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## **UNQ HOLDINGS LIMITED**

**优趣汇控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2177)**

### **ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **HIGHLIGHTS**

- The revenue was RMB1,735.9 million for the year ended 31 December 2023, representing a decrease of 27.0% as compared with the year ended 31 December 2022, and the revenue from the businesses in Douyin and Pinduoduo for the year ended 31 December 2023 increased by 36.8% and 52.2% respectively, as compared with the same period of last year.
- The gross profit margin for the year ended 31 December 2023 was 26.3%, representing an increase of 2.4 percentage points from the gross profit margin of 23.9% for the year ended 31 December 2022.
- The net loss was RMB17.5 million for the year ended 31 December 2023, representing a loss decrease of 85.0% from the net loss of RMB116.8 million for the year ended 31 December 2022.
- As at 31 December 2023, the inventories were RMB279.6 million, representing a decrease of 47.8% from the inventories as at 31 December 2022. The inventory turnover days for the year ended 31 December 2023 decreased by 17.2 days as compared with the same period of last year.
- The asset liability ratio was 37.2% as at 31 December 2023, representing a decrease of 19.6 percentage points from the asset liability ratio of 56.8% as at 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of UNQ Holdings Limited (优趣汇控股有限公司) (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2023, together with comparative figures for the year ended 31 December 2022.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
	Note	2023	2022
		RMB'000	RMB'000
<b>Revenue</b>	4	<b>1,735,900</b>	2,379,014
Cost of revenue	4, 6	<u>(1,279,245)</u>	<u>(1,809,852)</u>
<b>Gross profit</b>		<u><b>456,655</b></u>	<u>569,162</u>
Selling and marketing expenses	6	(369,938)	(590,395)
General and administrative expenses	6	(63,664)	(84,136)
Research and development expenses	6	(3,870)	(4,815)
Net impairment losses on financial assets	12	(22,967)	(206)
Other income	5	2,268	13,000
Other losses – net		<u>(6,433)</u>	<u>(25,082)</u>
<b>Operating loss</b>		<u><b>(7,949)</b></u>	<u>(122,472)</u>
Finance income	7	4,802	867
Finance costs	7	<u>(12,941)</u>	<u>(18,609)</u>
Finance costs – net		<u><b>(8,139)</b></u>	<u>(17,742)</u>
Share of net profit of associates and joint ventures accounted for using the equity method		<u>635</u>	<u>4,639</u>
<b>Loss before income tax</b>		<u><b>(15,453)</b></u>	<u>(135,575)</u>
Income tax (expenses)/credit	8	<u>(2,076)</u>	<u>18,736</u>
<b>Loss for the year</b>		<u><b>(17,529)</b></u>	<u>(116,839)</u>
<b>Attributable to:</b>			
– Owners of the Company		(18,217)	(117,919)
– Non-controlling interests		<u>688</u>	<u>1,080</u>
		<u><b>(17,529)</b></u>	<u>(116,839)</u>

		<b>Year ended 31 December</b>	
	<i>Note</i>	<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Other comprehensive (losses)/income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive losses of joint ventures accounted for using the equity method		<b>(185)</b>	<b>(1,079)</b>
Exchange differences on translation of foreign operations		<b>(83)</b>	<b>32,231</b>
<b>Total other comprehensive (losses)/income</b>		<b>(268)</b>	<b>31,152</b>
<b>Total comprehensive losses for the year</b>		<b>(17,797)</b>	<b>(85,687)</b>
<b>Attributable to:</b>			
– Owners of the Company		<b>(18,485)</b>	<b>(86,767)</b>
– Non-controlling interests		<b>688</b>	<b>1,080</b>
		<b>(17,797)</b>	<b>(85,687)</b>
<b>Loss per share for loss attributable to owners of the Company</b>			
– Basic and diluted loss per share	<i>9</i>	<b>(0.11)</b>	<b>(0.71)</b>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2023

		As at 31 December	
	Note	2023	2022
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		10,483	20,096
Intangible assets		1,825	1,679
Deferred tax assets		52,639	55,320
Investments accounted for using the equity method		16,637	15,909
Financial assets measured at fair value through profit or loss (FVPL)		35,414	–
Other receivables	12	–	1,791
<b>Total non-current assets</b>		<b>116,998</b>	<b>94,795</b>
<b>Current assets</b>			
Inventories	10	279,570	535,652
Trade and other receivables	12	243,697	490,856
Other current assets	11	126,214	162,642
Derivative financial instruments		–	1,220
Restricted cash		52,475	62,762
Cash and cash equivalents		338,397	417,642
<b>Total current assets</b>		<b>1,040,353</b>	<b>1,670,774</b>
<b>Total assets</b>		<b>1,157,351</b>	<b>1,765,569</b>

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2023</b>	2022
		<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		14	14
Share premium		2,524,727	2,542,930
Other reserves		(1,474,933)	(1,474,665)
Accumulated losses		(323,529)	(305,312)
		<u>726,279</u>	<u>762,967</u>
Non-controlling interests		979	166
<b>Total equity</b>		<u>727,258</u>	<u>763,133</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	13	35,188	50,933
Lease liabilities		3,409	11,029
<b>Total non-current liabilities</b>		<u>38,597</u>	<u>61,962</u>
<b>Current liabilities</b>			
Contract liabilities		521	2,829
Trade and other payables	14	181,691	530,853
Lease liabilities		5,669	5,831
Current tax liabilities		9,452	15,159
Derivative financial instruments		–	1,497
Provisions		6,375	–
Borrowings	13	187,788	384,305
<b>Total current liabilities</b>		<u>391,496</u>	<u>940,474</u>
<b>Total liabilities</b>		<u>430,093</u>	<u>1,002,436</u>
<b>Total equity and liabilities</b>		<u>1,157,351</u>	<u>1,765,569</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2024.

## 2 BASIS OF PREPARATION

### (i) Compliance with IFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

### (ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) – measured at fair value.

### (iii) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

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.

(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 2023, are as follows:

		<b>Effective for annual periods beginning on or after</b>
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	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
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.

**3 SEGMENT INFORMATION**

The Group's chief operating decision maker ("CODM") has been identified as the chief executive officer. The CODM reviews the consolidated results of the Group as a whole when making decisions about allocating resources and assessing performance of the Group. Thus no segment information was presented for the years ended 31 December 2023 and 2022.

The Group mainly operates in the PRC. As at 31 December 2023 and 2022, most of non-current assets were located in the PRC. All of the Group's revenue are derived from the PRC.

**4 REVENUE AND COST OF REVENUE**

Revenue mainly comprises of proceeds from sales of goods and services such as online operating and digital marketing. An analysis of the Group's revenue and cost of sales by category for the years ended 31 December 2023 and 2022 is as follows:

	Timing of recognition	Year ended 31 December			
		2023	Cost of revenue	2022	Cost of revenue
		Revenue	Revenue	Revenue	Revenue
		RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods					
– B2B	at a point in time	843,128	732,128	1,176,588	1,083,839
– B2C	at a point in time	877,174	539,627	1,177,313	707,422
Provision of services	over time	15,598	7,490	25,113	18,591
		<u>1,735,900</u>	<u>1,279,245</u>	<u>2,379,014</u>	<u>1,809,852</u>

During the years ended 31 December 2023 and 2022, the revenue derived from external customers accounted for more than 10% of total revenue are set out below.

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Customer A	<b>644,528</b>	760,325

## **5 OTHER INCOME**

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Government grants <sup>(1)</sup>	<b>2,268</b>	13,000

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

## **6 EXPENSES BY NATURE**

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of goods sold	<b>1,263,651</b>	1,782,892
Warehousing and logistic expenses	<b>165,515</b>	229,562
Inventory loss	<b>2,988</b>	15,883
Provision for inventories	<b>8,104</b>	8,369
Sales and marketing expenses	<b>141,716</b>	276,912
Employee benefit expenses	<b>100,856</b>	135,173
Depreciation and amortisation charges	<b>8,882</b>	17,266
Professional service fee	<b>7,703</b>	7,872
Office expenses	<b>5,649</b>	5,124
Travel expenses	<b>2,650</b>	2,253
Taxes and surcharges	<b>1,093</b>	2,374
Bank and other payment channel expenses	<b>1,129</b>	1,213
Auditors' remuneration		
– Audit services	<b>2,430</b>	2,380
– Non-audit service	<b>984</b>	915
Short-term lease payments	<b>134</b>	554
Others	<b>3,233</b>	456
	<b>1,716,717</b>	2,489,198



## 7 FINANCE COSTS – NET

### (a) Finance income

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Bank interest income	<u>4,802</u>	<u>867</u>

### (b) Finance costs

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest expense on borrowings	(8,926)	(14,743)
Interest expense on lease liabilities	(446)	(458)
Net exchange losses on foreign currency borrowings	<u>(3,569)</u>	<u>(3,408)</u>
	<u>(12,941)</u>	<u>(18,609)</u>

## 8 INCOME TAX (EXPENSES)/CREDIT

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax	(572)	7,914
Deferred income tax	<u>2,648</u>	<u>(26,650)</u>
	<u>2,076</u>	<u>(18,736)</u>

### (i) Cayman Islands corporate income tax

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

### (ii) Hong Kong profits tax

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

**(iii) Japan corporate income tax**

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

**(iv) PRC corporate income tax (“CIT”)**

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended 31 December 2023 and 2022.

**(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 2023, the Group had no profit distribution on its PRC subsidiaries (2022: nil).

**9 LOSS PER SHARE**

Basic loss per share for the years ended 31 December 2023 and 2022 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
Net loss attributable to the owners of the Company ( <i>RMB'000</i> )	<b>(18,217)</b>	(117,919)
Weighted average number of ordinary shares	<b>165,894,700</b>	165,894,700
Basic loss per share ( <i>expressed in RMB per share</i> )	<b><u>(0.11)</u></b>	<u>(0.71)</u>

For the years ended 31 December 2023 and 2022, the Company had no dilutive potential ordinary shares and therefore diluted loss per share is equivalent to basic loss per share.

## 10 INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Merchant goods	306,502	566,146
Less: provision	(26,932)	(30,494)
	<u>279,570</u>	<u>535,652</u>

The cost of inventories recognised as “cost of revenue” amounted to RMB1,263,651,000 and RMB1,782,892,000 for the years ended 31 December 2023 and 2022, respectively.

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At beginning of year	30,494	20,775
Charge for the year		
– charge to profit or loss	8,104	8,369
– exchange differences	(34)	1,350
Write-off for the year	(11,632)	–
	<u>26,932</u>	<u>30,494</u>

## 11 OTHER CURRENT ASSETS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Value added tax (“VAT”) recoverable	68,725	99,905
Third parties prepayment	16,955	27,075
Consumption tax refund receivable	10,747	13,533
Prepaid CIT expenses	25,550	17,312
Others	4,237	4,817
	<u>126,214</u>	<u>162,642</u>

## 12 TRADE AND OTHER RECEIVABLES

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
<b>Trade receivables</b>		
– Related parties	67,514	88,466
– Third parties	119,119	214,759
	<u>186,633</u>	<u>303,225</u>
Less: allowance for impairment of trade receivables	<u>(31,771)</u>	<u>(8,695)</u>
	<u>154,862</u>	<u>294,530</u>
<b>Other receivables</b>		
– Related parties		
(i) Loans	–	50,000
(ii) Others	2,951	1,626
– Third parties		
(i) Rebate receivables	55,063	79,215
(ii) Deposits	18,827	24,643
(iii) Refunds receivable	1,806	22,643
(iv) Unwithdrawn balance on platform	6,104	7,295
(v) Compensation receivables	–	5,500
(vi) Loan to a third party <sup>(1)</sup>	1,791	3,587
(vii) Others	5,416	6,922
	<u>91,958</u>	<u>201,431</u>
Less: allowance for impairment of other receivables	<u>(3,123)</u>	<u>(3,314)</u>
	<u>88,835</u>	<u>198,117</u>
<b>Total trade and other receivables</b>	<u>243,697</u>	<u>492,647</u>
<b>Less: other receivables – non-current portion</b>	<u>–</u>	<u>(1,791)</u>
	<u>243,697</u>	<u>490,856</u>

Note (1): The loan to a third party is due within two years at interest rate of 6% per annum.

As at 31 December 2023 and 2022, the ageing analysis of the trade receivables based on invoice date were as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
Up to 3 months	<b>107,867</b>	212,385
3 to 6 months	<b>4,774</b>	21,515
6 months to 1 year	–	16,813
Over 1 year	<b>73,992</b>	52,512
	<b><u>186,633</u></b>	<u>303,225</u>

The loss allowance for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
At beginning of year	<b>8,695</b>	6,685
Charge/(reversal) for the year		
– charge to profit or loss	<b>23,083</b>	1,907
– exchange differences	<b>(7)</b>	103
At end of year	<b><u>31,771</u></b>	<u>8,695</u>

As at 31 December 2023 and 2022, the ageing analysis of other receivables based on due date were as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
Up to 3 months	<b>88,958</b>	199,930
3 to 6 months	<b>3,000</b>	1,500
6 months to 1 year	–	1
Over 1 year	–	–
	<b><u>91,958</u></b>	<u>201,431</u>

The loss allowance for other receivables as at 31 December reconcile to the opening loss allowances as follows:

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
At beginning of year	<b>3,314</b>	5,015
Reversal for the year		
– reversal to profit or loss	<b>(116)</b>	(1,701)
– exchange differences	<b>(75)</b>	–
At end of year	<b><u>3,123</u></b>	<u>3,314</u>

The Group's allowance for impairment of trade and other receivables and financial guarantees charged/ (reversal) to profit or loss are as follows:

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Trade receivables	<b>23,083</b>	1,907
Other receivables	<b>(116)</b>	(1,701)
Financial guarantees	<b>6,375</b>	–
	<b>29,342</b>	<b>206</b>

### 13 BORROWINGS

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<i>Secured or guaranteed</i>		
– Bank loans		
– Current	<b>181,000</b>	356,201
– Current portion of non-current	<b>1,005</b>	1,048
– Non-current	<b>5,354</b>	11,867
– Corporate bonds		
– Current portion of non-current	<b>3,515</b>	3,665
– Non-current	<b>2,762</b>	6,545
	<b>193,636</b>	379,326
<i>Unsecured</i>		
– Bank loans		
– Current	–	12,042
– Current portion of non-current	<b>2,268</b>	11,349
– Non-current	<b>1,965</b>	6,342
– Loans from other financial institutions		
– Non-current	<b>25,107</b>	26,179
	<b>29,340</b>	55,912
<b>Total borrowings</b>	<b>222,976</b>	435,238

## 14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables		
– Related parties	6,366	11,973
– Third parties	131,087	453,521
	<u>137,453</u>	<u>465,494</u>
Other payables		
– Related parties	300	300
– Third parties	24,594	33,063
	<u>24,894</u>	<u>33,363</u>
Accrued payroll	14,232	23,258
Other taxes payables	4,823	8,196
Interest payables	289	542
	<u>181,691</u>	<u>530,853</u>

Trade payables are unsecured and are usually paid within 90 days of recognition. Where trade payables are settled via electronic cash transfer, they are derecognised when the Group has no ability to withdraw, stop or cancel the payment, has lost the practical ability to access the cash as a result of the electronic payment instruction, and the risk of a settlement not occurring is insignificant.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

As at 31 December 2023 and 2022, the ageing analysis of the trade payables based on invoice date were as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Up to 3 months	33,126	181,537
3 to 6 months	104,327	283,957
	<u>137,453</u>	<u>465,494</u>

## 15 DIVIDENDS

In accordance with a resolution of the Board of Directors' meeting dated 30 August 2023, the Board of Directors resolved an interim dividend of HKD0.12 per share to the shareholders in respect of the six months ended 30 June 2023, totalling HKD19,907,364 (equivalent to RMB18,203,000), which has been paid out of the share premium of the Company on 27 September 2023.

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

In 2023, the epidemic subsided and China's economy gradually stabilized, but it still faced many risks and challenges. Various factors made the competition in the consumption sector more intense, including consumers' more cautious and rational consumption concepts and e-commerce platforms falling into a low-price competition landscape.

In 2023, the Group firmly implemented the strategy of "Streamlining Organization, Reducing Costs and Increasing Efficiency" developed at the beginning of the year. The Group continued to sort out and optimize its existing brands and channels, and terminated its cooperation with some low-margin brands and channels. However, due to the impact of the discharge of nuclear-contaminated water from Japan in the second half of 2023, the overall revenue of the Group decreased more than expected in 2023, representing a decrease of 27.0% as compared with the same period of last year. In the face of the challenging external environment, the Group enhanced its operating quality by optimizing its brand and channel structure, improving trading conditions, reducing costs and increasing efficiency. The Group's gross profit margin for 2023 increased by 2.4 percentage points as compared with the same period of last year. In addition, through actively controlling inventories, lowering the level of borrowings and other measures, the Group's asset liability ratio was 37.2% as at the end of 2023, representing a decrease of 19.6 percentage points from 56.8% as at the end of 2022.

Meanwhile, the Group continued to expand emerging channel businesses, including Douyin and Pinduoduo to provide more diversified omni-channel services for its brand partners. The businesses in Douyin and Pinduoduo for 2023 increased by 36.8% and 52.2% respectively, as compared with the same period of last year. The revenue from the businesses in Douyin and Pinduoduo for 2023 and 2022 accounted for 10.5% and 5.3% of the overall revenue of the Group respectively.

### Revenue

The Group's overall revenue for 2023 was RMB1,735.9 million, representing a decrease of 27.0% as compared with the same period of last year, which was mainly due to (i) the weakening of the market competitiveness of an important personal care product brand for adults; (ii) change in consumers' choice preference in the short term caused by the impact of the nuclear-contaminated water discharges in Japan; and (iii) the ongoing consolidation and optimization of existing brands and channels, and the termination of cooperation with some low-margin brands and channels.



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

	Year ended 31 December		2022		year-on-year (%)
	2023				
	RMB in thousands	% of total revenue	RMB in thousands	% of total revenue	
<b>Sales of goods</b>					
Personal care products for adults	1,120,460	64.5	1,549,742	65.1	-27.7
Personal care products for babies	196,035	11.3	274,327	11.5	-28.5
Beauty products	147,444	8.5	235,395	9.9	-37.4
Health products	183,931	10.6	187,372	7.9	-1.8
Others	72,432	4.2	107,065	4.5	-32.3
<b>Provision of services</b>	15,598	0.9	25,113	1.1	-37.9
<b>Total</b>	<b>1,735,900</b>	<b>100.0</b>	<b>2,379,014</b>	<b>100.0</b>	<b>-27.0</b>

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

	Year ended 31 December		2022		year-on-year (%)
	2023				
	RMB in thousands	%	RMB in thousands	%	
<b>Sales of goods</b>					
B2B	843,128	48.6	1,176,588	49.4	-28.3
General trade	571,166	32.9	768,878	32.3	-25.7
Cross-border e-commerce	271,962	15.7	407,710	17.1	-33.3
B2C	877,174	50.5	1,177,313	49.5	-25.5
General trade	445,447	25.7	638,093	26.8	-30.2
Cross-border e-commerce	431,727	24.9	539,220	22.7	-19.9
<b>Provision of services</b>	15,598	0.9	25,113	1.1	-37.9
<b>Total</b>	<b>1,735,900</b>	<b>100.0</b>	<b>2,379,014</b>	<b>100.0</b>	<b>-27.0</b>

Sales revenue from personal care products for adults decreased by 27.7% as compared with the same period of last year, mainly due to, on the one hand, the significant sales decline of one personal care product brand for adults caused by weakening market influence, and on the other hand, the Group's optimization of its brands and termination of its cooperation with some low-margin brands.

Sales revenue from personal care products for babies decreased by 28.5% as compared with the same period of last year, mainly due to the impact of the declining birth rate, and the intensified competition with similar baby and maternal products in the domestic market.

Sales revenue from beauty products decreased by 37.4% as compared with the same period of last year. The decrease was due to, on the one hand, the termination of the Group's cooperation with some low-margin brands and some channels, and on the other hand, the decrease in market share caused by the discharge of nuclear-contaminated water from Japan and competition with local beauty brands. The Group will continue to seek opportunities for brands to increase sales under new channels by expanding channels.

Sales revenue from health products decreased by 1.8% as compared with the same period of last year. The Group actively adjusted its selling strategy, optimized its product mix and increased the sales proportion of its best-selling product categories. The sales of stomach and cold medicines increased sharply, partially offset by selling restrictions arising from the impact of nuclear-contaminated water discharges from Japan and Chinese policies and regulations on cross-border medicines.

Sales revenue from other products decreased by 32.3% as compared with the same period of last year, mainly due to the termination of cooperation with a low-margin home clear product.

The revenue generated from providing services decreased by 37.9% as compared with the same period of last year, mainly due to the termination of some unprofitable businesses. In 2023, the Group cooperated with Cocunat, a high-end beauty brand in Spanish; Algotharm, a French skin care brand, Chongyuan, a skin care brand under Jinbo Pharma and Chantecaille under Beiersdorf, so as to provide e-commerce operation services.

### Gross Profit and Gross Profit Margin

The overall gross profit margin of the Group in 2023 was 26.3%, representing an increase of 2.4 percentage points from 23.9% in the same period of last year, mainly due to: (i) the Group's optimization of the product mix, increase in the sales proportion of high-margin products and enhancement of promotion efficiency; and (ii) the Group's reasonable management and control over its merchandise inventories to improve the efficiency of goods turnover, and the Group's active actions to optimize the inventory structure and reduce the profit loss caused by price reduction and stock clearance sale.

#### *Gross profit and gross profit margin by product categories*

	Year ended 31 December		2022	RMB in thousands	%	Change in gross profit margin (%)
	2023	RMB in thousands				
<b>Sales of goods</b>						
Personal care products for adults	240,319	21.4	293,144	18.9	2.5	
Personal care products for babies	59,760	30.5	68,324	24.9	5.6	
Beauty products	53,556	36.3	103,623	44.0	-7.7	
Health products	61,952	33.7	51,373	27.4	6.3	
Others	32,960	45.5	46,176	43.1	2.4	
<b>Provision of services</b>	8,108	52.0	6,522	26.0	26.0	
<b>Total</b>	<b>456,655</b>	<b>26.3</b>	<b>569,162</b>	<b>23.9</b>	<b>2.4</b>	

*Gross profit and gross profit margin by business model*

	Year ended 31 December		2022	Change in gross profit margin (%)
	2023			
	RMB in thousands	%	RMB in thousands	%
<b>Sales of goods</b>				
B2B	<b>111,000</b>	<b>13.2</b>	92,749	7.9
General trade	<b>76,892</b>	<b>13.5</b>	39,891	5.2
Cross-border e-commerce	<b>34,108</b>	<b>12.5</b>	52,858	13.0
B2C	<b>337,547</b>	<b>38.5</b>	469,891	39.9
General trade	<b>147,075</b>	<b>33.0</b>	210,612	33.0
Cross-border e-commerce	<b>190,472</b>	<b>44.1</b>	259,279	48.1
<b>Provision of services</b>	<b>8,108</b>	<b>52.0</b>	6,522	26.0
<b>Total</b>	<b>456,655</b>	<b>26.3</b>	569,162	23.9

The gross profit margin of personal care products for adults increased by 2.5 percentage points as compared with the same period of last year, mainly because (i) one of the main personal care product brands gained more support from brand partners to reduce the inventories, which positively affected the gross profit margin; (ii) the Group adjusted the selling strategy, increased the sales proportion of high-margin products, and improved the overall gross profit margin; and (iii) the Group optimized channel operation and stabilized the selling prices.

The gross profit margin of personal care products for babies increased by 5.6 percentage points as compared with the same period of last year, mainly because in the highly competitive market circumstances, we cooperated with brand partners to increase investment in event promotions and improve operational efficiency.

The gross profit margin of beauty products decreased by 7.7 percentage points as compared with the same period of last year, mainly because some beauty brands terminated their brand cooperation and transferred the remaining product inventories at a low price, affecting the gross profit margin; and the inventory turnover was continuously controlled, and the products close to expiry were cleared.

The gross profit margin of health products increased by 6.3 percentage points as compared with the same period of last year. Based on the prediction of market demand, the Group timely adjusted its selling strategy, optimized its product mix, and increased its investment in the promotion of high-margin products, so as to increase the sales proportion of high-margin products and improve the overall gross profit margin.

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

For 2023, the operating losses of the Group were RMB7.9 million (compared with the losses of RMB122.5 million for the same period of last year), mainly because (i) a provision was made for overdue receivables in the account book, resulting in an impairment loss of RMB23.1 million; (ii) promotion and advertising expenses decreased by 48.8%, and logistics expenses decreased by 27.9% as compared with the same period of last year, which was due to the control of operating expenses, the optimization of market promotion expenses, and the improvement of promotion efficiency; (iii) financial derivatives were used reasonably to reduce losses caused by foreign exchange fluctuations; and (iv) the Group optimized the inventory structure, enhanced the fund utilizing efficiency, reduced the balance of loans and recorded a decrease of 30.5% in finance costs as compared with the same period of last year.

In 2023, a loss per share of the Group was RMB0.11, compared with the loss per share of RMB0.71 in 2022.

## LIQUIDITY AND FINANCIAL RESOURCES

In 2023, the Group mainly used cash generated from operations and bank borrowings to meet its cash demand. As at 31 December 2023, cash and cash equivalents were RMB338.4 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 2023 and 2022 are as follows:

	Year ended 31 December	
	2023 (RMB'000)	2022 (RMB'000)
Net cash generated from operating activities	143,745	260,027
Net cash used in investing activities	(29,659)	(80,874)
Net cash used in financing activities	(193,853)	(203,116)
Net decrease in cash and cash equivalents	(79,767)	(23,963)
Opening cash and cash equivalents	417,642	442,085
Effect on exchange rate difference	522	(480)
Closing cash and cash equivalents	338,397	417,642

Net cash generated from operating activities was RMB143.7 million, mainly calculated as cash generated from operations of RMB155.4 million plus income tax paid of RMB15.9 million. The relatively stable cash flow from operating activities of 2023 was mainly due to the Group's active management and control over inventory, improvement in inventory turnover days and reduction in occupation of the capital.

Net cash used in investing activities was RMB29.7 million, mainly due to the payment of an equivalent amount of RMB34.4 million to subscribe for a limited partner interest in a fund.

Net cash used in financing activities was RMB193.9 million, mainly due to the active reduction in asset liability ratio, active repayment of net borrowings of RMB159.5 million and dividend payment of an equivalent amount of RMB18.2 million.

## **CAPITAL STRUCTURE**

As at 31 December 2023, the gearing ratio of the Group was  $-14.6\%$  (31 December 2022:  $4.5\%$ ), 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 improvement in gearing ratio was mainly due to the deduction in the Group's borrowings, and retained cash was higher than the liabilities.

## **BANK AND OTHER BORROWINGS, CHARGES ON ASSETS**

The Group adopted proactive financing policies. As at 31 December 2023, the Group's total borrowings were RMB223.0 million, mainly consisting of bank borrowings, of which borrowings of an equivalent of RMB181.0 million were guaranteed by the Company and its subsidiaries. As at 31 December 2023, the Group's borrowings were mainly at a fixed interest rate.

As at 31 December 2023, the Group had unutilised banking facilities of RMB171.3 million.

## **CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS**

In 2023, the capital expenditure of the Group was RMB1.0 million (RMB0.3 million in 2022). As at 31 December 2023, the Group had no material capital commitment.

## **FUTURE PLANS OF MAJOR INVESTMENTS AND CAPITAL ASSETS**

As at 31 December 2023, 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 2023.

## **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 2023.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 296 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 2023, the relationship between the Company and its employees was stable. We were not subject to any strikes or other labor disputes that had a significant impact on the business activities.

## FOREIGN EXCHANGE RISK

In 2023, 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 the 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 to manage risks on exchange rate in respect of foreign currency borrowings, which 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

In October 2023, UNQ Supply Chain Management Co., Ltd. ("**UNQ Supply Chain**", an indirect wholly-owned subsidiary of the Company) has provided Shanghai Xuyi Industry Co., Ltd. ("**Shanghai Xuyi**") a guarantee for a bank loan of RMB48.0 million from Industrial Bank Co. Ltd. by Shanghai Xuyi with its bank deposit of RMB50.0 million (the "**Guarantee**"), which covered the principal, interests, default penalties and other incidental expenses payable of the bank loan. Shanghai Xuyi and Ms. LI Min, the controlling shareholder of Shanghai Xuyi, entered into counter-guarantee agreements with UNQ Supply Chain respectively, to provide counter-guarantee for UNQ Supply Chain's liability in relation to the Guarantee. The Group adopted a multi-scenario discounted cash flow approach under the 3-stage model when evaluating the expected credit losses of the financial guarantees for the year ended 31 December 2023. Several key assumptions were adopted for different scenarios, including the cancellation or settlement of the financial guarantees and the related probabilities. Based on the above assessment, the Group made a provision for loss allowance on the Guarantee of RMB6.4 million for the year ended 31 December 2023. The Board expected that it would not materially and adversely affect the financial condition of the Group.

Save as disclosed above, as at 31 December 2023, the Group did not have any other material contingent liabilities.

## **SUBSEQUENT EVENTS**

After 31 December 2023 and up to the date of this annual results announcement, the Group did not have any material subsequent events.

## **OUTLOOK**

In 2024, the external environment is still filled with adverse factors, such as the uncertain international situation and sluggish consuming willingness. In the course of business development in 2024, the Group will unswervingly implement the following measures:

1. We will achieve business breakthroughs in health-care food, functional skin-care products and other sectors through brand co-creation and self-brand incubation;
2. We will continue to increase the investment in Douyin and Pinduoduo and other platforms, and establish a perfect alliance; and
3. We will constantly strengthen the existing businesses, improve the quality and efficiency of operations, and lay a solid foundation for withstanding operational risks and future development.

The Group will adhere to the original aspiration for establishing the Group, provide consumers with high-quality goods worldwide, increase brands' selling channels, meet the diversified needs of consumers, and provide them with diversified consumption experiences covering the entire domain.

## **USE OF PROCEEDS FROM LISTING**

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 July 2021 (the “**Listing Date**”) with total net proceeds from the listing of approximately HK\$320 million after deducting underwriting fees, commissions and estimated expenses.

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

Item	Approximate percentage of total amount (%)	Amount of net proceeds allocated upon listing (HKD million)	Utilised amount during the year ended 31 December 2023 (HKD million)	Utilised amount as at 31 December 2023 (HKD million)	Unutilised amount as at 31 December 2023 (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	32	128	46	By 31 December 2024
For diversifying our brand and product offerings for health products, in particular OTC drugs	15.7%	50	0	50	0	Not applicable
For enhancing our technology systems and data analytics capabilities	7.0%	22	5	15	7	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
<b>Total</b>	<b>100%</b>	<b>320</b>	<b>37</b>	<b>225</b>	<b>95</b>	

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.



## CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. During the year ended 31 December 2023, save as disclosed as follows, the Company has complied with all applicable code provisions as set out in the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

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

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

While this would constitute a deviation from code provision C.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by the Board requires approval by at least a majority of the Directors, and the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. WANG Yong and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer of the Company is necessary. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. After making specific enquiries to all Directors, the Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2023.

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement of the Shareholders to attend the annual general meeting of the Company to be held on 28 June 2024 (the “**AGM**”), the register of members of the Company will be closed from 25 June 2024 to 28 June 2024 (both days inclusive). To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 24 June 2024.

## **AUDIT COMMITTEE**

The Board has established an audit committee (the “**Audit Committee**”) comprising three independent non-executive Directors, namely Mr. NG Kam Wah Webster (chairman), Mr. WEI Hang and Ms. XIN Honghua. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting system, risk management and internal control procedures. The Audit Committee has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2023.

## **AUDIT SCOPE OF INDEPENDENT AUDITOR**

The financial figures in respect of the Group’s consolidated balance sheet as at 31 December 2023, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been compared by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year and the amounts were found to be in agreement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT 2023**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.youquhui.com](http://www.youquhui.com)), and the annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

By order of the Board  
**UNQ HOLDINGS LIMITED**  
**WANG Yong**  
*Chairman*

Hong Kong, 28 March 2024

*As at the date of this announcement, the executive Directors are Mr. WANG Yong, Mr. SHEN Yu and Ms. CHEN Weiwei; the non-executive Director is Mr. NAKAYAMA Kokkei; and the independent non-executive Directors are Mr. NG Kam Wah Webster, Mr. WEI Hang and Ms. XIN Honghua.*