UNQ HOLDINGS LIMITED
优趣汇控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2177)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

FINANCIAL HIGHLIGHTS

Decline in revenue

- For the six months ended June 30, 2022, the Group recorded a total revenue of RMB1,124.4 million, representing a period-to-period decrease of 24.1%, mainly due to the impact of the COVID-19 pandemic.

Decrease in gross profit margin, promotion and advertising expenses

- As the Group adopted the selling strategy of a low gross profit margin and promotion rate for the B2C business in response to an external adverse environment, the gross profit margin was 24.4% in the first half of 2022, while the gross profit margin in the same period of the previous year was 32.2%, and the promotion and advertising expenses decreased by 34.2% period-to-period.

Net loss

- For the six months ended June 30, 2022, the Group recorded a net loss of RMB31.6 million, while the Group recorded a net profit of RMB35.0 million for the six months ended June 30, 2021.

Improvement in cash flow from operating activities

- Cash flow from operating activities increased from a cash outflow of RMB36.1 million for the six months ended June 30, 2021 to a cash inflow of RMB13.0 million for the six months ended June 30, 2022.

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, 2022 (the "**Reporting Period**") together with comparative figures for the corresponding period in 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	Note	Unaudited Six months ended 30 June 2022 RMB'000	2021 RMB'000
Revenue	7	**1,124,389**	1,481,099
Cost of revenue	8	**(850,594)**	(1,004,452)
Gross profit		**273,795**	476,647
Selling and marketing expenses	8	**(273,686)**	(364,563)
General and administrative expenses	8	**(35,141)**	(46,389)
Research and development expenses	8	**(2,762)**	(3,566)
Net impairment losses on financial assets	13	**(3,456)**	(859)
Other income		**10,763**	7,864
Other losses		**(10,678)**	(2,480)
Operating (loss)/profit		**(41,165)**	66,654
Finance income	9	**431**	270
Finance costs	9	**(7,578)**	(18,003)
Finance costs – net		**(7,147)**	(17,733)
Share of net profit of associates and joint ventures accounted for using the equity method		**4,929**	3,541
(Loss)/profit before income tax		**(43,383)**	52,462
Income tax credit/(expenses)	10	**11,744**	(17,467)
(Loss)/profit for the period		**(31,639)**	34,995
Attributable to:			
– Owners of the Company		**(32,538)**	34,826
– Non-controlling interests		**899**	169
		(31,639)	34,995

	Note	Unaudited Six months ended 30 June **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 associates and joint ventures accounted for using the equity method		**(3,284)**	(1,582)
Exchange differences on translation of foreign operations		**11,809**	(11,088)
Total other comprehensive income/(losses)		**8,525**	(12,670)
Total comprehensive (losses)/income for the period		**(23,114)**	22,325
Attributable to:			
– Owners of the Company		**(24,013)**	22,156
– Non-controlling interests		**899**	169
		(23,114)	22,325
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
– Basic (loss)/earnings per share *(RMB)*	*11*	**(0.20)**	0.26
– Diluted (loss)/earnings per share *(RMB)*	*11*	**(0.20)**	0.26

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2022

	Note	**Unaudited 30 June 2022** *RMB'000*	Audited 31 December 2021 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**10,758**	25,005
Intangible assets		**1,475**	1,905
Deferred tax assets		**39,885**	28,951
Investments accounted for using the equity method		**31,314**	29,631
Total non-current assets		**83,432**	85,492
Current assets			
Inventories	*12*	**624,916**	783,481
Trade and other receivables	*13*	**411,568**	435,054
Other current assets		**173,526**	271,312
Financial assets measured at fair value through profit or loss		**–**	5,000
Restricted cash		**65,320**	7,550
Cash and cash equivalents		**243,163**	442,085
Total current assets		**1,518,493**	1,944,482
Total assets		**1,601,925**	2,029,974

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
EQUITY			
Share capital		**14**	14
Share premium		**2,542,930**	2,585,491
Other reserves		**(1,496,991)**	(1,505,516)
Accumulated losses		**(219,931)**	(187,393)
Equity attributable to owners of the Company		**826,022**	892,596
Non-controlling interests		**(316)**	(1,515)
Total equity		**825,706**	891,081
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**51,803**	67,333
Lease liabilities		**462**	4,398
Total non-current liabilities		**52,265**	71,731
Current liabilities			
Contract liabilities		**12,440**	5,879
Trade and other payables	*15*	**319,337**	528,503
Lease liabilities		**5,635**	10,850
Current tax liabilities		**11,570**	7,649
Borrowings	*14*	**374,972**	514,281
Total current liabilities		**723,954**	1,067,162
Total liabilities		**776,219**	1,138,893
Total equity and liabilities		**1,601,925**	2,029,974

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

		Unaudited						
		Attributable to owners of the Company						
	Note	Share capital	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022		**14**	**2,585,491**	**(1,505,516)**	**(187,393)**	**892,596**	**(1,515)**	**891,081**
Comprehensive income/(losses)								
(Loss)/profit for the period		**–**	**–**	**–**	**(32,538)**	**(32,538)**	**899**	**(31,639)**
Other comprehensive income		**–**	**–**	**8,525**	**–**	**8,525**	**–**	**8,525**
Transactions with owners:								
Dividends declared to shareholders of the Company		**–**	**(42,561)**	**–**	**–**	**(42,561)**	**–**	**(42,561)**
Contribution from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**300**	**300**
As at 30 June 2022		**14**	**2,542,930**	**(1,496,991)**	**(219,931)**	**826,022**	**(316)**	**825,706**
As at 1 January 2021		–	2,318,000	(1,481,399)	(217,870)	618,731	(1,044)	617,687
Comprehensive income/(losses)								
Profit for the period		–	–	–	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)
As at 30 June 2021		–	2,318,000	(1,494,074)	(183,044)	640,882	(875)	640,007

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash (used in)/generated from operations	**(2,292)**	603
Interest received	**431**	270
Income tax received/(paid)	**14,884**	(36,970)
Net cash generated from/(used in) operating activities	**13,023**	(36,097)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(248)**	(3,330)
Proceeds from disposal of property, plant and equipment	**8**	12
Acquisition of financial assets at fair value through profit or loss	**(87,900)**	(73,000)
Proceeds from disposal of financial assets at fair value through profit or loss and investment income	**93,050**	73,038
Repayment of loans by related parties	**–**	63,200
Repayment of loans by third parties	**–**	4,000
Interest received on loans to related parties	**–**	2,632
Payment of guarantee for related parties	**(61,100)**	–
Net cash (used in)/generated from investing activities	**(56,190)**	66,552

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Cash flows from financing activities		
Contributions from non-controlling interests	**300**	–
Distribution to shareholders	**–**	(5)
Proceeds from borrowings from third parties	**508,621**	1,007,830
Payment of listing expenses	**–**	(1,248)
Repayment of borrowings to third parties	**(663,460)**	(898,359)
Repayment of borrowings to related parties	**–**	(15,492)
Interest paid	**(7,435)**	(16,111)
Payments of lease liabilities	**(6,121)**	(7,695)
Net cash (used in)/generated from financing activities	**(168,095)**	68,920
Net (decrease)/increase in cash and cash equivalents	**(211,262)**	99,375
Cash and cash equivalents at beginning of the period	**442,085**	252,334
Effect on exchange rate difference	**12,340**	(26,159)
Cash and cash equivalents at end of the period	**243,163**	325,550

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2022

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 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 services (“Digital Marketing 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 on 12 July 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 25 August 2022.

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 30 June 2022 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 31 December 2021, 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 31 December 2021, 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

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3

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

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 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 interim condensed consolidated financial information does not include all financial risk management information and disclosures as described in the annual financial information for the year ended 31 December 2021.

There have been no changes in the risk management policies since 31 December 2021.

5.2 Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at 30 June 2022, there were no financial instruments carried at fair value.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the period.

(i) *Valuation techniques used to determine fair value*

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 period.

(ii) *Fair value measurement using significant unobservable inputs (Level 3)*

The following table presents the changes in level 3 instruments for the period ended 30 June 2022.

	Financial assets at FVPL
	Wealth management products
	Unaudited
	30 June 2022
	RMB'000
Opening balance	5,000
Addition	87,900
Gains for the period recognised in profit or loss	150
Redemption	(93,050)
Closing balance	–
Net unrealised gains for the period	–

5.3 Fair value of financial assets and liabilities measured at amortised cost

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

6 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 at 31 December 2021 and 30 June 2022, 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 30 June 2022.

7 REVENUE

(a) The revenue for the six months ended 30 June 2022 and 2021 are set out as follows:

	Timing of recognition	Unaudited Six months ended 30 June 2022 *RMB'000*	 2021 *RMB'000*
Sales of goods			
– B2B	at a point in time	**516,443**	699,694
– B2C	at a point in time	**593,807**	768,362
Provision of services			
– online operating services	over time	**5,430**	1,126
– digital marketing and other services	over time	**8,709**	11,917
		1,124,389	1,481,099

(b) Revenue by geographical markets

All the revenue of the Group was generated in the PRC during the six months ended 30 June 2022 and 2021.

(c) Information about major customers

During the six months ended 30 June 2022 and 2021, the revenue derived from external customers accounted for more than 10% of total revenue are set out below.

	Unaudited Six months ended 30 June 2022 *RMB'000*	 2021 *RMB'000*
Customer A	**457,346**	472,464

8 EXPENSES BY NATURE

	Unaudited Six months ended 30 June **2022** ***RMB'000***	 2021 *RMB'000*
Cost of goods sold	**839,292**	995,679
Sales and marketing expenses	**113,749**	172,876
Warehousing and logistic expenses	**108,766**	139,796
Employee benefit expenses	**79,276**	78,445
Depreciation and amortization charges	**10,979**	9,174
Office expenses	**1,569**	2,783
Auditors' remuneration	**1,190**	500
Listing expenses	**–**	10,807
Others	**7,362**	8,910
	1,162,183	1,418,970

9 FINANCE COSTS – NET

	Unaudited Six months ended 30 June **2022** ***RMB'000***	 2021 *RMB'000*
Finance income:		
Bank interest income	**431**	270
Finance costs:		
Interest expense on borrowings	**(7,139)**	(17,228)
Interest expense on lease liabilities	**(439)**	(775)
	(7,578)	(18,003)
Finance costs – net	**(7,147)**	(17,733)

10 INCOME TAX CREDIT/(EXPENSES)

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current income tax	**(4)**	(19,164)
Deferred income tax	**11,748**	1,697
Income tax credit/(expenses)	**11,744**	(17,467)

(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 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.

(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 30 June 2022 and 2021.

(f) 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.

11 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share for the six months ended 30 June 2022 and 2021 is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the interim periods.

	Unaudited Six months ended 30 June	
	2022	2021
Net (loss)/profit attributable to owners of the Company *(RMB'000)*	**(32,538)**	34,826
Weighted average number of ordinary shares in issue	**165,894,700**	135,204,100
Basic (loss)/earnings per share *(expressed in RMB per share)*	**(0.20)**	0.26

(b) Diluted

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

For the six months ended 30 June 2022 and 2021, the Company had no dilutive potential ordinary shares.

12 INVENTORIES

	Unaudited 30 June 2022	Audited 31 December 2021
	RMB'000	*RMB'000*
Merchant goods	**662,164**	804,256
Less: provision	**(37,248)**	(20,775)
	624,916	783,481

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

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
At beginning of period	**20,775**	43,129
Charge for the period		
– charge to profit or loss	**18,462**	(64)
– exchange differences	**(273)**	(484)
Write-off for the period	**(1,716)**	(2,682)
At end of period	**37,248**	39,899

13 TRADE AND OTHER RECEIVABLES

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	*RMB'000*
Trade receivables		
– Related parties	**90,970**	69,540
– Third parties	**203,855**	253,913
	294,825	323,453
Other receivables		
– Related parties	**1,574**	1,588
– Third parties	**130,353**	121,713
	131,927	123,301
Less: allowance for impairment	**(15,184)**	(11,700)
Net trade and other receivables	**411,568**	435,054

(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 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Trade receivables – gross		
Up to 3 months	**218,565**	250,130
3 to 6 months	**10,421**	30,807
6 months to 1 year	**28,372**	19,221
Over 1 year	**37,467**	23,295
	294,825	323,453

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

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Other receivables – gross		
Up to 3 months	**131,607**	122,912
3 to 6 months	**126**	42
6 months to 1 year	**87**	334
Over 1 year	**107**	13
	131,927	123,301

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

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
At beginning of period	**11,700**	10,721
Charge for the period		
– charge to profit or loss	**3,456**	859
– exchange differences	**28**	4
At end of period	**15,184**	11,584

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

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**3,446**	94
Other receivables	**10**	765
	3,456	859

14 BORROWINGS

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Secured or guaranteed		
Current	**241,834**	479,940
Current portion of non-current	**4,423**	4,619
Non-current	**19,490**	24,474
	265,747	509,033
Unsecured		
Current	**116,845**	14,130
Current portion of non-current	**11,870**	15,592
Non-current	**32,313**	42,859
	161,028	72,581
Total borrowings	**426,775**	581,614

15 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Trade payables		
– Related parties	**5,123**	5,784
– Third parties	**218,411**	442,650
	223,534	448,434
Other payables		
– Related parties	**300**	300
– Third parties	**25,494**	44,974
	25,794	45,274
Accrued payroll	**19,880**	20,849
Dividend payable	**42,561**	–
Other taxes payables	**6,725**	12,807
Interest payables	**843**	1,139
	319,337	528,503

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

	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
Up to 3 months	**174,108**	150,451
3 to 6 months	**49,426**	297,983
	223,534	448,434

16 DIVIDENDS

The Company has declared a dividend of HK$0.3 per share for the year ended 31 December 2021. The final dividend 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.

17 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	**Relationship**
Transcosmos Inc. ("**TCI**") トランスコスモス株式会社	Shareholder of the Group
UNQ International (HK) Limited 優趣匯國際香港有限公司	Joint venture of UNQ Supply Chain
Shanghai Xuyi Industry Co., Ltd. ("**Shanghai Xuyi**") 上海旭一實業有限公司	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

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.

The following is a summary of the significant transactions carried out between the Group and its joint venture, associate and shareholder TCI in the ordinary course of business during the six months ended 30 June 2022 and 2021, and balances arising from related party transactions as at 30 June 2022 and 31 December 2021.

(b) Transactions with related parties

	Unaudited Six months ended 30 June 2022 RMB'000	2021 RMB'000
Sales of goods and provision of services		
– Shanghai Xuyi	**28,902**	19,335
– Calbee E-commerce Limited	**–**	939
	28,902	20,274
Purchase of goods and services		
– TCI	**34,512**	57,077
– Shanghai Xuyi	**155**	–
	34,667	57,077
Guarantee paid		
– Shanghai Xuyi	**61,100**	–

(c) Balances with related parties

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Trade receivables *(Note 13)*		
– Shanghai Xuyi	**90,970**	69,540
Other receivables *(Note 13)*		
– TCI	**1,574**	1,588
Trade payables *(Note 15)*		
– TCI	**5,123**	5,548
– Shanghai Xuyi	**–**	236
	5,123	5,784
Other payables *(Note 15)*		
– TCI	**300**	300

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2022, as a result of the resurgence of the COVID-19 pandemic and the corresponding preventive and control measures imposed by Chinese government, including, among other things, the overall static management in Shanghai and nearby regions, the logistics supply chain in relation to Shanghai was significantly and continuously affected and the Group's warehouses in and around Shanghai were closed intermittently then, which in turn caused serious disruptions in delivery for these warehouses. The operation of the Group in Shanghai and nearby regions was therefore adversely affected in the first half of the year. Meanwhile, the decrease in consumer confidence, demand and enthusiasm in the market due to the repeated outbreaks of COVID-19 pandemic also had an adverse impact on the Group's performance in the first half of the year, with a decrease of 24.1% in the total revenue as compared with the same period of the previous year.

In the first half of 2022, due to the shrinking business of personal care products for adults and beauty products on an e-commerce platform on which the Group mainly relied, the Group adopted sales promotion measures, proactively optimize and handle inventories. Meanwhile, the Group has made higher provision for diminution in value of inventories with regard to products in inventory close to expiry in the first half of the year and has received less support from suppliers due to the less investment made by brand owners. Adverse factors, such as continuous increase in traffic costs in the e-commerce industry, had an adverse impact on business of the Group. As a result of the above, the Group incurred a relatively large loss during the Reporting Period.

In response to the decline in financial performance, the Group took a series of measures, including but not limited to continuously deepening the cooperative relationship with major brands, increasing its investment in platforms including Douyin (with revenue growth of 389%), improving the placement efficiency for promotion and marketing, further optimizing the inventory (especially domestic inventory) structure and management, as well as reducing and optimizing the personnel structure, the results of which will be shown in the second half of the year.

ANALYSIS OF KEY FINANCIAL DATA

Revenue

The Group's total revenue in the first half of 2022 decreased by 24.1% as compared with the same period of the previous year, mainly due to the impact of the COVID-19 pandemic outbreak in Shanghai and the surrounding areas, and the lower market share of the personal care and cosmetics categories sold on certain e-commerce platform that we mainly relied on. Since June 2022, the COVID-19 pandemic has eased in most regions of China, which has initially gotten rid of the adverse effects of the pandemic. In the second half of the year, the Group will focus on expanding sales to make up for the shortfall in the first half of the year.

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

	Unaudited Six months ended June 30,			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Sales of goods				
B2B	**516,443**	**45.9**	699,694	47.2
General trade	**347,163**	**30.9**	467,180	31.5
Cross-border e-commerce	**169,280**	**15.1**	232,514	15.7
B2C	**593,807**	**52.8**	768,362	51.9
General trade	**306,946**	**27.3**	352,331	23.8
Cross-border e-commerce	**286,861**	**25.5**	416,031	28.1
Provision of services	**14,139**	**1.3**	13,043	0.9
Total	**1,124,389**	**100.0**	1,481,099	100.0

Among which, the following table sets forth sales of goods revenue by product categories in absolute amount and as a percentage of sales of goods revenue:

	Unaudited Six months ended June 30,			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Sales of goods				
Personal care products for adults	**731,527**	**65.9**	919,613	62.6
Personal care products for babies	**143,349**	**12.9**	247,295	16.8
Beauty products	**116,323**	**10.5**	172,798	11.8
Health products	**70,196**	**6.3**	80,591	5.5
Others	**48,855**	**4.4**	47,759	3.3
Total	**1,110,250**	**100.0**	1,468,056	100.0

Note: Others mainly include household necessities.

Sales revenue from B2B general trade decreased by 25.7%, mainly due to the fact that, in addition to the impact of the COVID-19 pandemic outbreak, the demand in the mother and infant market decreased as a result of the overall decline of the birth rate, and the market share of this important brand of personal care products for babies was eroded by other competitors for its less competitiveness. In addition, there was a significant decline in sales of an important brand of personal care products for adults due to the restriction on its product advertising language as a result of a change of the brand owner.

Sales revenue from B2C general trade decreased by 12.9%, mainly due to the impact of the COVID-19 pandemic, partially offset by the sales growth of an important brand of personal care products for adults.

Sales revenue from B2B cross-border e-commerce decreased by 27.2%, mainly due to the impact of the COVID-19 pandemic, and lower intention for shipment through the platform arising out of the less competitiveness of an important brand of personal care products for babies.

Sales revenue from B2C cross-border e-commerce decreased by 31.0%, mainly due to the impact of the COVID-19 pandemic, the significant decline in sales of an important brand of personal care products for adults resulting from the restriction on its product advertising language as a result of a change of the brand owner, as well as the sharp decrease in demand for beauty products resulting from the COVID-19 pandemic. In addition, the business focus of a major brand of personal care products for babies shifted from the cross-border e-commerce model to the general trade model, and the corresponding sales revenue decreased significantly.

The increase in the proportion of service revenue was mainly due to the provision of operation services by the Group under the general trade of certain health products. In addition, the digital marketing business performed well in the period.

Gross profit and gross profit margin

The Group's gross profit margin for the six months ended June 30, 2022 was 24.4%, as compared with 32.2% for the same period of the previous 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) sales promotion measures adopted by the Group to optimize and handle inventories, and higher allowance for provision of inventories made by the Group with regard to products in inventory close to expiry in the first half of 2022; and (iii) less support from the brand owners for the promotion and marketing of the Group due to the poor market performance.

Gross profit and gross profit margin by business lines

	Unaudited Six months ended June 30,			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Sales of goods				
B2B	**48,280**	**9.3**	104,157	14.9
General trade	**16,853**	**4.9**	67,953	14.5
Cross-border e-commerce	**31,427**	**18.6**	36,204	15.6
B2C	**222,677**	**37.5**	368,219	47.9
General trade	**104,504**	**34.0**	157,741	44.8
Cross-border e-commerce	**118,173**	**41.2**	210,478	50.6
Provision of services	**2,838**	**20.1**	4,271	32.7
Total	**273,795**	**24.4**	476,647	32.2

Among which, the following table sets forth gross profit and gross profit margin in respect of sales of goods by product categories:

	Unaudited Six months ended June 30,			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Sales of goods				
Personal care products for adults	**129,929**	**17.8**	252,166	27.4
Personal care products for babies	**43,847**	**30.6**	87,682	35.5
Beauty products	**50,640**	**43.5**	82,870	48.0
Health products	**23,877**	**34.0**	26,030	32.3
Others	**22,664**	**46.4**	23,628	49.5
Total	**270,957**	**24.4**	472,376	32.2

Note: Others mainly include household necessities.

The gross profit margin of B2B general trade decreased by 9.7% as compared with the same period of the previous year, mainly due to less support provided to the Group by suppliers of an important brand of personal care products for babies and three main brands of personal care products for adults as a result of market conditions and the Group lowered prices to clear the inventory in order to reduce the inventory under this mode.

The gross profit margin of B2C general trade decreased by 10.7% as compared with the same period of the previous year, mainly due to the adoption by the Group of the selling strategy of a low gross profit margin and promotion rate, and a decrease in the selling prices of a brand of personal care products for babies on Tmall platform as a result of the price difference with other selling channels.

The gross profit margin of B2B cross-border e-commerce increased by 3.0% as compared with the same period of the previous year, mainly due to the Group's optimization of its channel structure by increasing the business proportions of channels with a high gross profit, and less support of suppliers for a beauty brand under the model.

The gross profit margin of B2C cross-border e-commerce decreased by 9.4% as compared with the same period of the previous year, mainly due to the significant decline in traffic for an important brand of personal care products for adults resulting from the restriction on its product advertising language as a result of a change of the brand owner, price-off promotion by the Group for disposal of inventories in various channels, as well as higher provision by the Group for diminution in value of inventories with regard to products in inventory close to expiry, due to an increase in the inventory of personal care products for adults and beauty products under the model as a result of poor sales in the period.

Operating profit and earnings per share

Due to a decrease in the Group's gross profit, the Group recorded an operating loss of RMB41.2 million for the six months ended June 30, 2022 (as compared with an operating profit of RMB66.7 million for the same period of the previous year). The promotion and advertising expenses decreased by 34.2%, due to the Group's control over marketing expenses and improvement in marketing efficiency. The human resources costs were in line with the same period of the previous year. There were no listing expenses in the period. Other gain/(losses) – net was mainly exchange losses.

For the six months ended June 30, 2022, losses per share of the Group were RMB0.20 as compared with earnings per share of RMB0.26 for the same period last year (based on the number of shares before listing but after the share expansion).

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended June 30, 2022, the Group mainly used cash generated from operations and bank borrowings to meet its cash demand. As of June 30, 2022, cash and cash equivalents were RMB243.2 million. Cash and cash equivalents include monetary funds, bank deposits and other short-term highly liquid investments with original maturities of up to three months (inclusive). Most of the Group's cash and cash equivalents are presented in Renminbi, US Dollar and Japanese Yen.

The cash flows for the six months ended June 30, 2021 and the six months ended June 30, 2022 are as follows:

	Unaudited Six months ended June 30, **2022** ***(RMB'000)***	 2021 *(RMB'000)*
Net cash generated from/(used in) operating activities	**13,023**	(36,097)
Net cash (used in)/generated from investing activities	**(56,190)**	66,552
Net cash (used in)/generated from financing activities	**(168,095)**	68,920
Net (decrease)/increase in cash and cash equivalents	**(211,262)**	99,375
Opening cash and cash equivalents	**442,085**	252,334
Effect on exchange rate difference	**12,340**	(26,159)
Closing cash and cash equivalents	**243,163**	325,550

For the six months ended June 30, 2022, net cash generated from operating activities was RMB13.0 million, mainly calculated as cash used in operations of RMB2.3 million plus income tax received of RMB14.9 million. The significant improvement in cash flow from operating activities over the same period 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 RMB56.2 million, mainly due to the payment of guarantees loans of RMB61.1 million for related parties.

Net cash used in financing activities was RMB168.1 million, mainly due to the Group's active repayment of net borrowings of RMB154.8 million resulting from the improvement in cash flow.

CAPITAL STRUCTURE

As at June 30, 2022, the gearing ratio of the Group was 23.0% (December 31, 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 increase in gearing ratio was mainly due to the significant decrease in cash level due to the current payment of accounts payable related to Double 11 last year.

BANK AND OTHER BORROWINGS, CHARGES ON ASSETS

The Group adopted proactive financing policies. As at June 30, 2022, the Group's total borrowings were RMB426.8 million, mainly consisting of bank borrowings. As at June 30, 2022, among the Group's borrowings, total borrowings of an equivalent of RMB127.8 million were secured by mortgaging inventories or account receivables, while borrowings of an equivalent of RMB295.2 million were guaranteed by the Company and its subsidiaries, commercial banks or other financial institutions. As at June 30, 2022, the Group's borrowings are mainly at a fixed interest rate.

As at June 30, 2022, the Group's unutilized banking facilities amounted to RMB336.8 million.

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

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

During the six months ended June 30, 2022, the capital expenditure of the Group was RMB0.2 million (RMB3.3 million in the same period of 2021). As at June 30, 2022, the Group had no material capital commitment.

FUTURE PLANS OF MAJOR INVESTMENTS AND CAPITAL ASSETS

As at June 30, 2022, the Group did not have any other plans of major investments and capital assets.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments in any other companies' equity interest during the six months ended June 30, 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

The Group did not have material acquisition or disposal of subsidiaries and associates during the six months ended June 30, 2022.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2022, the Group had a total of 470 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 Reporting Period, the relationship between the Company and its employees was stable. We were not subject to any strikes or other labor disputes that had a significant impact on our business activities.

FOREIGN EXCHANGE RISK

During the six months ended June 30, 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 did not use financial instruments to hedge against any foreign currency fluctuations during the six months ended June 30, 2022.

CONTINGENT LIABILITIES

As at June 30, 2022, the Group did not have any material contingent liabilities.

SUBSEQUENT EVENTS

After June 30, 2022 and up to the date of the announcement, the Group did not have material subsequent events.

RESPONSE TO THE COVID-19 PANDEMIC OUTBREAK

The COVID-19 pandemic outbreak began in March of the year in Shanghai and other places of China. In order to control the pandemic as soon as possible, the Chinese government implemented strict control measures including overall static management, leading to the closure of the headquarters office of the Company for more than two and a half months in Shanghai, with approximately 30% of the Company's total workforce working from home for extended periods of time. Employees in Beijing, Hangzhou and other cities were also affected to varying degrees.

We quickly took a series of measures, including improving various plans, setting up emergency response teams in a timely manner, appeasing our employees, understanding the employees' difficulties in a timely manner, and trying every means to purchase food and living materials for distribution to employees who were ordered to stay at home in Shanghai; ensuring the normal operation of the conference system, OA, etc.; emergent go-live of the electronic signature system, emergent prevention of power failure accidents in the computer room, etc.; ensuring the orderly implementation of remote work, so as to mitigate the adverse impact of the COVID-19 pandemic.

In addition, the intermittent closure of one of our major warehouses and several warehouses around Shanghai during the first half of the year due to the COVID-19 pandemic outbreak, and the spread of the COVID-19 pandemic from Shanghai and the strict control measures in the surrounding areas had a continuous and significant impact on the supply chain and logistics efficiency. In the future, we will probably consider more reasonable plans for logistics and warehousing in response to the possible COVID-19 pandemic controls from time to time and reduce the risk of supply chain interruption.

OUTLOOK

The COVID-19 pandemic broke out in Hong Kong at the beginning of the year and in Shanghai and many places across China since March 2022. The long-term global static management had a significant impact on the economy and put pressure on the Company's performance in the first half of the year.

In the second half of 2022, we will actively respond and move forward with the following strategies:

- On the basis of continuously consolidating our business on the content e-commerce platforms represented by Tmall and JD.COM, we will focus on increasing our investment in interested e-commerce platforms including Douyin and improving the omni-channel arrangement strategy;

- We will continuously adhere to the brand development strategy of international arrangements and deep engagement in Japan, and focus on the introduction of science and technology-oriented and high-quality brands, thus stabilizing the Group's leading position in the market of e-commerce solutions of Japanese-branded fast-moving consumer goods;

- We will continuously improve the Company's profitability and asset quality, further optimize inventory management to generate good operating cash flow; and

- We will increase our investment in talent development, optimize our evaluation and training systems, and encourage employees to innovate and work together with the Company through equity incentives and otherwise, so as to enhance their sense of belonging.

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 six months ended June 30, 2022.

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**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. During the six months ended June 30, 2022, 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 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.

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 six months ended June 30, 2022. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

INTERIM DIVIDEND

The Board has resolved that no interim dividends will be declared for the six months ended June 30, 2022 (six months ended June 30, 2021: Nil).

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, 2022.

USE OF PROCEEDS FROM LISTING

The Company was listed on the Main Board of the Stock Exchange on July 12, 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 June 28, 2021 (the "**Prospectus**"), namely:

Item	**Approximate percentage of total amount** *(%)*	**Amount of net proceeds allocated upon listing** *(HK$ million)*	**Utilized amount as at June 30, 2022** *(HK$ million)*	**Unutilized amount as at June 30, 2022** *(HK$ million)*
For investing in social media marketing and advertising, growing proprietary brands, diversifying brand portfolios and strengthening supply chain management	54.3%	174	108	66
For diversifying our brand and product offerings for health products, in particular OTC drugs	15.7%	50	50	0
For enhancing our technology systems and data analytics capabilities	7.0%	22	8	14
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%**	**320**	**198**	**122**

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

PUBLICATION OF INTERIM RESULTS AND 2022 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, 2022 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

Hong Kong, August 25, 2022

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.