,074
Foreign exchange differences	(943)	–	–	28,948	144	28,149
Other non-cash movements	–	144	(5,687)	–	–	(5,543)
Net debt as at 31 December 2021	442,085	5,000	(15,248)	(581,614)	–	(149,777)

33 COMMITMENT

Lease commitments – as lessee

The Group leases staff dormitories under non-cancellable lease agreements with lease term less than 12 months. The majority of lease agreements are signed with third parties. The future aggregate minimum lease payments under non-cancellable short-term leases are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Up to 1 year	69	24

34 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

On 5 August 2020, UNQ Supply Chain purchased 2% equity interests of Route (Shanghai) Information Technology Co., Ltd. ("Route") from non-controlling interests shareholders at the consideration of RMB200,000. Upon the completion of the transaction, Route became a wholly owned subsidiary of UNQ Supply Chain. The Group recognised a decrease in non-controlling interests of RMB145,000 and a decrease in equity attributable to owners of the parent of RMB55,000. The effect on the equity attributable to the owners of UNQ Supply Chain during the year ended 31 December 2020 is summarized as follows:

	Route
	RMB'000
Consideration paid for the acquisition of non-controlling interests	200
Carrying amount of non-controlling interests	(145)
Amounts recognised in changes in the acquisition of non-controlling interests	55

35 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Mr. Wang Yong 王勇	The controlling shareholder of the Group
TCI トランスコスモス株式會社	Shareholder of the Group
Mr. Matsumoto Ryoji 松本良二	Director of the Company
UNQ International (HK) Limited 優趣匯國際香港有限公司	Joint venture of UNQ Supply Chain
Shanghai Xuyi	Associate of UNQ Supply Chain
Shanghai transcosmos Marketing Service Co., Ltd. (“TCC”) 上海特思爾大宇宙商務諮詢有限公司	Subsidiary controlled by TCI
Calbee E-commerce Limited 卡樂比電子商務股份有限公司	Associate of UNQ International (HK) Limited
Calbee (Hangzhou) Food Co., Ltd.(“Calbee Hangzhou”) 卡樂比(杭州)食品有限公司	Subsidiary of Calbee E-commerce Limited

The English name of the related parties represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

35 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Sales of goods and provision of services		
– Shanghai Xuyi	40,942	39,387
– Calbee E-commerce Limited	939	–
– TCC	–	1,285
– Calbee Hangzhou	–	451
	41,881	41,123
Purchase of goods and services		
– TCI	87,790	186,966
– Shanghai Xuyi	475	3,291
– TCC	–	1,735
	88,265	191,992
Lendings		
– Shanghai Xuyi (i)	123,200	36,200
Repayment of lendings		
– Shanghai Xuyi	186,400	36,200
Interest income		
– Shanghai Xuyi (i) (Note 7)	2,387	5,121
Repayment of borrowings		
– Mr. Matsumoto Ryoji (iii)	13,142	5,856
– TCI (ii)	2,473	124,145
	15,615	130,001
Compensation		
– Calbee Hangzhou	2,417	–
Interest expenses		
– TCI	115	2,679
– Mr. Matsumoto Ryoji (iii)	–	949
	115	3,628
Guarantee received		
– Mr. Matsumoto Ryoji (iv)	–	310,584
– TCI (v)	–	200,000
– Mr. Wang Yong (vi)	–	60,000
	–	570,584
Guarantee paid		
– TCI (Note 20)	–	51,330

35 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties *(Continued)*

(i) The lendings to Shanghai Xuyi were all due within one year at interest rate of from 4.35% to 8% per annum during the years ended 31 December 2021 and 2020.

(ii) The borrowing from TCI was due within one year at interest rate of 2% per annum. This borrowing was repaid in full on 30 January 2020.

(iii) The borrowings from Mr. Matsumoto Ryoji were due within one year, among which the principal of JPY170,000,000 with its interest has been extended during the year ended 31 December 2020, the average interest rate during the year ended 31 December 2020 was 6.87% per annum. The borrowings were repaid in full on 24 June 2021.

(iv) All guarantee provided by Mr. Matsumoto Ryoji over the borrowings were released in June 2021.

(v) All guarantee provided by TCI over the borrowings were released in June 2021.

(vi) All guarantee provided by Mr. Wang Yong over the borrowings were released in June 2021.

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

Other movement of transactions with related parties are all paid and received on behalf.

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 36 is set out below.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages and salaries	1,596	1,978
Bonuses	865	1,429
Contribution to pension scheme	90	6
Other social security costs, housing benefits and other employee benefits	159	162
	2,710	3,575

35 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balances with related parties

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables (Note 20)		
– Shanghai Xuyi	69,540	50,972
	69,540	50,972

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Other receivables (Note 20)		
Trade		
– Shanghai Xuyi	–	2,000
– TCI	1,588	1,380
Non-trade: Lendings		
– Shanghai Xuyi (i)	–	63,200
Non-trade: Counter-guarantee		
– TCI (ii)	–	49,324
	1,588	115,904
Trade payables (Note 27)		
– TCI	5,548	110,764
– Shanghai Xuyi	236	1,101
	5,784	111,865
Other payables (Note 27)		
Trade		
– TCI	300	123
Non-trade: Borrowings		
– Mr. Matsumoto Ryoji (iii)	–	13,142
Non-trade: Guarantee		
– TCI (iv)	–	2,350
	300	15,615

35 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balances with related parties *(Continued)*

(i) The lendings made by the Group to Shanghai Xuyi have been settled in June 2021.

(ii) The counter-guarantee held by TCI have been released in June 2021.

(iii) The borrowings from Mr. Matsumoto Ryoji of RMB13.1 million as at 31 December 2020 have been settled in June 2021.

(iv) The guarantee fee to be paid to TCI in relation to its provision of guarantee relating to the loans from banks, which have been settled on 20 January 2021.

36 DIRECTORS' BENEFITS AND INTERESTS

(a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2021 as follows:

	Director's fee RMB'000	Wages and salaries RMB'000	Bonuses RMB'000	Contribution to pension scheme RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
Executive Directors						
Mr. Wang Yong	–	1,282	400	57	73	1,812
Mr. Shen Yu	–	554	239	33	382	1,208
Mr. Matsumoto Ryoji	–	2,527	–	40	237	2,804
Non-executive Directors						
Mr. Nakayama Kokkei	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. NG Kam Wah Webster	90	–	–	–	–	90
Ms. Xin Honghua	90	–	–	–	–	90
Mr. Wei Hang	90	–	–	–	–	90
	270	4,363	639	130	692	6,094

36 DIRECTORS' BENEFITS AND INTERESTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2020 as follows:

	Director's fee RMB'000	Wages and salaries RMB'000	Bonuses RMB'000	Contribution to pension scheme RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
Executive Directors						
Mr. Wang Yong	–	823	800	4	64	1,691
Mr. Shen Yu	–	412	468	2	60	942
Mr. Matsumoto Ryoji	–	2,975	–	38	69	3,082
Non-executive Directors						
Mr. Nakayama Kokkei	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. NG Kam Wah Webster	–	–	–	–	–	–
Ms. Xin Honghua	–	–	–	–	–	–
Mr. Wei Hang	–	–	–	–	–	–
	–	4,210	1,268	44	193	5,715

37 BALANCE SHEET OF THE COMPANY

	As at 31 December	
	2021 RMB'000	2020 RMB'000
ASSETS		
Non-current assets		
Investment in a subsidiary	1,803,342	2,318,000
Total non-current assets	1,803,342	2,318,000
Current assets		
Trade and other receivables	268,047	–
Other current assets	–	9,226
Cash and cash equivalents	707	1
Total current assets	268,754	9,227
Total assets	2,072,096	2,327,227
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	14	–
Share premium	2,585,491	2,318,000
Other reserves	(4,204)	–
Accumulated losses	(558,601)	(30,840)
Total equity	2,022,700	2,287,160
LIABILITIES		
Current liabilities		
Trade and other payables	49,396	40,067
Total liabilities	49,396	40,067
Total equity and liabilities	2,072,096	2,327,227

The balance sheet of the Company was approved by the Board of Directors on 24 March 2022 and were signed on its behalf.

Wang Yong
Director

Shen Yu
Director

38 SUBSIDIARIES

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Company name	Place and date of incorporation establishment	Registered Capital (thousand)	Percentage of attributable equity interest As at 31 December 2021	2020	As at the date of this report	Principal activities and place of operation
Directly held						
E-Bloom Holdings	BVI, 5 November 2019	USD0.01	100%	100%	100%	Holding Company
Indirectly held						
UNQ Hong Kong Holdings	Hong Kong, 19 November 2019	HKD0.001	100%	100%	100%	Holding Company
UNQ Supply Chain*	The PRC, 17 October 2014	RMB1,352	100%	100%	100%	Sales of goods in the PRC
Shanghai Spot E-Commerce Co., Ltd. 上海思珀特電子商務有限公司**	The PRC, 4 June 2013	RMB5,000	100%	100%	100%	Sales of goods in the PRC
Hangzhou Spot E-commerce Co., Ltd.杭州思珀特電子商務有限公司**	The PRC, 19 November 2014	RMB5,000	100%	100%	100%	Sales of goods in the PRC
Shanghai Yikemai Business Consulting Co., Ltd.上海意可邁商務諮詢有限公司**	The PRC, 26 July 2012	RMB5,000	100%	100%	100%	Sales of goods in the PRC
Shanghai Fuli Culture Media Co., Ltd. 上海芙立文化傳媒有限公司**	The PRC, 28 November 2016	RMB5,000	100%	100%	100%	Brand marketing services in the PRC
U.Sun Trading (Shanghai) Co., Ltd. 妍晟貿易(上海)有限公司**	The PRC, 8 June 2017	RMB500	100%	100%	100%	Sales of goods in the PRC
UNQ Japan Co., Ltd.	Japan, 2 October 2014	JPY100,000	100%	100%	100%	Cross-border sales of goods
UNQ Hong Kong Limited 優趣匯香港有限公司	Hong Kong, 27 August 2015	USD500	100%	100%	100%	Cross-border sales of goods
UNQ (Shanghai) International Trading Co., Ltd.優趣匯(上海)國際貿易有限公司**	The PRC, 7 July 2016	RMB5,000	100%	100%	100%	Sales of goods in the PRC
Ningbo Spot International Trading Co., Ltd.寧波思珀特國際貿易有限公司**	The PRC, 26 December 2017	RMB5,000	100%	100%	100%	Sales of goods in the PRC
Route (Shanghai) Information Technology Co., Ltd.容異(上海)信息科技有限公司**	The PRC, 19 September 2018	RMB10,000	100%	100%	100%	IT services in the PRC

38 SUBSIDIARIES *(Continued)*

Company name	Place and date of incorporation establishment	Registered Capital (thousand)	Percentage of attributable equity interest As at 31 December 2021	2020	As at the date of this report	Principal activities and place of operation
Cankaoxian (Hangzhou) Culture Media Co., Ltd. 參考線(杭州)文化傳媒有限公司**	The PRC, 24 June 2019	RMB2,000	80%	80%	80%	Brand marketing services in the PRC
Shanghai Litun Culture Media Co., Ltd. 上海栗豚文化傳媒有限公司**	The PRC, 23 August 2019	RMB1,000	51%	51%	51%	Brand marketing services in the PRC
U.Sun (Hong Kong) Trading Co., Ltd. 妍晟(香港)貿易有限公司	Hong Kong, 24 September 2018	USD500	100%	100%	100%	Cross-border sales of goods
UNQ (Shanghai) Medical Appliance Co., Ltd. 優趣匯(上海)醫療器械有限公司**	The PRC, 29 November 2019	RMB10,000	100%	100%	100%	Sales of goods in the PRC
Bengbu Chengwang E-commerce Co., Ltd. 蚌埠橙往電子商務有限公司**	The PRC, 19 November 2019	RMB1,000	100%	100%	100%	Sales of goods in the PRC
Shanghai Yuyi Trading Co., Ltd. 上海妤驛貿易有限公司**	The PRC, 10 April 2019	RMB1,000	100%	100%	100%	Sales of goods in the PRC
Shanghai Pujian Brand Management Co., Ltd. 上海璞之間品牌管理有限公司**	The PRC, 20 January 2022	RMB5,000	N/A	N/A	60%	Sales of goods in the PRC

* The company is registered as a wholly foreign owned enterprise under PRC law.

** The company is registered as a limited liability company under PRC law.

39 SUBSEQUENT EVENTS

On 1 January 2022, according to a short-term revolving loan contract entered into between Shanghai Xuyi and Shanghai Huarui Bank for an amount of RMB60,000,000, UNQ Supply Chain transferred an amount of RMB61,100,000 cash as a margin pledge to Shanghai Huarui Bank with respect to such borrowings.

FOUR-YEAR FINANCIAL SUMMARY

	Year ended 31 December			
RMB'000	2018	2019	2020	2021
Revenue	2,540,961	2,781,719	2,800,846	**3,033,124**
Gross profit	616,345	803,462	888,114	**900,807**
Gross profit margin	24.3%	28.9%	31.7%	**29.7%**
Profit/(loss) for the year	57	(85,739)	(1,914)	**30,006**
Adjusted net profit (note 1)	112,281	139,374	106,717	**41,691**
Adjusted net profit margin (note 1)	4.4%	5.0%	3.8%	**1.4%**

	As at 31 December			
RMB'000	2018	2019	2020	2021
Monetary capital	156,159	582,561	252,334	**447,085**
Trade and other receivables	407,993	365,378	526,959	**435,054**
Inventory	412,059	400,317	659,361	**783,481**
Other assets (note 2)	195,319	216,846	354,821	**364,354**
Total assets	1,171,530	1,565,102	1,793,475	**2,029,974**
Borrowings (note 3)	328,994	345,280	622,944	**581,614**
Preferred shares	705,666	896,182	–	**–**
Trade and other payables	354,441	616,032	489,620	**528,503**
Other liabilities (note 2)	55,715	53,755	63,224	**28,776**
Total liabilities	1,444,816	1,911,249	1,175,788	**1,138,893**
Owners' equity	(273,286)	(346,147)	617,687	**891,081**
Gearing ratio (note 4)	(78.3%)	22.9%	66.1%	**16.8%**

Note:

1. We define "adjusted net profit (non-IFRS measure)" as loss or profit for the year/period by excluding impacts of (i) preferred shares, (ii) share-based compensation expenses, and (iii) listing expenses. Adjusted net profit (Non-IFRS measure) is not a measure required by, or presented in accordance with IFRS. This figure and the corresponding adjusted net profit margin are unaudited.

2. Other assets and other liabilities are not accounting items and refer to all other assets or liabilities other than the above-mentioned ones.

3. Borrowings include long-term borrowings, short-term borrowings and long-term borrowings due within one year.

4. Gearing ratio is 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.

“AGM”	the annual general meeting of the Company to be held on June 22, 2022;
“Articles of Association”	the articles of association of the Company (as amended from time to time) adopted on June 22, 2021, with effect from July 12, 2021;
“Audit Committee”	the audit committee of the Company;
“Auditor”	the auditor of the Company;
“Board”	the board of Directors of the Company;
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules;
“China” or “PRC”	the People’s Republic of China;
“Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as amended or supplemented or otherwise modified from time to time) of the Cayman Islands;
“Company”, “Our Company” or “the Company”	UNQ Holdings Limited (优趣汇控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on October 31, 2019;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Global Offering”	the Hong Kong public offering and the international offering of the Shares;
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time;
“HK$”	Hong Kong dollars, the lawful currency of Hong Kong;

DEFINITIONS

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Third Party(ies)"	any entity or person who, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"Nomination Committee"	the nomination committee of the Company;
"Prospectus"	the prospectus of the Company dated June 28, 2021;
"Relevant Period"	the period from the Listing Date to December 31, 2021;
"Remuneration Committee"	the remuneration committee of the Company;
"Reporting Period"	from January 1, 2021 to December 31, 2021;
"RMB"	Renminbi, the lawful currency of the PRC;
"Shareholder(s)"	holder(s) of Share(s);
"Share(s)"	ordinary shares in the capital of our Company with nominal value of HKD0.0001 each;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"TCI"	Transcosmos Inc. (大宇宙株式會社), a company incorporated under the laws of Japan, whose shares are listed on the Tokyo Stock Exchange under the stock code of 9715, and one of the controlling shareholders of our Company;
"%"	per cent.

优趣汇控股有限公司
UNQ HOLDINGS LIMITED