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UNQ HOLDINGS LIMITED

优越汇控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2177)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

FINANCIAL HIGHLIGHTS

Steady growth in business performance

- Revenue in the first half of 2021 increased by 17.4% over the same period last year to RMB1,481 million
- Further solidified the Group's leading position in the e-commerce solutions market of Japanese-branded fast-moving consumer goods

Further improvement in gross profit margin with increased selling and marketing expenses

- Gross profit margin in the first half of 2021 was 32.2%, an increase of 0.4% over the same period last year, and operating profit margin was 4.5%
- Focused on increasing investment in new channels and new business forms such as Douyin and Pinduoduo

Net profit turned positive

- There was no preference share fee impact in the current period

Significant improvement in the net operating cash flow

- Operating cash flow became positive, with significant improvement in the net operating cash flow

The board (the “**Board**”) of directors (the “**Directors**”) of UNQ Holdings Limited (the “**Company**”) is pleased to announce its unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended June 30, 2021 together with the comparative figures for the corresponding period in 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2021

		Unaudited	
		Six months ended June 30,	
	Note	2021	2020
		RMB'000	RMB'000
Revenue	5	1,481,099	1,261,917
Cost of revenue		<u>(1,004,452)</u>	<u>(861,186)</u>
Gross profit		476,647	400,731
Selling and marketing expenses	6	(364,563)	(275,096)
General and administrative expenses	6	(46,389)	(48,376)
Research and development expenses	6	(3,566)	(4,219)
Net impairment losses on financial assets	11	(859)	(6,219)
Other income		7,864	3,695
Other (losses)/gains – net		<u>(2,480)</u>	<u>3,871</u>
Operating profit		66,654	74,387
Finance costs – net	7	(17,733)	(8,247)
Fair value changes from preferred shares		–	(88,634)
Share of net profit of associates and joint ventures accounted for using the equity method		<u>3,541</u>	<u>6,170</u>
Profit/(loss) before income tax		52,462	(16,324)
Income tax expenses	8	<u>(17,467)</u>	<u>(23,983)</u>
Profit/(loss) for the period		<u><u>34,995</u></u>	<u><u>(40,307)</u></u>
Attributable to:			
– Owners of the Company		34,826	(40,066)
– Non-controlling interests		<u>169</u>	<u>(241)</u>
		<u><u>34,995</u></u>	<u><u>(40,307)</u></u>

		Unaudited	
		Six months ended June 30,	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
Other comprehensive income/(losses)			
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive (losses)/income of associates and joint ventures accounted for using the equity method		(1,582)	178
Exchange differences on translation of foreign operations		(11,088)	5,981
Total other comprehensive income/(losses)		<u>(12,670)</u>	<u>6,159</u>
Total comprehensive income/(losses) for the period		<u><u>22,325</u></u>	<u><u>(34,148)</u></u>
Attributable to:			
– Equity holders of the Company		22,156	(33,907)
– Non-controlling interests		<u>169</u>	<u>(241)</u>
		<u><u>22,325</u></u>	<u><u>(34,148)</u></u>
Earnings/(losses) per share for profits/(losses) attributable to equity holders of the Company			
– Basic earnings/(losses) per share (RMB)	9	0.26	(0.48)
– Diluted earnings/(losses) per share (RMB)	9	<u>0.26</u>	<u>(0.48)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	<i>Note</i>	Unaudited June 30, 2021 RMB'000	Audited December 31, 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		33,594	34,893
Intangible assets		1,589	1,922
Deferred tax assets		27,407	25,830
Investments accounted for using the equity method		25,958	23,999
		<hr/>	<hr/>
Total non-current assets		88,548	86,644
Current assets			
Inventories	<i>10</i>	759,730	659,361
Trade and other receivables	<i>11</i>	501,450	526,959
Other current assets		184,041	264,977
Restricted cash		4,150	3,200
Cash and cash equivalents		325,550	252,334
		<hr/>	<hr/>
Total current assets		1,774,921	1,706,831
		<hr/>	<hr/>
Total assets		1,863,469	1,793,475
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	Unaudited June 30, 2021 RMB'000	Audited December 31, 2020 RMB'000
EQUITY			
Share capital		–	–
Share premium		2,318,000	2,318,000
Other reserves		(1,494,074)	(1,481,399)
Accumulated losses		(183,044)	(217,870)
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		640,882	618,731
Non-controlling interests		(875)	(1,044)
		<hr/>	<hr/>
Total equity		640,007	617,687
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>12</i>	48,196	42,305
Lease liabilities		10,642	14,983
		<hr/>	<hr/>
Total non-current liabilities		58,838	57,288
		<hr/>	<hr/>
Current liabilities			
Contract liabilities		48	3,425
Trade and other payables	<i>13</i>	465,269	489,620
Lease liabilities		11,355	9,722
Current tax liabilities		18,444	35,094
Borrowings	<i>12</i>	669,508	580,639
		<hr/>	<hr/>
Total current liabilities		1,164,624	1,118,500
		<hr/> <hr/>	<hr/> <hr/>
Total liabilities		1,223,462	1,175,788
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		1,863,469	1,793,475
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2021

<i>Note</i>	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non-con- trolling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At January 1, 2021	-	2,318,000	(1,481,399)	(217,870)	618,731	(1,044)	617,687
Comprehensive income/(losses)							
Profit for the year	-	-	-	34,826	34,826	169	34,995
Other comprehensive losses	-	-	(12,670)	-	(12,670)	-	(12,670)
Transactions with owners:							
Distribution to shareholders	-	-	(5)	-	(5)	-	(5)
At June 30, 2021	<u>-</u>	<u>2,318,000</u>	<u>(1,494,074)</u>	<u>(183,044)</u>	<u>640,882</u>	<u>(875)</u>	<u>640,007</u>
At January 1, 2020	-	-	(125,397)	(220,677)	(346,074)	(73)	(346,147)
Comprehensive (losses)/income							
Loss for the period	-	-	-	(40,066)	(40,066)	(241)	(40,307)
Other comprehensive income	-	-	6,159	-	6,159	-	6,159
Transactions with owners:							
Issuance of ordinary shares	-	-	-	-	-	-	-
Extinguishment of preferred shares	-	-	977,867	3,895	981,762	-	981,762
Completion of Reorganization	-	2,318,000	(2,318,000)	-	-	-	-
At June 30, 2020	<u>-</u>	<u>2,318,000</u>	<u>(1,459,371)</u>	<u>(256,848)</u>	<u>601,781</u>	<u>(314)</u>	<u>601,467</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from/(used in) operations	603	(197,922)
Interest received	270	4,235
Income tax paid	(36,970)	(39,453)
	<u>(36,097)</u>	<u>(39,453)</u>
Net cash used in operating activities	<u>(36,097)</u>	<u>(233,140)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,330)	(4,841)
Purchases of intangible assets	–	(1,017)
Proceeds from disposal of property, plant and equipment	12	–
Acquisition of financial assets at fair value through profit or loss	(73,000)	(114,000)
Proceeds from disposal of financial assets at fair value through profit or loss and investment income	73,038	158,398
Repayment of loans by related parties	63,200	–
Repayment of loans by third parties	4,000	–
Interest received on loans	2,632	–
	<u>66,552</u>	<u>35,040</u>
Net cash generated from investing activities	<u>66,552</u>	<u>35,040</u>

Unaudited
Six months ended June 30,
2021 **2020**
RMB'000 **RMB'000**

Cash flows from financing activities

Proceeds from borrowings from third parties	1,007,830	523,914
Payment of listing expenses	(1,248)	(1,115)
Repayment of borrowings to third parties	(898,359)	(441,442)
Repayment of borrowings to related parties	(15,492)	(130,001)
Payment of guarantees for borrowings	–	(51,330)
Interest paid	(16,111)	(5,244)
Dividends distribution	–	(2,055)
Distribution to shareholders	(5)	–
Payments of lease liabilities	(7,695)	(6,070)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	68,920	(113,343)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	99,375	(311,443)
Cash and cash equivalents at beginning of the period	252,334	538,561
Effect on exchange rate difference	(26,159)	11,961
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	325,550	239,079
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2021

1 GENERAL INFORMATION

UNQ Holdings Limited (the “Company”) was incorporated in the Cayman Islands on October 31, 2019 as an exempted company with limited liability under the Companies Law (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, including structured entities (together, the “Group”) are principally engaged in (i) selling goods to customers (“Sales of Goods Business”), including Business To Business Model (“B2B”) and Business To Consumer Model (“B2C”); (ii) the facilitation of brand partners’ online operating services (“Online Operating Business”); (iii) the provision of digital marketing and other services (“Digital Marketing and Other Business”) (collectively, the “Listing Business”) in the People’s Republic of China (the “PRC”). Mr. Wang Yong is the ultimate controlling shareholder of the Company.

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

The interim condensed consolidated financial information is presented in Renminbi thousand (RMB’000), unless otherwise stated.

The interim condensed consolidated financial information was approved by the Board of Directors on August 19, 2021.

The interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2020, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

(a) New and amended standards adopted by the Group

- Covid-19-related Rent Concession – Amendments to IFRS 16
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

There is no significant impact of the new and amended standards.

4 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. The Group mainly operates in the PRC. As of December 31, 2020 and June 30, 2021, most of non-current assets were located in the PRC. All of the Group's revenue are derived from the PRC.

Thus no segment information was presented for the six month ended June 30, 2021.

5 REVENUE

(a) The revenue for the six months ended June 30, 2021 and 2020 are set out as follows:

	Unaudited Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Sales of goods		
– B2B	699,694	586,238
– B2C	768,362	668,978
Provision of services		
– online operating services	1,126	4,315
– digital marketing and other services	11,917	2,386
	<u>1,481,099</u>	<u>1,261,917</u>

(b) Revenue by geographical markets

All the revenue of the Group was generated in the PRC during the six months ended June 30, 2021 and 2020.

(c) Information about major customers

During the six months ended June 30, 2021 and 2020, the revenue derived from external customers accounted for more than 10% of total revenue are set out below.

	Unaudited	
	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	472,464	361,181

6 EXPENSES BY NATURE

	Unaudited	
	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of goods sold	995,679	858,526
Sales and marketing expenses	172,876	115,047
Warehousing and logistic expenses	139,796	127,530
Employee benefit expenses	78,445	58,208
Listing expenses	10,807	13,547
Depreciation and amortization charges	9,174	7,467
Office expenses	2,783	2,741
Auditors' remuneration	500	649
Others	8,910	5,162
	1,418,970	1,188,877

7 FINANCE COSTS – NET

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Finance income:		
Bank interest income	270	285
Finance costs:		
Interest expense on borrowings	(17,228)	(7,778)
Interest expense on lease liabilities	(775)	(754)
	(18,003)	(8,532)
Finance income – net	(17,733)	(8,247)

8 INCOME TAX EXPENSES

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Current income tax	19,164	30,714
Deferred income tax	(1,697)	(6,731)
Income tax expenses	17,467	23,983

(a) Cayman Islands

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

(b) British Virgin Islands

The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

(c) Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. Provision for Hong Kong profits tax was made on the assessable profits of entities within the Group incorporated in Hong Kong.

(d) Japan corporate income tax

Entities incorporated in Japan are subject to Japan corporate income tax at an effective statutory tax rate of approximately 30%.

(e) 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 six months ended June 30, 2021 and 2020.

(f) PRC withholding Tax (“WHT”)

According to the New Corporate Income Tax Law (“New CIT Law”), distribution of profits earned by PRC companies since January 1, 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.

9 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

Basic earnings/(losses) per share for the six months ended June 30, 2021 and 2020 is calculated by dividing the profit/(losses) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the interim periods.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the six months ended June 30, 2021 and June 30, 2020 has been retroactively adjusted for the capitalisation of the share premium account arose from the IPO of the Company.

	Unaudited	
	Six months ended June 30,	
	2021	2020
Net profit/(losses) attributable to equity holders of the Company (RMB'000)	34,826	(40,066)
Weighted average number of ordinary shares in issue	135,204,100	83,603,500
Basic earnings/(losses) per share (expressed in RMB per share)	<u>0.26</u>	<u>(0.48)</u>

(b) Diluted earnings/(losses) per share

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

As the Group incurred losses for the six months ended June 30, 2020, the potential ordinary shares were not included in the calculation of dilutive earnings/(losses) per share, as their inclusion would be anti-dilutive. Accordingly, diluted earnings (losses) per share for the six months ended June 30, 2020 are same as basic losses per share of respective periods.

For the six months ended June 30, 2021 and 2020, diluted earnings per share was calculated by considering that the preferred shares issued by the Company were excluded from the diluted weighted average number of ordinary shares calculation, as their effect would have been anti-dilutive.

	Unaudited	
	Six months ended June 30,	
	2021	2020
Net profit/(losses) attributable to equity holders of the Company <i>(RMB'000)</i>	34,826	(40,066)
Weighted average number of ordinary shares in issue	135,204,100	83,603,500
Weighted average number of ordinary shares for calculation of diluted earnings/(losses) per share	135,204,100	83,603,500
Diluted earnings/(losses) per share <i>(expressed in RMB per share)</i>	0.26	(0.48)

10 INVENTORIES

	Unaudited	Audited
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
Merchant goods	799,629	702,490
Less: provision	(39,899)	(43,129)
	759,730	659,361

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

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
At beginning of period	43,129	18,498
Charge for the period		
– charge to profit or loss	(64)	9,593
– exchange differences	(484)	122
Write-off for the period	(2,682)	(3,289)
At end of period	39,899	24,924

11 TRADE AND OTHER RECEIVABLES

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

	Unaudited June 30, 2021 RMB'000	Audited December 31, 2020 RMB'000
Trade receivables		
– Related parties	57,813	50,972
– Third parties	279,141	205,058
	<u>336,954</u>	<u>256,030</u>
Other receivables		
– Related parties	46,307	115,904
– Third parties	129,773	165,746
	<u>176,080</u>	<u>281,650</u>
Less: allowance for impairment	11,584	10,721
Net trade and other receivables	<u><u>501,450</u></u>	<u><u>526,959</u></u>

- (a) Sales of goods under lump sum basis are received in accordance with the terms of the relevant agreements. Sales income is due for payment by the customer upon the issuance of invoices. For online operating services and digital marketing services, customers are generally given a credit term up to 90 days.

The ageing analysis of the trade receivables based on invoice date were as follows:

	Unaudited June 30, 2021 RMB'000	Audited December 31, 2020 RMB'000
Trade receivables – gross		
Up to 3 months	273,788	218,187
3 to 6 months	24,092	21,169
6 months to 1 year	37,106	14,491
Over 1 year	1,968	2,183
	<u>336,954</u>	<u>256,030</u>

(b) The ageing analysis of other receivables based on due date were as follows:

	Unaudited June 30, 2021 <i>RMB'000</i>	Audited December 31, 2020 <i>RMB'000</i>
Other receivables – gross		
Up to 3 months	175,407	281,282
3 to 6 months	217	150
6 months to 1 year	452	208
Over 1 year	4	10
	<u>176,080</u>	<u>281,650</u>

(c) Movements on the Group's allowance for impairment of trade and other receivables are as follows:

	Unaudited Six months ended June 30, 2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of period	10,721	5,709
Charge for the period		
– charge to profit or loss	859	6,219
– exchange differences	4	–
Write-off for the period	–	(730)
	<u>11,584</u>	<u>11,198</u>

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

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Trade receivables	94	2,527
Other receivables	765	3,692
	<u>859</u>	<u>6,219</u>

12 BORROWINGS

	Unaudited	Audited
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
<i>Secured or guaranteed</i>		
Current	439,472	556,113
Current portion of non-current	7,150	11,130
Non-current	32,662	28,652
	<u>479,284</u>	<u>595,895</u>
<i>Unsecured</i>		
Current	210,444	7,523
Current portion of non-current	12,442	5,873
Non-current	15,534	13,653
	<u>238,420</u>	<u>27,049</u>
Total borrowings	<u>717,704</u>	<u>622,944</u>

13 TRADE AND OTHER PAYABLES

	Unaudited June 30, 2021 RMB'000	Audited December 31, 2020 RMB'000
Trade payables		
– Related parties	19,206	111,865
– Third parties	<u>378,295</u>	<u>286,781</u>
	<u>397,501</u>	<u>398,646</u>
Other payables		
– Related parties	300	15,615
– Third parties	<u>23,486</u>	<u>32,401</u>
	<u>23,786</u>	<u>48,016</u>
Accrued payroll	15,864	20,979
Accrued listing expenses	9,690	15,322
Other taxes payables	15,755	5,101
Interest payables	<u>2,673</u>	<u>1,556</u>
	<u><u>465,269</u></u>	<u><u>493,045</u></u>

The ageing analysis of the trade payables based on invoice date were as follows:

	Unaudited June 30, 2021 RMB'000	Audited December 31, 2020 RMB'000
Up to 3 months	396,266	321,071
3 to 6 months	<u>1,235</u>	<u>77,575</u>
	<u><u>397,501</u></u>	<u><u>398,646</u></u>

14 DIVIDENDS

The Board has resolved that no interim dividends be declared for the six months ended June 30, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In the first half of 2021, the COVID-19 pandemic remained quite severe around the globe, however in Mainland China where the Group operated its main businesses, the situation was basically stable, which provided a good external environment for our business development.

From the industry perspective, the overall online retail market in mainland China continued to grow with innovations in business models. The performance of live streaming e-commerce, short-form video e-commerce, rural residents based e-commerce, and real-time delivery grew rapidly, in response to the increasingly diversified and personalized demands. The Group maintained a stable and good cooperative relationship with major brands partners and platforms, and achieved steady growth in business results. Meanwhile, we actively utilized resources and explored business opportunities in platforms like Douyin, Kuaishou, and Pinduoduo.

FINANCIAL HIGHLIGHTS

In the first half of 2021, the Group's overall business continued to maintain steady growth, and sales revenue increased by 17.4% over the same period last year, thanks to the stable and good cooperative relationships with major brands partners and platforms, and the stable development of the personal care, mother and infant categories and traditional e-commerce channel business in which the Group has been deeply engaged for years. Meanwhile, up-and-coming brands incubated by us such as Attenir grew rapidly, and the over-the-counter drugs category also showed momentum of good growth.

In addition, the Group continuously expanded and optimized its sales channels, and vigorously increased our expenditure in short-form video and social e-commerce channels. In June 2021 solely, gross merchandise volume of our stores on Douyin and Pinduoduo exceeded RMB8 million, representing a surge of 685% as compared with the same month of last year. We believe that our resources investment in the channels will help the Group to further secure new point of growth in the future.

For the six months ended June 30, 2021, the Group's overall gross profit margin was 32.2%, compared with 31.8% for the same period last year. The increase in gross profit was resulted from the Group's above-mentioned efforts to broaden and optimize the channels.

For the six months ended June 30, 2021, the increase in selling and marketing expenses of the Group was mainly attributable to the increase in marketing expenses and human resources costs from front offices. In response to the changes in spending behaviors in the market, the Group kept abreast of the current mainstream promotion methods, such as live streaming activities with top key opinion leaders, and tried to use novel promotion models, such as smart advertising. In line with the rise of short-form video and social e-commerce channels, the Group also increased its advertisement investment in the emerging channels and has established teams for short video, multi-channel network, live streaming media, customer service and private traffic respectively.

For the six months ended June 30, 2021, the general and administrative expenses of the Group decreased by 4.1% as compared with the same period of last year, as a result of the decrease in listing expenses of the Group. The increase in interest expenses was mainly due to the increase in bank borrowings cope with the fast-growing purchase demand.

For the six months ended June 30, 2021, operating profit of the Group decreased slightly as compared with the same period last year as a result of the increase in the Group's selling and marketing expenses.

For the six months ended June 30, 2021, earnings per share of the Group based on the number of shares before listing after the share expansion was RMB0.26 per share, compared with a loss of RMB0.48 per share for the same period last year.

As of June 30, 2021, the Group's debt to asset ratio remained stable, basically the same as at the end of the previous year. The significant increase in inventory as of June 30, 2021 was mainly due to the increase in the Group's sales in the first half of the year and the corresponding increase in stocking. In addition, in view of the resurgence of COVID-19 pandemic at home and abroad, the Group also increased the stock of products to deal with the possible impact of COVID-19 pandemic on its supply chain. As of June 30, 2021, the decrease in other receivables was mainly due to the recovery of loans from related parties. The decrease in other current assets as of June 30, 2021 was mainly attributable to the timely collection of Japanese consumption tax receivable.

Subsequent Events

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on July 12, 2021 (the "Listing Date"). The prospectus of the Company dated June 28, 2021 (the "Prospectus") was published on the websites of the Company (www.youquhui.com) and the Stock Exchange (www.hkexnews.hk).

Outlook

According to the announcements of the PRC government, the PRC government is leading the improvement of support policies for cross-border e-commerce development, including expansion of the scope of cross-border e-commerce comprehensive pilot zones, optimization of the list of cross-border e-commerce retail imports, and facilitation of the management of cross-border e-commerce import and export goods returns and exchanges. Besides, government policies such as allowing couples to have three children and actively respond to aging population will also benefit the industry.

In the second half of 2021, we will continue to focus on the following development strategies:

- We will continue to be deeply engaged in Japan brands, and make efforts to cover more high-quality and interesting goods, so as to solidify the Group's leading position in the e-commerce solutions market of Japanese-branded fast-moving consumer goods;
- We will continue to increase our advertisement investment in short-term video e-commerce and social e-commerce channels including Douyin (抖音) and Kuaishou (快手), and make arrangements for private traffic management, etc., and strive to make them new sources of growth;
- We will continue to identify big data analysis and other investment opportunities that will help strengthen the service functions of the Group; and
- We will improve our financial position, effectively enhance inventory management, and continue to enrich our working capital.

REPURCHASE, 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 Listing Date to the date of this announcement (the “**Relevant Period**”).

Corporate Governance Practices

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 and the Corporate Governance Report (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. Save as disclosed in this announcement, during the Relevant Period, the Company has complied with all applicable code provisions as set out in the CG Code, except for Code Provision A.2.1 of the CG Code, which stipulates that the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

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 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 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 do not propose to separate the functions of chairman of the Board and chief executive officer.

While this would constitute a deviation from Code Provision A.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of 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 operations of 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 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 SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of the Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. Having made specific enquiry to all Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code during the Relevant Period.

Interim Dividend

The Board has resolved that no interim dividends be declared for the six months ended June 30, 2021.

AUDIT COMMITTEE

The Board has established the audit committee (the “**Audit Committee**”), which comprises three independent non-executive Directors, namely Mr. NG Kam Wah Webster, Mr. WEI Hang and Ms. XIN Honghua. Mr. NG Kam Wah Webster is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Company’s financial information, and oversee the Company’s financial reporting system, risk management and internal control systems.

The interim financial information is unaudited and has not been reviewed by the auditors. The Audit Committee has jointly reviewed with the Board the unaudited condensed interim results of the Group for the six months ended June 30, 2021 of the Group.

Bank Loan Conditions

UNQ Hong Kong Limited, a subsidiary of the Group, signed Backing Facilities Contracts with DBS Bank (Hong Kong) Limited on February 5, 2021 for total facilities of up to RMB22,000,000 and HKD205,000,000. One of the conditions for DBS Bank (Hong Kong) Limited to provide the facilities is that Mr. WANG Yong shall continue to be a substantial beneficial shareholder of the Company. If Mr. WANG Yong ceases to be a substantial beneficial shareholder of the Company and the Group fails to negotiate an acceptable solution with DBS Bank (Hong Kong) Limited, UNQ Hong Kong Limited may lose the source of the loan proceeds. As of June 30, 2021, the balance of the loan obtained by UNQ Hong Kong Limited from DBS Bank (Hong Kong) Limited was US\$24,472,936.88.

Use of Proceeds from Listing

The Company was listed on the Main Board of the Stock Exchange on July 12, 2021 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	Net proceeds (in HK\$ million)			
	Percentage	Available	Utilized	Unutilized
For investing in social media marketing and advertising, growing proprietary brands, diversifying brand portfolios and strengthening supply chain management	54.3%	174	57	117
For diversifying our brand and product offerings for health products, in particular OTC drugs	15.7%	50	17	33
For enhancing our technology systems and data analytics capabilities	7.0%	22	2	20
For pursuing strategic investments in technology companies and O2O service providers	13.0%	42	0	42
For working capital and general corporate uses	10.0%	32	32	0
Total	100.0%	320	108	212

As at the date of this announcement, the remaining proceeds of approximately HK\$212 million will continue to be used in accordance with the purposes as set out in the Prospectus and are expected to be fully utilized within three years.

PUBLICATION OF INTERIM RESULTS AND 2021 INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.youquhui.com) and the interim report of the Company for the six months ended June 30, 2021 will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
UNQ HOLDINGS LIMITED
WANG Yong
Chairman

Shanghai, August 19, 2021

As at the date of this announcement, the executive Directors are Mr. WANG Yong, Mr. SHEN Yu and Mr. MATSUMOTO Ryoji; 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.