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

2022 Annual Report
年報

CONTENTS

COMPANY PROFILE

The Group is a leading brand e-commerce retail and wholesale solutions provider in China, strategically focusing 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 2022, due to influence from COVID-19 pandemic, the Group's sales revenue reached RMB2,379.0 million, representing a decrease of 21.6% 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 2022, the Group's sales revenue from general trade and cross-border e-commerce under the B2B model decreased by 20.1% and 9.1% respectively as compared with the same period of last year, while the Group's sales revenue from general trade and cross-border e-commerce under the B2C model decreased by 18.0% and 34.2% respectively as compared with the same period of last year, and the revenue under the service fee model decreased by 2.8% as compared with the same period of last year.

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.

CORPORATE INFORMATION

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

REGISTERED OFFICE

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

HEAD OFFICE

Room 2505, Guohua Life Finance Tower
No. 288 Xiangcheng 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 BANKERS

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

12 July 2021

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board and the management of UNQ, I would like to express sincerest thanks to all Shareholders for your continued support and trust.

There were tremendous challenges in the year 2022 for the e-commerce operation service industry. The rolling COVID-19 outbreak and the disrupted supply chain, economic downturn and declining consumption due to pandemic response measures have caused a considerable adverse impact on the industry. In face of intertwined challenges in the external environment, especially at the most crucial stage of the pandemic, the management adjusted business strategies in a timely manner and secured a stable operation toward long-term development. The Group, on one hand, made innovative efforts in marketing through digitalisation and further enhanced the refined operation with focus on core competitiveness, and on the other hand, concentrated on improving operating efficiency and adopted sustained and new measures to promote the sustainable and sound development of the Group.

STREAMLINING ORGANISATION AND OPTIMISING CASH FLOW FOR PRUDENT AND STABLE OPERATION

In order to cope with challenges in the external macro environment, maintain sufficient cash, reduce operating costs and enhance the resilience to risks, the Group conducted a series of "streamlining" programs in 2022 to ensure long-term stable operations, including:

1. Reducing purchase plans and significantly reducing inventory

As at 31 December 2022, the inventory of the Group amounted to RMB535.7 million, representing a year-on-year decrease of RMB247.8 million or 31.6%. The Group lost part of its gross profit due to price reduction and other measures adopted to reduce inventories, which also provided the Group with sufficient cash.

2. Sorting out and optimising brands

There were certain changes in business operations (including brand partners) during the three-year COVID-19 pandemic, so that the Group sorted out all brands and channels, negotiated to terminate brands where the Group recorded operating losses and brand partners were temporarily unable to increase marketing investment, and further optimised the cooperation conditions for sustained brands.

3. Reducing administrative expenses to reduce costs and increase efficiency

In 2022, the Group terminated some businesses which cannot gain profit in short term, streamlined some structures, and adopted a series of measures to reduce administrative costs, including merging offices and reducing office leases, thus effectively reducing costs and laying a foundation for enhancing efficiency.

4. Ensuring effective and sufficient operating cash

Due to a series of measures adopted by the Group including reducing inventory and administrative costs, cash flow from operating activities increased from a cash outflow of RMB124.7 million for the year ended 31 December 2021 to a cash inflow of RMB260.0 million for the year ended 31 December 2022.

In addition, the Group adopted 2022 restricted share unit scheme in 2022, optimised the performance assessment system, and made innovative efforts in employee incentives to implement a result-oriented incentive mechanism, which empowered the self-endeavor of employees and maintained a strong cohesion and an efficient fighting force despite severe external environment.

CONSTANTLY EMPOWERING BRANDS, OPTIMISING THE BRAND MATRIX AND INTRODUCE MORE HIGH-QUALITY PRODUCTS

In order to constantly empower brands in line with the concept of brand partners, the Group helped the Sofy Tmall flagship store achieve a year-on-year GMV increase of 9.9% on the Singles Day Promotion in 2022, marking a strong growth against the trend. Taisho, an OTC brand the Group operated, recorded a year-on-year increase of 46% in total sales in 2022. The Group helped Kobayashi Pharmaceutical achieve a GMV of over RMB100 million in Tmall Global in 2022 financial year. Relying on our experience in providing services for international brands over years as well as our full-link operation capability, the Group was honored a number of awards during the Reporting Period, including the 2022 Tmall Global Beloved Partner, the 2022 Tmall Global Best New Brand Incubation Partner, the 2022 Tmall Supermarket Platinum Supplier, and the "Excellent Companies in Digital Commerce" by Shanghai E-Commerce Association.

In order to continuously optimise the brand matrix and focus on high-quality products, the Group actively developed new brands and provided e-commerce operation services for ELEVATIONE, an Israeli high-end skincare brand, Hakase Beaute, a skincare brand of YA-MAN Group, and DERMAdoctor, a well-known American skincare brand, in 2022.

DRIVING BUSINESS DEVELOPMENT THROUGH DIGITALISATION, CONSOLIDATING CONTENT E-COMMERCE AND INCREASING EMERGING CHANNELS

In order to drive our business development through digitalisation and continuously enhance our refined operation capability, the Group has always been committed to providing our brand partners with targeted and more insightful e-commerce strategies in the course of our full-link services over years, so as to help brands realise the exact match of people, goods and place.

In addition to continuously consolidating the business of content e-commerce platforms such as Tmall and JD.com, we accelerated our investment in social e-commerce platforms such as TikTok and Pinduoduo. Therefore, the sales of the Group on TikTok and Pinduoduo recorded a year-on-year increase of 148% and 23% respectively in 2022.

In order to cater to consumers who like high-quality Japanese products and further tap into consumer needs, the Group continued to incubate and cultivate short video accounts and explore the construction of private domain ecology through mini programs, membership operation and community group, so as to reach and transform consumers from different dimensions.

OUTLOOK FOR 2023 AND FUTURE

We will stay true to our original aspiration, and forge ahead to cope with changes.

In line with the original aspiration since the inception of the Group, we will provide consumers with high-quality global products, and increase our investment in the general health industry including healthcare, functional food and OTC with broader market demand in the future, in a view to meeting the diverse needs of consumers.

In face of complicated and evolving external conditions in the future and more rational shopping mentality and consumption concepts of consumers, while consolidating the e-commerce operation business, we will strive to develop the own-brand business through jointly establishing brands, incubating our own brands, and investments and mergers and acquisitions.

Meanwhile, we will continue to enhance our omni-channel operation capabilities, promote our businesses on TikTok, Pinduoduo and other platforms, and speed up the construction of private domain ecology for targeted consumers, thus providing brands and consumers with integrated full-scenario operation services and consumption experience.

Although the journey ahead may be long and arduous, with sustained actions, we will eventually reach our destination and embrace a brighter future. We will firmly promote our medium and long-term strategic development, create better returns for Shareholders, and provide more value to the society.

WANG Yong
Chairman
Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

Revenue

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

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

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

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

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

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

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

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

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

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

Gross profit and gross profit margin

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

Gross profit and gross profit margin by product categories

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

Gross profit and gross profit margin by business model

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

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

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

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

OPERATING (LOSS)/PROFIT AND (LOSS)/EARNINGS PER SHARE

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

CAPITAL STRUCTURE

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

BANK AND OTHER BORROWINGS, CHARGES ON ASSETS

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

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

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

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

FUTURE PLANS OF MAJOR INVESTMENTS AND CAPITAL ASSETS

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

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

SIGNIFICANT INVESTMENTS HELD

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES AND REMUNERATION POLICY

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

FOREIGN EXCHANGE RISK

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

CONTINGENT LIABILITIES

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

SUBSEQUENT EVENTS

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

OUTLOOK

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

1. We will remain true to the original aspiration of establishing the Group, and continuously provide consumers with global high-quality goods; we will identify more high-quality goods in categories with large market demand in the future, such as beauty and big health, to meet the diversified needs of consumers;

2. We will continuously carry out meticulous operational management, improve the consumption conversion rate through digital empowerment and improve the overall gross profit margin of the Group by optimising the brand matrix and enhancing promotion efficiency. In addition, the Group will further control and optimise its inventory and increase operating cash;

3. We will increase our investment in platforms including TikTok and Pinduoduo, accelerate the construction of private domain for specific groups, and establish an omnichannel arrangement strategy; and

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. WANG Yong (王勇，"**Mr. WANG**"), aged 51, 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ジャパン株式会社) ("**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 50, 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 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 MOF. Mr. SHEN was recognised 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 recognised as "Excellent Competition Organiser" (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 59, 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 59, 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), an 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 senior executive officer (上席常務役員) and head of the China business division, 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 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 49, was appointed as an independent non-executive Director of the Company on June 28, 2021. Mr. NG has over 28 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, and is currently a Managing Director of AC CPA Limited.

Mr. NG assumes various positions in associations involving finance and auditing which primarily including Immediate Past President of the Taxation Institute of Hong Kong and Hong Kong Institute of Accredited Accounting Technicians, Vice President 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 the Justice of the Peace, 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).

Ms. NG has been appointed as an independent non-executive director, the chairman of the audit committee, a member of the nomination committee, a member of the remuneration and appraisal committee and a member of the risk and compliance committee of China Resources Cement Holdings Limited (stock code: 1313), whose issued shares are listed on the Main Board of the Stock Exchange, with effect from 29 June 2022.

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 has been appointed as a member of the inaugural Advisory Committee of the Accounting and Financial Reporting Council of Hong Kong for a term of two years with effect from August 1, 2022. 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 46, was appointed as an independent non-executive Director of the Company in June 2020 with effect from 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 45, was appointed as an independent non-executive Director of the Company in June 2020 with effect from 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 obtained an associate diploma in financial accounting (computerisation) from Zhejiang University (浙江大學) in Zhejiang Province, the PRC in June 2003 and a bachelor's degree 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 authorisation 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 (稅務師行業高端人才) by The China Certified Tax Agents Association (中國註冊稅務師協會) in December 2018, and qualification of Independent Director (獨立董事資格) by the Shanghai Stock Exchange in September 2018.

SENIOR MANAGEMENT

Ms. CHEN Weiwei (陳偉偉，“**Ms. CHEN**”), aged 39, 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.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

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 37 to the consolidated financial statements.

RESULTS

The Group's results for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income on page 57 to page 58 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 31 December 2022, the aggregate sales to the Group's five largest customers accounted for 43.9% of the Group's total revenue (2021: 41.0%), while the aggregate sales to the Group's largest single customer accounted for 32.0% of the Group's revenue (2021: 29.7%).

For the year ended 31 December 2022, the aggregate sales to the Group's five largest suppliers accounted for 80.7% of the Group's total cost of purchase (2021: 73.8%), while the aggregate sales to the Group's largest single supplier accounted for 45.0% of the Group's total cost of purchase (2021: 38.2%).

During the year ended 31 December 2022, 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.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 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 five financial years are set out on page 142 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 31 December 2022 are set out in note 25 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. A variety of financial risk factors affects the Group's activities are set out in Note 3 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, namely:

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2022 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 31 December 2022 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 31 December 2022, or subsisted at the end of the year.

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2022 are set out in note 24 to the consolidated financial statements and the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution amounted to nil (2021: 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 Reporting Period.

DONATIONS

During the year ended 31 December 2022, the Company made charitable contributions and other donations of RMB142,896 (2021: RMB10,579).

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. NAKAYAMA Kokkei and Mr. NG Kam Wah Webster 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 during the Reporting Period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on page 15 to page 20 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 have 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 31 December 2022, the Group had a total of 421 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 31 December 2022 are set out in note 9 and note 35 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 31 December 2022, 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 the Shares:

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, 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 31 December 2022, 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 31 December 2022, 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 31 December 2022, 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.

2022 RESTRICTED SHARE UNIT SCHEME

The Company adopted the 2022 Restricted Share Unit Scheme with effect from 22 June 2022 (the "**Adoption Date**"). The following is a summary of the principal terms of the 2022 RSU Scheme:

Purposes

The purposes of the 2022 RSU Scheme are to recognise and reward Participants for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them to remain with and further promote the success of the Group's business.

Who May Join

The participants of the 2022 RSU Scheme shall be full-time employees (including Directors, members of the management team and other employees) of the Group.

Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to the terms of the 2022 RSU Scheme, the 2022 RSU Scheme shall be valid and effective for a period of 5 years commencing on the Adoption Date, after which no awards will be granted, but the provisions of the 2022 RSU Scheme shall in all other respects remain in full force and effect and the Awards granted during the term of the 2022 RSU Scheme may continue to be valid and exercisable in accordance with their respective terms of grant. The remaining life of the 2022 RSU Scheme is 4 years and 2 months.

Maximum Number of Shares

The maximum number of underlying Shares in respect of which the Award may be granted under the 2022 RSU Scheme shall not exceed 5,475,525 Shares (excluding Awards that have lapsed or been cancelled in accordance with the rules of the 2022 RSU Scheme), which represents approximately 3.3% of the total issued Shares as at this annual report. The maximum number of underlying Shares in respect of which Award may be granted to a selected Participant under the 2022 RSU Scheme, at any time or in aggregate shall not exceed 1% of the total issued Shares as at the Adoption Date (excluding Awards that have lapsed or been cancelled in accordance with the rules of the 2022 RSU Scheme).

No Award shall be granted pursuant to the 2022 RSU Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares underlying all grants made pursuant to the 2022 RSU Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the 2022 RSU Scheme) will exceed 1,825,175 Shares, which represents approximately 1.1% of the total issued Shares as of the Adoption Date (the "**RSU Mandate Limit**").

The RSU Mandate Limit may be refreshed from time to time subject to prior approval of the Shareholders, but in any event, the total number of Shares that may underlie the Awards granted following the date of approval of the refreshed limit (the "**New Approval Date**") as refreshed from time to time must not exceed 1,825,175 Shares, representing approximately 1.1% of the total issued Shares as at the Adoption Date.

To the extent that the Company may, during the Relevant Period (as defined below), grant RSUs pursuant to the 2022 RSU Scheme which may be satisfied by the Company allotting and issuing new Shares upon the vesting of the RSUs, the Company shall at its general meeting propose for the Shareholders to consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

(i) the maximum number of new Shares that may underlie RSUs granted pursuant to the 2022 RSU Scheme during the Relevant Period; and

(ii) that the Board has the power to allot and issue Shares, procure the transfer of Shares and otherwise deal with Shares pursuant to the vesting of RSUs that are granted pursuant to the 2022 RSU Scheme during the Relevant Period as and when the RSUs vest.

The above mandate shall remain in effect during the period commencing from the date of the general meeting at which the ordinary resolution granting the mandate is passed until the earliest of (the "**Relevant Period**"):

(a) the conclusion of the first annual general meeting of the Company following the passing of the above resolution;

(b) the end of the period within which the Company is required by any applicable laws or by the memorandum and articles of association of the Company to hold the next annual general meeting of the Company; and

(c) the date on which such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

Administration

The 2022 RSU Scheme shall be subject to the administration of the Administrator (the "**Administrator**"), being the Board or a committee comprising of certain members appointed by the Board from time to time, in accordance with the terms and conditions of the 2022 RSU Scheme. The Administrator may, from time to time, select the Participants to whom the awards may be granted.

The Administrator shall have the sole and absolute right to (a) interpret and construe the provisions of the 2022 RSU Scheme, (b) determine the persons who will be granted Awards under the 2022 RSU Scheme, the terms and conditions on which Awards are granted and when the RSUs granted pursuant to the 2022 RSU Scheme may vest, (c) make such appropriate and equitable adjustments to the terms of the Awards granted under the 2022 RSU Scheme as it deems necessary; and (d) make such other decisions or determinations as it shall deem appropriate or desirable in respect of the foregoing (a), (b) and (c). All the decisions, determinations and interpretations made by the Administrator in accordance with the 2022 RSU Scheme shall be final, conclusive and binding on all parties.

The consideration (if any) payable by a selected Participant to the Trustee for acceptance of the Award under the 2022 RSU Scheme shall be determined at the sole and absolute discretion of the Administrator.

During the year ended 31 December 2022, the Company did not grant any Award under the 2022 RSU Scheme.

The 2022 RSU Scheme did not constitute a share scheme under Chapter 17 of the Listing Rules and will be amended as required by the Chapter 17 of the Listing Rules in due course.

NON-COMPETITION UNDERTAKING

To minimise the potential conflict between TCI's operations in China and the Company's principal businesses, TCI executed a deed of undertaking in favor of the Company on 23 June 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 TCI, the independent non-executive Directors have reviewed the implementation of the Deed of Referral Undertaking for the year ended 31 December 2022 and are satisfied that TCI has complied with the Deed of Referral Undertaking.

CONTINUING CONNECTED TRANSACTIONS

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

Products Procurement Framework Agreement

The Company entered into a framework agreement (the "**Products Procurement Framework Agreement**") with TCI on 23 June 2021, pursuant to which, the Group agrees to purchase, and 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 expired on 31 December 2022 and the parties renewed the Products Procurement Framework Agreement by entering into the new products procurement framework agreement on 31 October 2022. 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 and the announcement of the Company dated 31 October 2022.

Reasons for the Transactions

In connection with the Company's procurement of the Unicharm branded products from TCI, 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 11 November 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 optimises 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 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 TCI's costs of purchasing relevant products. In terms of similar products, the Company has compared quotations from 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 TCI in respect of the transactions contemplated thereunder for the two years ended 31 December 2021 and 2022 shall not exceed RMB246 million and RMB346 million respectively. During the Reporting Period, the consideration paid by the Group to TCI in respect of the transactions contemplated under the Products Procurement Framework Agreement was approximately RMB76.63 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 31 December 2022 as set out above and stated that:

(1) the foresaid continuing connected transactions had 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.

Save as disclosed above the remaining related party transactions of the Group as disclosed in note 34 to the consolidated financial statements 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 annual 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 31 December 2022 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 "CONTINUING 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 31 December 2022 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 31 December 2022 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 31 December 2022, 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 31 December 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, during the year ended 31 December 2022, 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 31 December 2022 and as at the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2022, the Company did not have any material acquisition and disposal of subsidiaries, associates and joint venture.

SUBSEQUENT EVENTS

After 31 December 2022 and up to this annual report, the Group did not have any material subsequent events.

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 31 December 2022.

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. The Company hasn't changed the auditor since the Listing Date.

ENVIRONMENTAL POLICIES

The Group recognises the importance of protecting the environment, adheres to low-carbon development and green operation and strives to minimise the impact to the environment by reducing use of energies and other resources. Details of the Company's environmental policies and performance will be disclosed in the "Environmental, Social and Governance Report" of the Company which will be published on the websites of the Company and the Stock Exchange together with this annual report.

For and on behalf of the Board
WANG Yong
Chairman

Hong Kong, 30 March 2023

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 Reporting 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 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 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

Culture

The Group is committed to developing a positive corporate culture that is built on its vision of "Serve as home to quality and interesting products and a guide to a healthy and beautiful life" and core value of "Innovation, Efficiency, Simplicity and Happiness", to allow its employees to meet their full potential, and that enables the Company to deliver long-term sustainable growth and success. More information about the Group's vision and core values are available on the Group's website ("About UNQ" section).

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 year ended 31 December 2022, 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 organisations 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. The Company had targeted to achieve and had achieved one female Director and considers that the current gender diversity on its Board is satisfactory. In recognising the particular importance of gender diversity, we confirm that the Nomination Committee will continuously 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 45 to 59 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.

The Company values gender diversity and will continue to take steps to promote gender diversity at all levels of the Company, in particular at the Board level. In addition, the Company is committed to providing career development and training opportunities for its staff who it considers have the suitable experience, skills and knowledge with an aim to promote them to senior management or Directors. The Company will also ensure that there is gender diversity in staff recruitment at mid to senior levels so as to develop a pipeline of potential successors to the Board. As at 31 December 2022, the female employees took approximately 73.4% of the total employees (including senior management)of the Group. The Group is of the view that, taking into account of the Group's business model and specific needs, the gender diversity in respect of the current composition of the work force is satisfactory.

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 31 December 2022:

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	√

Note: (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 have 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 Board has adopted mechanisms to ensure independent views and input are available to the Board. The Company is committed to ensuring that all Directors will be given equal opportunity and channels to communicate and express their independent views and inputs to the Board and the Board Committees. All Directors may seek further information and documentation from the management on the matters to be discussed at Board meetings. They may also seek assistance from the joint company secretaries of the Company and independent advice from external professional advisers at the Company's expense.

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 year ended 31 December 2022, the Board held four Board meetings and two general meetings. The attendance of individual Directors at the Board meetings and general meetings is as follows:

Directors	Number of Board meetings attended/ number of Board meetings requiring attendance	Number of general meetings attended/ number of general meetings requiring attendance
Mr. WANG Yong	4/4	2/2
Mr. SHEN Yu	4/4	2/2
Mr. MATSUMOTO Ryoji	4/4	1/2
Mr. NAKAYAMA Kokkei	4/4	0/2
Mr. NG Kam Wah Webster	4/4	1/2
Mr. WEI Hang	4/4	1/2
Ms. XIN Honghua	4/4	1/2

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 year ended 31 December 2022.

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 year ended 31 December 2022, the Audit Committee held 2 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 year ended 31 December 2022 includes:

- to review the annual results of the Group for the year ended 31 December 2021 and 2021 annual report;
- to review the interim results of the Group for six months ended 30 June 2022 and 2022 interim report;
- to review the Company's financial reporting systems, compliance procedures, internal control, risk management systems and procedures, continuing connected transactions and the re-appointment of external auditors; and
- to review the Company's ESG work.

Remuneration Committee

The Company established the Remuneration Committee which consists of two independent non-executive Directors, being Mr. WEI Hang and Ms. XIN Honghua, and one executive Director, being 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;
3. to determine remuneration packages of all executive Directors and senior management according to the authorisation of the Board; and
4. to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2022, the Remuneration Committee held 2 meetings. The table below sets out the attendance of each member of the Remuneration Committee at the meetings:

Directors	Number of meetings requiring attendance	Number of meetings attended
Mr. WEI Hang	2	2
Ms. XIN Honghua	2	2
Mr. WANG Yong	2	2

The Remuneration Committee's major work during the year ended 31 December 2022 includes:

- to review the remuneration policy and structure of the Directors and senior management;
- to make recommendations to the Board regarding the remuneration package of Directors and senior management;
- to make recommendation to the Board regarding the 2022 RSU Scheme; and
- to review and/or approve matters relating to the 2022 RSU Scheme.

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 year ended 31 December 2022, the Nomination Committee held 1 meeting. The table below sets out the attendance of each member of the Nomination Committee at the meeting:

Directors	Number of meeting requiring attendance	Number of meeting 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 year ended 31 December 2022 includes:

- to review the structure, size, diversity and composition of the Board;
- to review the Board Diversity Policy; and
- to consider the re-election of retiring Directors.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors for the year ended 31 December 2022 are set out in note 35 to the consolidated financial statements. Details of the remuneration by band of the Directors and senior management of the Company, whose biographies are set out in the section headed "Directors and Senior Management" of this annual report, for the year ended 31 December 2022 are set out below:

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities 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 51 to 56 of this annual report. In preparing the financial statements for the year ended 31 December 2022, 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 organisational arrangements with clear responsibilities and authorisation 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. The risk management organisational structure of the Company consists of three levels: supervision level, operation level, and management level. The Board and the Audit Committee, which belong to the supervision level, are the highest decision-making bodies of the Company's risk management system, and the Board shall take ultimate responsibility for the sound and effective implementation of the Company's risk management systems and be responsible for reviewing their effectiveness. All departments of the Company are at the operation level and responsible for the execution of day-to-day risk management tasks. The management team of the Company is at the management level, and continuously monitors the scope and quality of risk management tasks. 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 Group has established an Internal Audit Department, which 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. In addition, the Internal Audit Department will conduct project audits on specific issues according to the operation and business needs, and initiate fraud investigation after a tip-off is received.

During the year ended 31 December 2022 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 2022, 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 systems of the Group for the year ended 31 December 2022, 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 Board and the Audit Committee review the effectiveness of the Company's risk management and internal monitoring system every half year.

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 AUDITOR'S REMUNERATION

The approximate remuneration for the audit and non-audit services provided by the auditor to the Company during the year ended 31 December 2022 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)	915,000
Total	3,295,000

JOINT COMPANY SECRETARIES

Mr. SHEN Yu ("**Mr. SHEN**") was appointed as our joint company secretary of the Company on 28 June 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 of the Company 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 during the Reporting Period 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 recognises the importance of timely and non-selective disclosure of information of the Company, 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 of the Company to answer Shareholders' questions. The auditor of the Company will also attend the annual general meetings of the Company 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. The Board maintains an on-going dialogue with the Shareholders and the investors such that the Shareholders can exercise their rights in an informed manner, and they and the investors can engage actively with the Group. Shareholders may communicate their views through the various channels as more particularly set out in the below section "Enquiries to the Board". The Board has reviewed the Group's shareholders and investors engagement and communication activities conducted in 2022 and was satisfied with the implementation and effectiveness of the shareholders communication policy.

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 of the Company.

All resolutions put forward at general meetings of the Company 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. The Company will endeavor to respond to their queries in a timely manner. Shareholders may also make enquiries with the Directors at general meetings of the Company.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, there was no change 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.

INDEPENDENT AUDITOR'S 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 57 to 141, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 2022, 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 2.19, Note 4(a) and Note 6 to the consolidated financial statements relating to revenue. For the year ended 31 December 2022, revenue recognised amounted to approximately RMB2,379,014,000. 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 RMB1,176,588,000 and RMB1,177,313,000, respectively for the year ended 31 December 2022. 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 2.22 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 30 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	6	**2,379,014**	3,033,124
Cost of revenue	6, 8	**(1,809,852)**	(2,132,317)
Gross profit		**569,162**	900,807
Selling and marketing expenses	8	**(590,395)**	(764,213)
General and administrative expenses	8	**(84,136)**	(80,815)
Research and development expenses	8	**(4,815)**	(6,531)
Net impairment losses on financial assets	20	**(206)**	(1,018)
Other income	7	**13,000**	14,816
Other (losses)/gains – net	10	**(25,082)**	395
Operating (loss)/profit		**(122,472)**	63,441
Finance income	11	**867**	1,170
Finance costs	11	**(18,609)**	(27,558)
Finance costs – net		**(17,742)**	(26,388)
Share of net profit of associates and joint ventures accounted for using the equity method	14	**4,639**	6,381
(Loss)/profit before income tax		**(135,575)**	43,434
Income tax credit/(expenses)	12	**18,736**	(13,428)
(Loss)/profit for the year		**(116,839)**	30,006
Attributable to:			
– Owners of the Company		**(117,919)**	30,477
– Non-controlling interests		**1,080**	(471)
		(116,839)	30,006

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Other comprehensive income/(losses)			
Items that may be reclassified to profit or loss			
Share of other comprehensive losses of joint ventures accounted for using the equity method	*14*	**(1,079)**	(749)
Exchange differences on translation of foreign operations		**32,231**	(23,328)
Total other comprehensive income/(losses)		**31,152**	(24,077)
Total comprehensive (losses)/income for the year		**(85,687)**	5,929
Attributable to:			
– Owners of the Company		**(86,767)**	6,400
– Non-controlling interests		**1,080**	(471)
		(85,687)	5,929
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
– Basic and diluted (loss)/earnings per share	*13*	**(0.71)**	0.20

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**20,096**	25,005
Intangible assets	*16*	**1,679**	1,905
Deferred tax assets	*27*	**55,320**	28,951
Investments accounted for using the equity method	*14*	**15,909**	29,631
Other receivables	*20*	**1,791**	–
Total non-current assets		**94,795**	85,492
Current assets			
Inventories	*18*	**535,652**	783,481
Trade and other receivables	*20*	**490,856**	435,054
Other current assets	*19*	**162,642**	271,312
Financial assets measured at fair value through profit or loss	*21*	**–**	5,000
Derivative financial instruments	*10*	**1,220**	–
Restricted cash	*22*	**62,762**	7,550
Cash and cash equivalents	*22*	**417,642**	442,085
Total current assets		**1,670,774**	1,944,482
Total assets		**1,765,569**	2,029,974
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*23*	**14**	14
Share premium	*23*	**2,542,930**	2,585,491
Other reserves	*24*	**(1,474,665)**	(1,505,516)
Accumulated losses		**(305,312)**	(187,393)
		762,967	892,596
Non-controlling interests		**166**	(1,515)
Total equity		**763,133**	891,081

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*25*	**50,933**	67,333
Lease liabilities	*28*	**11,029**	4,398
Total non-current liabilities		**61,962**	71,731
Current liabilities			
Contract liabilities	*6(a)*	**2,829**	5,879
Trade and other payables	*26*	**530,853**	528,503
Lease liabilities	*28*	**5,831**	10,850
Current tax liabilities	*30*	**15,159**	7,649
Derivative financial instruments	*10*	**1,497**	–
Borrowings	*25*	**384,305**	514,281
Total current liabilities		**940,474**	1,067,162
Total liabilities		**1,002,436**	1,138,893
Total equity and liabilities		**1,765,569**	2,029,974

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

The consolidated financial statements on pages 57 to 141 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Wang Yong
Director

Shen Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 23)	Other reserves RMB'000 (Note 24)	Accumulated losses RMB'000	Total RMB'000	Non-con-trolling interests RMB'000	Total equity/ (deficits) RMB'000
		Attributable to owners of the Company						
At 1 January 2021		–	2,318,000	(1,481,399)	(217,870)	618,731	(1,044)	617,687
Comprehensive income/(losses)								
Profit/(loss) for the year		–	–	–	30,477	30,477	(471)	30,006
Other comprehensive losses	24	–	–	(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	24	–	–	(40)	–	(40)	–	(40)
At 31 December 2021		14	2,585,491	(1,505,516)	(187,393)	892,596	(1,515)	891,081
At 1 January 2022		**14**	**2,585,491**	**(1,505,516)**	**(187,393)**	**892,596**	**(1,515)**	**891,081**
Comprehensive (losses)/income								
(Loss)/profit for the year		**–**	**–**	**–**	**(117,919)**	**(117,919)**	**1,080**	**(116,839)**
Other comprehensive losses	24	**–**	**–**	**31,152**	**–**	**31,152**	**–**	**31,152**
Transactions with owners:								
Dividends declared to shareholders of the Company	23	**–**	**(42,561)**	**–**	**–**	**(42,561)**	**–**	**(42,561)**
Acquisition of non-controlling interests	33	**–**	**–**	**(301)**	**–**	**(301)**	**301**	**–**
Contribution from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**300**	**300**
At 31 December 2022		**14**	**2,542,930**	**(1,474,665)**	**(305,312)**	**762,967**	**166**	**763,133**

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 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*31(a)*	**252,144**	(81,070)
Interest received		**867**	1,170
Income tax received/(paid)		**7,016**	(44,849)
Net cash generated from/(used in) operating activities		**260,027**	(124,749)
Cash flows from investing activities			
Purchases of property, plant and equipment	*15*	**(347)**	(4,079)
Purchases of intangible assets	*16*	**–**	(209)
Proceeds from disposal of property, plant and equipment		**628**	14
Acquisition of financial assets at FVPL	*21*	**(87,900)**	(208,000)
Proceeds from disposal of financial assets at FVPL and investment income	*21*	**93,050**	203,144
Loans to related parties	*34(b)*	**(50,000)**	(123,200)
Loans to third parties		**(3,587)**	–
Dividends from joint ventures and associates	*14*	**17,282**	–
Increased restricted cash for guarantee provided to related parties	*22(b),34(b)*	**(50,000)**	–
Repayment of loans by related parties	*34(b)*	**–**	186,400
Repayment of loans by third parties		**–**	4,245
Interest income on loans		**–**	2,387
Net cash (used in)/generated from investing activities		**(80,874)**	60,702

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Proceeds from borrowings from third parties	*31(b)*	**989,353**	1,824,099
Proceeds received under a letter of credit arrangement	*31(b)*	**50,000**	–
Repayment of borrowings to third parties	*31(b)*	**(1,173,437)**	(1,836,481)
Repayment of borrowings to related parties	*31(b), 34(b)*	**–**	(12,998)
Interest paid		**(15,340)**	(26,576)
Dividends paid to shareholders of the Company	*29*	**(42,561)**	–
Payments of lease liabilities	*31(b)*	**(11,431)**	(15,144)
Contributions from non-controlling interests		**300**	–
Distribution to shareholders	*24*	**–**	(40)
Payment of listing expenses		**–**	(1,997)
Issuance of ordinary shares		**–**	274,554
Repayment of guarantees for borrowings		**–**	49,324
Net cash (used in)/generated from financing activities		**(203,116)**	254,741
Net (decrease)/increase in cash and cash equivalents		**(23,963)**	190,694
Cash and cash equivalents at beginning of year		**442,085**	252,334
Effect on exchange rate difference		**(480)**	(943)
Cash and cash equivalents at end of year	*22*	**417,642**	442,085

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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; (iii) the provision of digital marketing services in the People's Republic of China (the "**PRC**").

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

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

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

2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Historical cost convention

The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, 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 2022:

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

The Group also elected to adopt the following amendments early:

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

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

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 2022, are as follows:

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendment to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendment to IFRS 16	Leases on sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 Group in the current or future reporting periods and on foreseeable future transactions.

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 de-consolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of combination and equity accounting (Continued)

2.2.1 Subsidiaries (Continued)

Consolidation (Continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of combination and equity accounting (Continued)

2.2.1 Subsidiaries (Continued)

Consolidation (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised 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.

2.2.2 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of combination and equity accounting (Continued)

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.

Unrealised 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. Unrealised 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).

2.2.5 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of combination and equity accounting (Continued)

2.2.5 Changes in ownership interests (Continued)

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 capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised 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 amortised 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:

- Amortised 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 amortised 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 amortised 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)

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in Other gains/(losses).

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.3 Measurement (Continued)

Derecognition (Continued)

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.

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 realise the asset and settle the liability simultaneously.

2.10 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 receivables are generally due for settlement within 90 days after acceptance of delivery. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 amortised 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.

2.12 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 amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised 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 capitalised as a prepayment for liquidity services and amortised 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.

2.16 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.

2.16.1 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

2.16.2 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 realised 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 utilise 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 realise 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.

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(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 organised 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.

The Group also participates in a pension scheme under the rules and regulations of Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all its qualifying employees in Hong Kong. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the MPF Scheme vest immediately.

(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.

2.18 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions (Continued)

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.

2.19 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.

2.19.1 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

2.19.1 Sales of goods (Continued)

B2B Model (Continued)

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 authorised 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 amortisation period of the asset is less than one year.

2.19.2 Provision of services

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

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. 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 online operating services and digital marketing services are 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 and digital marketing services are classified as cost of revenue in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

2.19.3 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.

2.20 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.

2.21 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)

2.21 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 amortisation 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)

2.22 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.

2.23 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.

2.24 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.

2.25 Research and development expenses

Research and development expenses are recognised as expenses as incurred. Costs incurred on development projects are capitalised 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 capitalised as intangible assets during the years ended 31 December 2022 and 2021.

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 minimise 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.

Exposure

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 2022				
	USD	JPY	RMB	HKD	AUD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalent	38,416	8,638	20,481	13,226	12
Trade receivables	394	12,476	42,435	66	–
Borrowings	–	–	–	(144,156)	–
Trade payables	–	(75,902)	–	–	–

	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)	–	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

Foreign exchange risk (Continued)

Exposure (Continued)

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Net foreign exchange losses included in other (losses)/gains	**(23,596)**	(257)
Exchange losses on foreign currency borrowing included in finance costs	**(3,408)**	–
Total net foreign exchange losses recognised in (loss)/profit before income tax for the period	**(27,004)**	(257)

Instruments used by the Group

The Group had entered into currency swaps in relation to foreign currency borrowing repayment for the next 12 months that did not satisfy the requirements for hedge accounting. The currency swaps were accounted for derivative financial instruments, with fair value gains/(losses) recognised in profit or loss (Note 10).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

Foreign exchange risk (Continued)

Instruments used by the Group (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	
	2022	2021
	RMB'000	RMB'000
USD	**1,411**	190
JPY	**(2,293)**	1,193
RMB	**2,466**	628
HKD	**(4,851)**	88
AUD	**1**	223
	(3,266)	2,322

A 5 percent weakening of the RMB against the above currencies at 31 December 2022 and 2021 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 and liabilities carried at FVPL. Therefore, the Group's interest rate risk mainly arises from bank borrowings, cash and cash equivalents and financial assets and liabilities 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 and liabilities 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 2022 and 2021. 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 2022 and 2021.

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 2022					
Non-derivatives					
– Trade and other payables (excluding accrued payroll and other taxes payable)	499,399	–	–	–	499,399
– Borrowings – principal	384,305	8,365	37,512	5,056	435,238
– Borrowings – interest	4,796	273	433	44	5,546
– Lease liabilities (including interest payments)	6,345	6,461	4,912	–	17,718
Total non-derivatives	894,845	15,099	42,857	5,100	957,901
Derivatives					
– Derivative financial instruments	1,497	–	–	–	1,497
As at 31 December 2021					
Non-derivatives					
– 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
Total non-derivatives	1,027,348	19,685	45,145	7,663	1,099,841

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 balance sheet) less cash and cash equivalents, and liquid investment which are financial assets held at fair value through profit or loss. 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 2022 and 2021 of the Group were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Net debt *(Note 31(b))*	**34,456**	149,777
Total equity	**763,133**	891,081
Gearing ratio	**5%**	17%

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised 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 2022				
Assets				
– Derivative financial instruments	–	1,220	–	1,220
Liabilities				
– Derivative financial instruments	–	(1,497)	–	(1,497)

	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

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

The Group's derivative financial instruments included currency swaps, fair value of which are estimated based on observable market data (level 2).

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 2022 and 2021.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2022 (2021: nil).

The changes in level 3 instruments for the years ended 31 December 2022 and 2021 are described in Note 21.

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, derivative financial instruments and financial liabilities, including borrowings, lease liabilities, trade payables, other payables, derivative financial instruments, 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 realisable 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 realisable 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 utilised. 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 2022 and 2021.

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

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 2022 and 2021 is as follows:

		Year ended 31 December			
		2022		2021	
	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	1,176,588	1,083,839	1,410,136	1,219,054
– B2C	at a point in time	1,177,313	707,422	1,597,140	895,920
Provision of services	over time	25,113	18,591	25,848	17,343
		2,379,014	1,809,852	3,033,124	2,132,317

6 REVENUE AND COST OF REVENUE (Continued)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Customer A	**760,325**	899,446

(a) Contract liabilities

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities		
– Third parties	**2,829**	5,879

Contract liabilities generated from the following revenue categories:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of goods		
– B2B	**2,829**	5,366
– B2C	**–**	–
Provision of services	**–**	513
	2,829	5,879

(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.

6 REVENUE AND COST OF REVENUE (Continued)

(a) Contract liabilities (Continued)

(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	
	2022	2021
	RMB'000	RMB'000
Sales of goods		
– B2B	**5,366**	2,972
Provision of services	**513**	11
	5,879	2,983

(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 2022 and 2021, commission paid to Platforms, which are considered as incremental costs of obtaining a contract, are expenses as incurred because the amortisation period of the asset is less than one year.

7 OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants (a)	13,000	12,429
Interests on loans to related parties *(Note 34(b))*	–	2,387
	13,000	14,816

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

8 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of goods sold	1,782,892	2,127,075
Sales and marketing expenses	276,912	336,717
Warehousing and logistic expenses	229,562	308,427
Employee benefit expenses *(Note 9)*	135,173	163,694
Depreciation and amortisation charges *(Note 15,16)*	17,266	19,186
Inventory loss	15,883	–
Provision/(reversal) for inventories *(Note 18)*	8,369	(12,101)
Professional service fee	7,872	5,274
Office expenses	5,124	6,700
Taxes and surcharges	2,374	3,689
Travel expenses	2,253	3,510
Bank and other payment channel expenses	1,213	2,079
Auditors' remuneration		
– Audit services	2,380	2,380
– Non-audit service	915	980
Listing expenses	–	11,685
Others	1,010	4,581
	2,489,198	2,983,876

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and other benefits	**88,917**	119,509
Pension costs – defined contribution plans (a)	**9,704**	11,561
Bonuses	**15,019**	13,253
Social insurance expenses	**7,628**	8,237
Housing benefits	**6,492**	7,534
Termination benefits	**7,413**	3,600
	135,173	163,694

(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 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 3 (2021: 3) directors whose emoluments are reflected in the analysis shown in Note 35.

The emoluments to the remaining 2 (2021: 2) individuals during the year are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**1,560**	1,596
Termination benefits	**1,000**	–
Bonuses	**570**	865
Contribution to pension scheme	**98**	90
Other social security costs, housing benefits and other employee benefits	**148**	159
	3,376	2,710

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended 31 December 2022	2021
Emolument bands (in RMB)		
Nil–1,000,000	–	–
1,000,001–1,500,000	1	2
1,500,001–2,000,000	1	–
More than 2,000,000	–	–
	2	2

10 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Net foreign exchange losses	(23,596)	(257)
Net fair value losses on derivative financial instruments (a)	(277)	–
Net (losses)/gains on disposal of property, plant and equipment	(173)	12
Fair value gains on financial assets at FVPL *(Note 21)*	150	144
Others	(1,186)	496
	(25,082)	395

(a) The Group has the following derivative financial instruments:

	As at 31 December 2022 RMB'000	2021 RMB'000
Current assets		
– Currency swap	1,220	–
Current liabilities		
– Currency swap	1,497	–

11 FINANCE COSTS – NET

(a) Finance income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Bank interest income	**867**	1,170

(b) Finance costs

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expense on borrowings	**(14,743)**	(26,159)
Interest expense on lease liabilities *(Note 28)*	**(458)**	(1,399)
Net exchange losses on foreign currency borrowings	**(3,408)**	–
	(18,609)	(27,558)

12 INCOME TAX (CREDIT)/EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	**7,914**	17,020
Deferred income tax *(Note 27)*	**(26,650)**	(3,592)
	(18,736)	13,428

12 INCOME TAX (CREDIT)/EXPENSES (Continued)

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	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax	**135,575**	43,434
– Notional tax on profit before income tax	**(33,894)**	10,859
– Difference in overseas tax rates	**3,563**	(3,281)
– Tax effect of other non-deductible expenses	**9,425**	6,738
– Tax effect of non-taxable investment income	**(1,160)**	(1,595)
– Tax effect of unrecognised tax losses	**4,084**	122
– Others	**(754)**	585
Income tax (credit)/expenses	**(18,736)**	13,428

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

As at 31 December 2022 and 2021, the Group has not recognised deferred tax liabilities in respect of undistributed retained earnings of RMB71,836,000 and RMB87,057,000 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. Accordingly, no deferred income tax liability on withholding tax was accrued as at 31 December 2022 and 2021.

As at 31 December 2022 and 2021, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB16,496,000 and RMB1,490,000 as it is not probable that future taxable profits against which the losses can be utilised 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.

12 INCOME TAX (CREDIT)/EXPENSES (Continued)

Expiry year	Unused tax losses for which no deferred tax asset was recognised As at 31 December 2022 RMB'000	2021 RMB'000
Expiring in year 2023	–	–
Expiring in year 2024	2,040	142
Expiring in year 2025	4,574	845
Expiring in year 2026	4,407	503
Expiring in year 2027	5,475	–
	16,496	1,490

(i) Cayman Islands corporate income tax

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

(ii) Hong Kong profits tax

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

(iii) Japan corporate income tax

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

(iv) PRC corporate income tax ("CIT")

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

12 INCOME TAX (CREDIT)/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 2022, the Group had no profit distribution on its PRC subsidiaries (2021: nil).

13 (LOSS)/EARNINGS PER SHARE

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

The weighted average number of ordinary shares for the year ended 31 December 2021 has been retrospectively adjusted for the capitalisation of the share premium account arose from the IPO of the Company (Note 23).

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

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

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Amounts recognised in the consolidated balance sheet

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Investments accounted for using the equity method		
– Joint ventures	**15,909**	27,446
– An associate	**–**	2,185
	15,909	29,631

Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method – net		
– Joint ventures	**6,824**	6,761
– An associate	**(2,185)**	(380)
	4,639	6,381
Share of other comprehensive losses of joint ventures accounted for using the equity method – net		
– Joint ventures	**(1,079)**	(749)

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investment in joint ventures

Entity	Investing date	Operating region	Share of the invested company As at 31 December 2022	2021
UNQ International (HK) Limited	November 2015	Hong Kong	**50%**	50%
Shanghai Pai Ke Cosmetics Co., Ltd.*	October 2022	The PRC	**50%**	N/A

* On 18 October 2022, Shanghai Pai Ke Cosmetics Co., Ltd was incorporated in the PRC with limited liability and became a joint venture of the Group. As at 31 December 2022, the Group has not yet paid the share capital.

(b) Investment in an associate

Entity	Investing date	Operating region	Share of the invested company As at 31 December 2022	2021
Shanghai Xuyi Industry Co., Ltd. ("**Shanghai Xuyi**")	August 2018	The PRC	**30%**	30%

(c) Movement in joint ventures and an associate

	Year ended 31 December 2022 RMB'000	2021 RMB'000
At the beginning of the year	**29,631**	23,999
Share of profit for the year	**4,639**	6,381
Exchange differences recorded in other comprehensive income for the year	**(1,079)**	(749)
Dividends received	**(17,282)**	–
At the end of the year	**15,909**	29,631

15 PROPERTY, PLANT AND EQUIPMENT

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Property, plant and equipment (a)	**2,057**	8,993
Right-of-use assets (b)	**18,039**	16,012
	20,096	25,005

(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 2021					
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
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

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 2022					
Opening net book amount	747	3,275	4,971	–	8,993
Additions	–	347	–	–	347
Disposals	(44)	(543)	–	–	(587)
Depreciation charge	(203)	(1,544)	(4,949)	–	(6,696)
Closing net book amount	500	1,535	22	–	2,057
As at 31 December 2022					
Cost	990	5,634	660	–	7,284
Accumulated depreciation	(490)	(4,099)	(638)	–	(5,227)
Net book amount	500	1,535	22	–	2,057

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Selling and marketing expenses	59	1,234
Administrative expenses	6,637	5,159
	6,696	6,393

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

	Properties RMB'000
As at 1 January 2021	
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
Depreciation for the year	(12,567)
Closing net book amount	16,012
As at 31 December 2021	
Cost	35,956
Accumulated depreciation	(19,944)
Net book amount	16,012
Year ended 31 December 2022	
Opening net book amount	**16,012**
Additions	**17,625**
Termination of lease contracts	**(5,254)**
Depreciation for the year	**(10,344)**
Closing net book amount	**18,039**
As at 31 December 2022	
Cost	**33,010**
Accumulated depreciation	**(14,971)**
Net book amount	**18,039**

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	
	2022	2021
	RMB'000	RMB'000
Selling and marketing expenses	**1,387**	3,699
Administrative expenses	**8,957**	8,868
	10,344	12,567

16 INTANGIBLE ASSETS

	Computer Software RMB'000
As at 1 January 2021	
Cost	2,226
Accumulated amortisation	(304)
Net book amount	1,922
Year ended 31 December 2021	
Opening net book amount	1,922
Addition	209
Amortisation	(226)
Closing net book amount	1,905
As at 31 December 2021	
Cost	2,435
Accumulated amortisation	(530)
Net book amount	1,905
Year ended 31 December 2022	
Opening net book amount	**1,905**
Amortisation	**(226)**
Closing net book amount	**1,679**
As at 31 December 2022	
Cost	**2,435**
Accumulated amortisation	**(756)**
Net book amount	**1,679**

16 INTANGIBLE ASSETS (Continued)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Selling and marketing expenses	**9**	9
Administrative expenses	**217**	217
	226	226

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial asset at amortised cost		
Trade and other receivables *(Note 20)*	**492,647**	435,054
Restricted cash *(Note 22)*	**62,762**	7,550
Cash and cash equivalents *(Note 22)*	**417,642**	442,085
	973,051	884,689
Financial assets at FVPL *(Note 21)*	**–**	5,000
Derivative financial instruments	**1,220**	–
	974,271	889,689
Financial liabilities at amortised costs		
Borrowings *(Note 25)*	**435,238**	581,614
Trade and other payables		
(excluding accrued payroll and other taxes payable) *(Note 26)*	**499,399**	494,847
Lease liabilities *(Note 28)*	**16,860**	15,248
	951,497	1,091,709
Derivative financial instruments	**1,497**	–
	952,994	1,091,709

18 INVENTORIES

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

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

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

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

19 OTHER CURRENT ASSETS

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

20 TRADE AND OTHER RECEIVABLES

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– Related parties *(Note 34(d))*	**88,466**	69,540
– Third parties	**214,759**	253,913
	303,225	323,453
Less: allowance for impairment of trade receivables	**(8,695)**	(6,685)
	294,530	316,768
Other receivables		
– *Related parties (Note 34(d))*		
(i) Loans	**50,000**	–
(ii) Others	**1,626**	1,588
– *Third parties*		
(i) Rebate receivables *(Note 2.22)*	**79,215**	92,614
(ii) Deposits	**24,643**	18,271
(iii) Refunds receivable	**22,643**	–
(iv) Unwithdrawn balance on platform	**7,295**	–
(v) Compensation receivables	**5,500**	7,500
(vi) Loan to a third party (a)	**3,587**	–
(vii) Others	**6,922**	3,328
	201,431	123,301
Less: allowance for impairment of other receivables	**(3,314)**	(5,015)
	198,117	118,286
Total trade and other receivables	**492,647**	435,054
Less: other receivables – non-current portion	**(1,791)**	–
	490,856	435,054

(a) The loan to a third party is due within two years at interest rate of 6% 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 provision of services, customers are generally given a credit term up to 90 days.

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

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

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 2022 and 2021, 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 2022					
Collectively assessed					
Expected loss rate	**0.41%**	**5.76%**	**31.16%**	**100.00%**	
Gross carrying amount (RMB'000)	**206,425**	**3,036**	**1,823**	**1,793**	**213,077**
Loss allowance provision (RMB'000)	**848**	**175**	**568**	**1,793**	**3,384**
Individually assessed					
Gross carrying amount (RMB'000)					**90,148**
Loss allowance provision (RMB'000)					**5,311**
Total gross carrying amount (RMB'000)					**303,225**
Total loss allowance provision (RMB'000)					**8,695**
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					
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

20 TRADE AND OTHER RECEIVABLES (Continued)

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

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

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

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

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.

20 TRADE AND OTHER RECEIVABLES (Continued)

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

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 2022				
Gross carrying amount (RMB'000)	**195,914**	**4,016**	**1,501**	**201,431**
Loss allowance provision (RMB'000)	**2,809**	**6**	**499**	**3,314**
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

20 TRADE AND OTHER RECEIVABLES (Continued)

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

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

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

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

21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
	RMB'000	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 3.00% and 2.80% per annum for the years ended 31 December 2022 and 2021, 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.

21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2022 and 2021.

	Financial assets at FVPL Wealth management products Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Opening balance	5,000	–
Addition	87,900	208,000
Gains for the period recognised in profit or loss *(Note 10)*	150	144
Redemption	(93,050)	(203,144)
Closing balance	–	5,000
Includes unrealised 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	
	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	398,455	424,382
Cash in transit (a)	6,143	–
Other monetary funds	13,044	17,703
	417,642	442,085
Restricted cash (b)	62,762	7,550
	480,404	449,635

(a) Cash in transit represented overseas remittance pending for settlement between the Group's two subsidiaries.

(b) Restricted cash consisted primarily of (i) bank guarantee deposits of RMB50,000,000 provided by UNQ (Shanghai) Supply Chain Management Co., Ltd (優趣匯（上海）供應鏈管理有限公司, "**UNQ Supply Chain**") as at 31 December 2022, which pledged for Shanghai Xuyi's letter of credit of RMB50,000,000 from China CITIC Bank (Note 25(a)), (ii) bank guarantee deposits of RMB8,912,271 provided by UNQ Supply Chain as at 31 December 2022, which pledged for the currency swaps and (iii) online stores guarantee bank deposits required by e-commerce platforms.

23 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Equivalent value of ordinary shares RMB'000	Share premium RMB'000
Issued:			
As at 1 January 2021	1,352,041	–	2,318,000
Capitalisation Issue for outstanding ordinary shares (a)	133,852,059	3	267,502
Issuance of ordinary shares upon IPO (b)	30,690,600	11	(11)
As at 31 December 2021	165,894,700	14	2,585,491
As at 1 January 2022	**165,894,700**	**14**	**2,585,491**
Dividends declared to shareholders of the Company *(Note(29))*	**–**	**–**	**(42,561)**
As at 31 December 2022	**165,894,700**	**14**	**2,542,930**

(a) 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.

(b) 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.

24 OTHER RESERVES

	Capital reserve RMB'000	Statutory reserve (i) RMB'000	Foreign currency translation RMB'000	Total other reserves RMB'000
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)
As at 1 January 2022	**(1,480,269)**	**676**	**(25,923)**	**(1,505,516)**
Foreign currency translation	**–**	**–**	**31,152**	**31,152**
Acquisition of non-controlling interests	**(301)**	**–**	**–**	**(301)**
As at 31 December 2022	**(1,480,570)**	**676**	**5,229**	**(1,474,665)**

(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.

25 BORROWINGS

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

As at 31 December 2022 and 2021, the Group's borrowings were repayable as follows:

	Bank loans As at 31 December		Other loans As at 31 December	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Within 1 year	**380,640**	510,402	**3,665**	3,879
Between 1 and 2 years	**4,700**	11,164	**3,665**	3,879
Between 2 and 5 years	**8,453**	10,086	**29,059**	34,635
Over 5 years	**5,056**	7,569	**–**	–
	398,849	539,221	**36,389**	42,393

25 BORROWINGS (Continued)

(a) As at 31 December 2022, secured or guaranteed borrowings were as below:

(i) Borrowings of HKD161,380,000 (equivalent to RMB144,155,913) were secured by the Group's inventories with a carrying amount of RMB187,500,000, trade receivables with a carrying amount of RMB187,500,000 and guaranteed by the subsidiaries;

(ii) Borrowings of RMB50,000,000 were secured by the Group's trade receivables with a carrying amount of RMB75,000,000 and guaranteed by the Company;

(iii) Borrowings of JPY1,567,000,000 (equivalent to RMB82,044,986) and borrowings of RMB30,000,000 were guaranteed by the Company and its subsidiaries;

(iv) Borrowings of JPY146,656,000 (equivalent to RMB7,678,615) were guaranteed by other financial institutions;

(v) Borrowings of JPY100,000,000 (equivalent to RMB5,235,800) were guaranteed by the subsidiaries and other financial institutions;

(vi) UNQ supply chain recognised the cash obtained from the discount of the letter of credit of RMB50,000,000 issued by Shanghai Xuyi as short-term borrowings and the interests thereon was calculated based on the effective interest rate method and included as borrowing interest expenses. The letter of credit was secured by the Group's restricted cash with a carrying amount of RMB50,000,000 (Note 22).

(b) As at 31 December 2022, borrowings of JPY567,897,000 (equivalent to RMB29,733,951) were from commercial banks and unsecured, borrowings of JPY500,000,000 (equivalent to RMB26,179,000) were from other financial institutions and unsecured.

(c) 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 2022, the remaining balance of the bond was JPY40,000,000 (equivalent to RMB2,094,320).

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. As at 31 December 2022, the remaining balance of the bond was JPY50,000,000 (equivalent to RMB2,617,900).

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 2022, the remaining balance of the bond was JPY105,000,000 (equivalent to RMB5,497,590).

(d) As at 31 December 2022 and 2021, the Group's borrowings' carried weighted average interest rates were 2.93% and 4.11% per annum, respectively.

(e) Interest expenses were RMB14,743,000 and RMB26,159,000 for the years ended 31 December 2022 and 2021, respectively.

26 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables		
– Related parties *(Note 34(d))*	**11,973**	5,784
– Third parties	**453,521**	442,650
	465,494	448,434
Other payables		
– Related parties *(Note 34(d))*	**300**	300
– Third parties	**33,063**	44,974
	33,363	45,274
Accrued payroll	**23,258**	20,849
Other taxes payables	**8,196**	12,807
Interest payables	**542**	1,139
	530,853	528,503

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

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

27 DEFERRED INCOME TAX

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

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**47,961**	21,883
– Deferred tax assets to be recovered within 12 months	**11,869**	11,071
	59,830	32,954
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**(2,694)**	(1,063)
– Deferred tax liabilities to be recovered within 12 months	**(1,816)**	(2,940)
	(4,510)	(4,003)
Net deferred tax assets (a)	**55,320**	28,951

The movement in deferred income tax assets and liabilities during the years ended 31 December 2022 and 2021, 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 – advertising expenses exceeding the ceiling amount RMB'000	Deferred tax assets-others RMB'000	Deferred tax liabilities – right-of-use assets RMB'000	Total RMB'000
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
As at 1 January 2022	**2,824**	**5,403**	**3,812**	**20,783**	**–**	**132**	**(4,003)**	**28,951**
Charge to profit or loss	**184**	**1,802**	**403**	**19,700**	**4,998**	**70**	**(507)**	**26,650**
Exchange differences	**(70)**	**(184)**	**–**	**(27)**	**–**	**–**	**–**	**(281)**
As at 31 December 2022	**2,938**	**7,021**	**4,215**	**40,456**	**4,998**	**202**	**(4,510)**	**55,320**

27 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.

28 LEASES

(i) Amounts recognised in the balance sheet

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
Properties *(Note 15)*	**18,039**	16,012
Lease liabilities		
Current	**(5,831)**	(10,850)
Non-current	**(11,029)**	(4,398)
	(16,860)	(15,248)

As at 31 December 2022 and 2021, right-of-use assets were included in property, plant and equipment in the consolidated balance sheet.

28 LEASES (Continued)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of Right-of-use assets		
Properties *(Note 15)*	**10,344**	12,567
Interest expense (included in finance costs) *(Note 11)*	**458**	1,399
Expenses relating to short-term leases (included in selling and marketing expenses and administrative expenses)	**554**	187

The total cash outflow for leases for the years ended 31 December 2022 and 2021 is RMB11,985,000 and RMB15,331,000, respectively.

29 DIVIDENDS

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

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

30 CURRENT TAX LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
CIT payables	**15,159**	7,649

31 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax	**(135,575)**	43,434
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 15)*	**17,040**	18,960
– Amortisation of intangible assets *(Note 16)*	**226**	226
– Allowance for impairment of trade and other receivables *(Note 20)*	**206**	1,018
– Provision/(reversal) for inventories *(Note 18)*	**8,369**	(12,101)
– Interests income on loans *(Note 7)*	**–**	(2,387)
– Net losses/(gains) on disposal of non-current assets *(Note 10)*	**173**	(12)
– Fair value gains on financial assets at FVPL *(Note 10)*	**(150)**	(144)
– Net fair value losses on derivative financial instruments *(Note 10)*	**277**	–
– Share of profits of associates and joint ventures *(Note 14)*	**(4,639)**	(6,381)
– Finance income *(Note 11)*	**(867)**	(1,170)
– Finance cost *(Note 11)*	**18,609**	27,558
	(96,331)	69,001
Changes in working capital:		
– Inventories	**238,110**	(111,208)
– Other current assets	**100,717**	(8,171)
– Trade and other receivables	**7,540**	(46,876)
– Restricted cash	**(5,212)**	(4,350)
– Contract liabilities	**(3,050)**	2,454
– Trade and other payables	**10,370**	18,080
	252,144	(81,070)

31 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of net debt

	As at 31 December 2022 RMB'000	2021 RMB'000
Cash and cash equivalents *(Note 22)*	**417,642**	442,085
Financial assets at FVPL *(Note 21)*	**–**	5,000
Lease liabilities *(Note 28)*	**(16,860)**	(15,248)
Borrowings – repayable within one year *(Note 25)*	**(384,305)**	(514,281)
Borrowings – repayable after one year *(Note 25)*	**(50,933)**	(67,333)
Net debt	**(34,456)**	(149,777)
Cash and liquid investments	**417,642**	447,085
Gross debt – borrowings	**(435,238)**	(581,614)
Gross debt – lease liabilities	**(16,860)**	(15,248)
Net debt	**(34,456)**	(149,777)

	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 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)
Net debt as at 1 January 2022	442,085	5,000	(15,248)	(581,614)	–	(149,777)
Cash flows	(23,963)	(5,150)	11,431	134,084	–	116,402
Foreign exchange differences	(480)	–	–	12,292	–	11,812
Other non-cash movements	–	150	(13,043)	–	–	(12,893)
Net debt as at 31 December 2022	417,642	–	(16,860)	(435,238)	–	(34,456)

32 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	
	2022	2021
	RMB'000	RMB'000
Up to 1 year	**130**	69

33 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

On 12 December 2022, Shanghai Fuli Culture Media Co., Ltd. ("**Fuli**") purchased 49% equity interests of Shanghai Litun Culture Media Co., Ltd. ("**Litun**") from non-controlling interests shareholders at the consideration of zero. The carrying amount of non-controlling interests on transaction date was an accumulated loss of RMB301,000. Upon the completion of the transaction, Litun became a wholly owned subsidiary of Fuli. The Group recognised an increase in non-controlling interests of RMB301,000 and a decrease in equity attributable to owners of the parent of RMB301,000. The effect on the equity attributable to the owners of Fuli during the year ended 31 December 2022 is summarised as follows:

	Litun
	RMB'000
Consideration paid for the acquisition of non-controlling interests	–
Carrying amount of non-controlling interests	301
Amounts recognised in changes in the acquisition of non-controlling interests	301

34 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会社	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
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.

(b) Transactions with related parties

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of goods and provision of services		
– Shanghai Xuyi	**31,592**	40,942
– Calbee E-commerce Limited	**–**	939
	31,592	41,881
Purchase of goods and services		
– TCI	**76,630**	87,790
– Calbee Hangzhou	**37**	–
– Shanghai Xuyi	**–**	475
	76,667	88,265
Lendings		
– Shanghai Xuyi (i)	**50,000**	123,200
Guarantee paid		
– Shanghai Xuyi	**50,000**	–

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Dividends received		
– UNQ International (HK) Limited	**17,282**	–
Repayment of lendings		
– Shanghai Xuyi	**–**	186,400
Interest income		
– Shanghai Xuyi *(Note 7)*	**–**	2,387
Repayment of borrowings		
– Mr. Matsumoto Ryoji	**–**	13,142
– TCI	**–**	2,473
	–	15,615
Compensation		
– Calbee Hangzhou	**–**	2,417
Interest expenses		
– TCI	**–**	115

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.

34 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 35 is set out below.

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Wages and salaries	**1,560**	1,596
Termination benefits	**1,000**	–
Bonuses	**570**	865
Contribution to pension scheme	**98**	90
Other social security costs, housing benefits and other employee benefits	**148**	159
	3,376	2,710

(d) Balances with related parties

	As at 31 December 2022 RMB'000	2021 RMB'000
Trade receivables *(Note 20)*		
– Shanghai Xuyi	**88,445**	69,540
– TCI	**21**	–
	88,466	69,540
Other receivables *(Note 20)*		
Trade		
– TCI	**1,626**	1,588
Non-trade: Lendings		
– Shanghai Xuyi	**50,000**	–
	51,626	1,588
Trade payables *(Note 26)*		
– TCI	**11,973**	5,548
– Shanghai Xuyi	**–**	236
	11,973	5,784
Other payables *(Note 26)*		
Trade		
– TCI	**300**	300

35 DIRECTORS' BENEFITS AND INTERESTS

(a) Directors' emoluments

The directors received emoluments from the Group for the year ended 31 December 2022 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	–	1,015	800	63	72	1,950
Mr. Shen Yu	–	475	318	39	466	1,298
Mr. Matsumoto Ryoji	–	2,389	–	37	125	2,551
Non-executive Directors						
Mr. Nakayama Kokkei	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. NG Kam Wah Webster	193	–	–	–	–	193
Ms. Xin Honghua	180	–	–	–	–	180
Mr. Wei Hang	180	–	–	–	–	180
	553	3,879	1,118	139	663	6,352

35 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 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 BALANCE SHEET OF THE COMPANY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investment in a subsidiary	**1,128,024**	1,803,342
Total non-current assets	**1,128,024**	1,803,342
Current assets		
Amounts due from subsidiaries	**236,498**	268,047
Cash and cash equivalents	**2,496**	707
Total current assets	**238,994**	268,754
Total assets	**1,367,018**	2,072,096
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**14**	14
Share premium	**2,542,930**	2,585,491
Other reserves	**14,443**	(4,204)
Accumulated losses	**(1,233,204)**	(558,601)
Total equity	**1,324,183**	2,022,700
LIABILITIES		
Current liabilities		
Trade and other payables	**42,835**	49,396
Total liabilities	**42,835**	49,396
Total equity and liabilities	**1,367,018**	2,072,096

The balance sheet of the Company was approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Wang Yong
Director

Shen Yu
Director

37 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 2022	2021	As at the date of this report	Principal activities and place of operation
Directly held						
E-Bloom Holdings Limited	BVI, 5 November 2019	USD0.01	100%	100%	100%	Holding Company
Indirectly held						
UNQ Holdings (HK) Limited	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

37 SUBSIDIARIES (Continued)

Company name	Place and date of incorporation establishment	Registered Capital (thousand)	Percentage of attributable equity interest As at 31 December 2022	2021	As at the date of this report	Principal activities and place of operation
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
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%	15%	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	100%	51%	100%	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. 上海璞之间品牌管理有限公司**	The PRC, 20 January 2022	RMB5,000	60%	N/A	60%	Sales of goods in the PRC
Hangzhou Qushu Enterprise Management Partnership LP 杭州取束企業管理合夥企業(有限合夥)***	The PRC, 15 December 2022	RMB1,510	99.34%	N/A	99.34%	Enterprise management 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.

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

FIVE-YEAR FINANCIAL SUMMARY

RMB'000	2018	2019	2020	2021	2022
			Year ended 31 December		
Revenue	2,540,961	2,781,719	2,800,846	3,033,124	**2,379,014**
Gross profit	616,345	803,462	888,114	900,807	**569,162**
Gross profit margin	24.3%	28.9%	31.7%	29.7%	**23.9%**
Profit/(loss) for the year	57	(85,739)	(1,914)	30,006	**(116,839)**
Adjusted net profit *(note 1)*	112,281	139,374	106,717	41,691	**(116,839)**
Adjusted net profit margin *(note 1)*	4.4%	5.0%	3.8%	1.4%	**-4.9%**

RMB'000	2018	2019	2020	2021	2022
			As at 31 December		
Monetary capital	156,159	582,561	252,334	447,085	**417,642**
Trade and other receivables	407,993	365,378	526,959	435,054	**490,856**
Inventory	412,059	400,317	659,361	783,481	**535,652**
Other assets *(note 2)*	195,319	216,846	354,821	364,354	**320,199**
Total assets	1,171,530	1,565,102	1,793,475	2,029,974	**1,764,349**
Borrowings *(note 3)*	328,994	345,280	622,944	581,614	**435,238**
Preferred shares	705,666	896,182	–	–	**–**
Trade and other payables	354,441	616,032	489,620	528,503	**530,853**
Other liabilities *(note 2)*	55,715	53,755	63,224	28,776	**35,125**
Total liabilities	1,444,816	1,911,249	1,175,788	1,138,893	**1,001,216**
Owners' equity	(273,286)	(346,147)	617,687	891,081	**763,133**
Gearing ratio *(note 4)*	(78.3%)	22.9%	66.1%	16.8%	**4.5%**

Notes:

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.

DEFINITIONS

"2022 RSU Scheme" or "Scheme"	the restricted share units scheme adopted by the Board on 27 April 2022;
"AGM"	the annual general meeting of the Company to be held on 28 June 2023;
"Articles of Association"	the articles of association of the Company (as amended from time to time) adopted on 22 June 2021, with effect from 12 July 2021;
"Audit Committee"	the audit committee of the Company;
"Auditor"	the auditor of the Company;
"Award"	an award of RSUs granted to a Participant pursuant to the 2022 RSU Scheme;
"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 "UNQ"	UNQ Holdings Limited (优趣汇控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 31 October 2019;
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"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;
"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 Date"	12 July 2021, being the date on which the Shares were listed on the Main Board of the Stock Exchange;
"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;
"Participants"	eligible participant(s) of the 2022 RSU Scheme, including full-time employees (including Directors, members of the management team and other employees) of the Group;
"Prospectus"	the prospectus of the Company dated 28 June 2021;
"Remuneration Committee"	the remuneration committee of the Company;
"Reporting Period"	from 1 January 2022 to 31 December 2022;
"RMB"	Renminbi, the lawful currency of the PRC;
"RSU(s)"	restricted share unit(s) which may be granted under the 2022 RSU Scheme;
"Share(s)"	ordinary shares in the capital of our Company with nominal value of HKD0.0001 each;
"Shareholder(s)"	holder(s) of Share(s);
"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;
"Trustee"	The professional trustee(s) which is an Independent Third Party to be appointed by the Company to assist with the administration and vesting of RSUs granted pursuant to the 2022 RSU Scheme;
"%"	per cent.

优趣汇控股有限公司
UNQ HOLDINGS LIMITED