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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 30 JUNE 2023

FINANCIAL HIGHLIGHTS

Decline in revenue

- Mainly affected by the adjustment of product structure and the termination of some low margin brand partnerships, the Group recorded a revenue of RMB901.9 million for the six months ended 30 June 2023, representing a decrease of 19.8% compared to the same period last year.

Increase in gross profit margin, decrease in selling and advertising expenses

- Due to the optimization of the Group's brand structure and the increase in the proportion of high-margin brands, and the manifested effects on improving promotion efficiency and reducing costs and controlling expenses, the gross profit margin was 26.8% in the first half of 2023, while the gross profit margin in the same period of the previous year was 24.4%, and the sales and marketing expenses reduced by 27.7% as compared with the same period last year.

Turnaround from loss to profit in net profit

- For the six months ended 30 June 2023, the Group recorded a net profit of RMB2.2 million, while the Group recorded a net loss of RMB31.6 million for the six months ended 30 June 2022.

Restoring basic earnings per share to positive

- The Group's basic earnings per share for the six months ended 30 June 2023 was RMB0.01, and the Group's basic loss per share for the six months ended 30 June 2022 was RMB0.20.

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 30 June 2023 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
Revenue	7	901,925	1,124,389
Cost of revenue	8	(660,574)	(850,594)
Gross profit		241,351	273,795
Selling and marketing expenses	8	(197,878)	(273,686)
General and administrative expenses	8	(34,806)	(35,141)
Research and development expenses	8	(1,778)	(2,762)
Net impairment losses on financial assets	13	(4,713)	(3,456)
Other income		755	10,763
Other gain/(losses)		5,193	(10,678)
Operating profit/(loss)		8,124	(41,165)
Finance income	9	563	431
Finance costs	9	(8,688)	(7,578)
Finance costs – net		(8,125)	(7,147)
Share of net profit of associates and joint ventures accounted for using the equity method		1,286	4,929
Profit/(loss) before income tax		1,285	(43,383)
Income tax credit	10	908	11,744
Profit/(loss) for the period		2,193	(31,639)
Attributable to:			
– Owners of the Company		1,678	(32,538)
– Non-controlling interests		515	899
		2,193	(31,639)

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive losses of associates and joint ventures accounted for using the equity method		(93)	(3,284)
Exchange differences on translation of foreign operations		<u>2,472</u>	<u>11,809</u>
Total other comprehensive income		<u>2,379</u>	<u>8,525</u>
Total comprehensive income/(losses) for the period		<u>4,572</u>	<u>(23,114)</u>
Attributable to:			
– Owners of the Company		4,057	(24,013)
– Non-controlling interests		<u>515</u>	<u>899</u>
		<u>4,572</u>	<u>(23,114)</u>
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company			
– Basic earnings/(loss) per share (<i>RMB</i>)	<i>11</i>	0.01	(0.20)
– Diluted earnings/(loss) per share (<i>RMB</i>)	<i>11</i>	<u>0.01</u>	<u>(0.20)</u>

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

As at 30 June 2023

	<i>Note</i>	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		13,375	20,096
Intangible assets		1,933	1,679
Deferred tax assets		56,667	55,320
Investments accounted for using the equity method		17,286	15,909
Other receivables		448	1,791
Total non-current assets		89,709	94,795
Current assets			
Inventories	12	365,317	535,652
Trade and other receivables	13	371,449	490,856
Other current assets		109,951	162,642
Financial assets measured at fair value through profit or loss		36,129	–
Derivative financial instruments		6,082	1,220
Restricted cash		60,025	62,762
Cash and cash equivalents		276,021	417,642
Total current assets		1,224,974	1,670,774
Total assets		1,314,683	1,765,569
EQUITY			
Share capital		14	14
Share premium		2,542,930	2,542,930
Other reserves		(1,472,286)	(1,474,665)
Accumulated losses		(303,634)	(305,312)
Equity attributable to owners of the Company		767,024	762,967
Non-controlling interests		805	166
Total equity		767,829	763,133

	<i>Note</i>	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	37,971	50,933
Lease liabilities		5,243	11,029
		<hr/>	<hr/>
Total non-current liabilities		43,214	61,962
Current liabilities			
Contract liabilities		–	2,829
Trade and other payables	<i>15</i>	239,152	530,853
Lease liabilities		5,653	5,831
Current tax liabilities		10,596	15,159
Derivative financial instruments		–	1,497
Borrowings	<i>14</i>	248,239	384,305
		<hr/>	<hr/>
Total current liabilities		503,640	940,474
		<hr/>	<hr/>
Total liabilities		546,854	1,002,436
		<hr/>	<hr/>
Total equity and liabilities		1,314,683	1,765,569
		<hr/>	<hr/>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2023

	Unaudited						
	Attributable to owners of the Company					Non-con- trolling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated losses	Total		
<i>Note</i>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	14	2,542,930	(1,474,665)	(305,312)	762,967	166	763,133
Comprehensive income							
Profit for the period	-	-	-	1,678	1,678	515	2,193
Other comprehensive income	-	-	2,379	-	2,379	-	2,379
Transactions with owners:							
Disposal of subsidiary	-	-	-	-	-	124	124
As at 30 June 2023	14	2,542,930	(1,472,286)	(303,634)	767,024	805	767,829
As at 1 January 2022	14	2,585,491	(1,505,516)	(187,393)	892,596	(1,515)	891,081
Comprehensive (losses)/income							
(Loss)/profit for the 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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from/(used in) operations	11,854	(2,292)
Interest received	563	431
Income tax (paid)/received	(11,552)	14,884
	865	13,023
Cash flows from investing activities		
Purchases of property, plant and equipment	(664)	(248)
Purchases of intangible assets	(132)	–
Payments for investments accounted for using the equity method	(138)	–
Proceeds from disposal of property, plant and equipment	23	8
Acquisition of financial assets at fair value through profit or loss	(34,359)	(87,900)
Disposal of subsidiaries, net of cash paid	(252)	–
Proceeds from disposal of financial assets at fair value through profit or loss and investment income	–	93,050
Payments for disposal of derivative financial instrument	(1,151)	–
Repayment of loans by third parties	600	–
Payment of guarantee for related parties	–	(61,100)
	(36,073)	(56,190)
Cash flows from financing activities		
Contributions from non-controlling interests	–	300
Proceeds from borrowings from third parties	233,373	508,621
Repayment of borrowings to third parties	(332,401)	(663,460)
Interest paid	(4,400)	(7,435)
Payments of lease liabilities	(3,618)	(6,121)
	(107,046)	(168,095)
Net decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	417,642	442,085
Effect on exchange rate difference	633	12,340
	276,021	243,163
Cash and cash equivalents at end of the period	276,021	243,163

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 30 June 2023

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 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 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**"). 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 30 August 2023.

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 2023 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 2022, 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 2022, 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

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8

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

(b) 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 period ended 30 June 2023, are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendment to IFRS 16	Leases on sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 2022.

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 2022.

There have been no changes in the risk management policies since 31 December 2022.

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).

The following table presents the Group's financial assets measured and recognised at fair value at 30 June 2023 and 31 December 2022 on a recurring basis.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2023				
Financial assets				
– Derivative financial instruments	–	6,082	–	6,082
– Investment funds	–	–	36,129	36,129
	<u>–</u>	<u>6,082</u>	<u>36,129</u>	<u>42,211</u>
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2022				
Financial assets				
– Derivative financial instruments	–	1,220	–	1,220
Financial liabilities				
– Derivative financial instruments	–	(1,497)	–	(1,497)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2023 and 31 December 2022.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2023 and 2022.

(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 six months ended 30 June 2023 and 2022.

(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 2023 and 2022.

	Financial assets at FVPL
	Investment funds
	Unaudited
	30 June 2023
	RMB'000
Opening balance	–
Addition	36,129
Gains for the period recognised in profit or loss	–
Closing balance	<u>36,129</u>
Net unrealised gains for the period	<u>–</u>
	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	<u>–</u>
Net unrealised gains for the period	<u>–</u>

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 and financial liabilities, including borrowings, lease liabilities, trade and other payables 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 30 June 2023 and 31 December 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 2023 and 2022.

7 REVENUE

(a) The revenue for the six months ended 30 June 2023 and 2022 are set out as follows:

	Timing of recognition	Unaudited	
		Six months ended 30 June 2023	2022
		RMB'000	RMB'000
Sales of goods			
– B2B	at a point in time	416,907	516,443
– B2C	at a point in time	477,171	593,807
Provision of services	over time	7,847	14,139
		<u>901,925</u>	<u>1,124,389</u>

(b) Revenue by geographical markets

All the revenue of the Group was generated in the PRC during the six months ended 30 June 2023 and 2022.

(c) Information about major customers

During the six months ended 30 June 2023 and 2022, the revenue derived from external customers accounted for more than 10% of total revenue are set out below.

	Unaudited	
	Six months ended 30 June 2023	2022
	RMB'000	RMB'000
Customer A	<u>331,455</u>	<u>457,346</u>

8 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Cost of goods sold	660,115	839,292
Sales and marketing expenses	77,152	113,749
Warehousing and logistic expenses	84,214	108,766
Employee benefit expenses	54,339	79,276
Depreciation and amortization charges	5,152	10,979
Office expenses	4,317	1,569
Auditors' remuneration	1,190	1,190
Others	8,557	7,362
	<u>895,036</u>	<u>1,162,183</u>

9 FINANCE COSTS – NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Finance income:		
Bank interest income	<u>563</u>	<u>431</u>
Finance costs:		
Interest expense on borrowings	(5,135)	(7,139)
Interest expense on lease liabilities	(255)	(439)
Net exchange losses on foreign currency borrowings	<u>(3,298)</u>	<u>–</u>
	<u>(8,688)</u>	<u>(7,578)</u>
Finance costs – net	<u>(8,125)</u>	<u>(7,147)</u>

10 INCOME TAX CREDIT

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax	(443)	(4)
Deferred income tax	<u>1,351</u>	<u>11,748</u>
Income tax credit	<u>908</u>	<u>11,744</u>

(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 HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 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 2023 and 2022.

(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 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share for the six months ended 30 June 2023 and 2022 are calculated by dividing the earnings/(loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the interim periods.

For the six months ended 30 June 2023 and 2022, the Company had no dilutive potential ordinary shares and therefore diluted earnings/(loss) per share is equivalent to basic earnings/(loss) per share.

	Unaudited	
	Six months ended 30 June	
	2023	2022
Net profit/(loss) attributable to owners of the Company (<i>RMB'000</i>)	1,678	(32,538)
Weighted average number of ordinary shares in issue	165,894,700	165,894,700
Basic earnings/(loss) per share (<i>expressed in RMB per share</i>)	0.01	(0.20)

12 INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Merchant goods	405,633	566,146
Less: provision	(40,316)	(30,494)
	365,317	535,652

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
At beginning of period	30,494	20,775
Charge for the period		
– charge to profit or loss	9,362	18,462
– exchange differences	460	(273)
Write-off for the period	–	(1,716)
At end of period	40,316	37,248

13 TRADE AND OTHER RECEIVABLES

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

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Trade receivables		
– Related parties	87,543	88,466
– Third parties	182,554	214,759
	270,097	303,225
Other receivables		
– Related parties	1,887	51,626
– Third parties	116,543	149,805
	118,430	201,431
Less: allowance for impairment	(16,630)	(12,009)
Total trade and other receivables	371,897	492,647
Less: other receivables – non-current portion	(448)	(1,791)
	371,449	490,856

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

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Trade receivables – gross		
Up to 3 months	171,814	212,385
3 to 6 months	5,967	21,515
6 months to 1 year	7,953	16,813
Over 1 year	84,363	52,512
	270,097	303,225

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

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Other receivables – gross		
Up to 3 months	118,430	199,930
3 to 6 months	–	1,500
6 months to 1 year	–	1
	<u>118,430</u>	<u>201,431</u>

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

	Unaudited Six months ended 30 June 2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of period	12,009	11,700
Charge for the period		
– charge to profit or loss	4,713	3,456
– exchange differences	(92)	28
	<u>16,630</u>	<u>15,184</u>

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 2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	4,619	3,446
Other receivables	94	10
	<u>4,713</u>	<u>3,456</u>

14 BORROWINGS

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
<i>Secured or guaranteed</i>		
Current	236,809	356,201
Current portion of non-current	4,510	4,713
Non-current	10,351	18,412
	<u>251,670</u>	<u>379,326</u>
<i>Unsecured</i>		
Current	2,354	12,042
Current portion of non-current	4,566	11,349
Non-current	27,620	32,521
	<u>34,540</u>	<u>55,912</u>
Total borrowings	<u>286,210</u>	<u>435,238</u>

15 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Trade payables		
– Related parties	6,800	11,973
– Third parties	173,805	453,521
	<u>180,605</u>	<u>465,494</u>
Other payables		
– Related parties	300	300
– Third parties	33,211	33,063
	<u>33,511</u>	<u>33,363</u>
Accrued payroll	17,693	23,258
Other taxes payables	6,066	8,196
Interest payables	1,277	542
	<u>239,152</u>	<u>530,853</u>

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

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Up to 3 months	180,239	181,537
3 to 6 months	366	283,957
	180,605	465,494

16 DIVIDENDS

In accordance with the resolution at the Board of Directors' meeting dated 30 August 2023, the Board of Directors resolved an interim dividend of HK\$0.12 per share to the shareholders in respect of the six months ended 30 June 2023. The interim dividend will be paid out of the share premium of the Company. The subsequently proposed dividend is not recorded as liability in the consolidated financial statements for the six months ended 30 June 2023.

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 2023 and 2022, and balances arising from related party transactions as at 30 June 2023 and 31 December 2022.

(b) **Transactions with related parties**

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Sales of goods and provision of services		
– Shanghai Xuyi	–	28,902
Purchase of goods and services		
– TCI	34,234	34,512
– Shanghai Xuyi	–	155
	34,234	34,667
Guarantee provided		
– Shanghai Xuyi	50,000	61,100

(c) **Balances with related parties**

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Trade receivables (<i>Note 13</i>)		
– Shanghai Xuyi	87,514	88,445
– TCI	29	21
	87,543	88,466
Other receivables (<i>Note 13</i>)		
– TCI	1,887	1,626
– Shanghai Xuyi	–	50,000
	1,887	51,626
Trade payables (<i>Note 15</i>)		
– TCI	6,800	11,973
Other payables (<i>Note 15</i>)		
– TCI	300	300

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2023, the Group continued to optimize its brand structure based on the strategy of “improving the quality of operations”, continued to strengthen its cooperation relationship with high-margin brands, comprehensively sorted out its brands and terminated its cooperation relationship with low-margin brands. The overall revenue decreased by 19.8% as compared to the same period last year, while the overall gross margin increased by 2.4 percentage points as compared to the same period last year.

In the first half of 2023, the Group’s net profit was RMB2.2 million, turning from loss to profit, while it recorded a net loss of RMB31.6 million for the same period last year, which was mainly attributable to (i) optimizing the product mix and increasing the proportion of products with high gross profit; and (ii) continuing to reduce expenses and improve the efficiency by optimizing the labor cost, rationally setting the logistics budget, improving the efficiency of the promotion, and enhancing the refined operation capability.

In the first half of 2023, the Group invested more in TikTok, and the revenue from the business in TikTok in the first half of 2023 increased by 123% as compared to the same period last year. Meanwhile, the Group has taken a series of measures to continuously maintain sound operations and improve profitability, including reductions in costs and control of expenses, and continuous optimization of the Group’s inventories to enrich operating cash flow.

ANALYSIS OF KEY FINANCIAL DATA

Revenue

The Group's total revenue for the first half of 2023 decreased by 19.8% as compared to the same period last year, which was mainly because (i) the overall consumption under the macro economy was relatively weak, consumers' willingness to consume lowered and the consumptive power showed a downward trend; and (ii) the Group continuously and comprehensively sorted out and optimized its existing brands, and terminated the cooperation with some of the brands.

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

	Unaudited			
	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales of goods				
B2B	416,907	46.2	516,443	45.9
General trade	260,684	28.9	347,163	30.9
Cross-border e-commerce	156,223	17.3	169,280	15.1
B2C	477,171	52.9	593,807	52.8
General trade	224,004	24.8	306,946	27.3
Cross-border e-commerce	253,167	28.1	286,861	25.5
Provision of services	7,847	0.9	14,139	1.3
Total	901,925	100.0	1,124,389	100.0

Revenue of sales of goods by product categories and provision of services in absolute amount and as a percentage of total revenue

	Unaudited			
	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales of goods				
Personal care products for adults	566,775	62.9	731,527	65.1
Personal care products for babies	116,733	12.9	143,349	12.8
Beauty products	88,833	9.8	116,323	10.3
Health products	82,906	9.2	70,196	6.2
Others	38,831	4.3	48,855	4.3
Provision of services	7,847	0.9	14,139	1.3
Total	901,925	100.0	1,124,389	100.0

Note: Others mainly include household necessities.

Sales revenue from personal care products for adults decreased by 22.5% as compared to the same period last year, mainly due to the adjustment of the Group's product mix, leading to the decrease in the sales volume of a personal care product for adults; and the optimization and consolidation of brands by the Group which terminated its cooperation with some low-margin brands.

Sales revenue from personal care products for babies decreased by 18.6% as compared to the same period last year, mainly due to the impact of the declining birth rate and intensified competition in the overall market for baby and maternal products, leading to a decrease in sales volume of a personal care product for babies.

Sales revenue from beauty products decreased by 23.6% as compared to the same period last year, mainly due to the termination of the Group's cooperation with some low-margin brands, and the reduction of the Group's market share arising from the competition in the local brands for beauty products.

Sales revenue from health products increased by 18.1% as compared to the same period last year, which was mainly attributed to the significant increase in sales revenue of the cold medicine under a health product brand, because the Group, based on its prediction of the market demand, adjusted its sales strategies timely by increasing the number of product categories and expanding its distribution channels.

Service revenue decreased by 44.5% as compared to the same period last year, mainly due to the termination of the unprofitable operations, resulting in the decline in revenue. Meanwhile, the Group acquired new e-commerce operation businesses in the first half of 2023, including its cooperations with Tmall official flagship store of KOBAYASHI Pharmaceutical, Hakase Beaute, a skincare brand of YA-MAN, and ELEVATIONE, a high-end skincare brand in Israel.

Gross profit and gross profit margin

The Group's gross profit margin for the six months ended 30 June 2023 was 26.8%, as compared with 24.4% for the same period of the previous year, mainly due to (i) the optimization of the product mix, the increase in the proportion of high-margin product sales and the enhancement of promotion efficiency; and (ii) the Group's exercise of reasonable management and control over its merchandise inventories to reduce the occurrence of stock clearance sale in the first half of 2023 as compared to the same period last year.

Gross profit and gross profit margin by business lines

	Unaudited			
	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Sales of goods				
B2B	43,555	10.4	48,280	9.3
General trade	29,401	11.3	16,853	4.9
Cross-border e-commerce	14,154	9.1	31,427	18.6
B2C	190,555	39.9	222,677	37.5
General trade	76,976	34.4	104,504	34.0
Cross-border e-commerce	113,579	44.9	118,173	41.2
Provision of services	7,241	92.3	2,838	20.1
Total	241,351	26.8	273,795	24.4

Gross profit and gross profit margin in respect of sales of goods by product categories and provision of services

	Unaudited			
	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Sales of goods				
Personal care products for adults	119,288	21.0	129,929	17.8
Personal care products for babies	30,619	26.2	43,847	30.6
Beauty products	32,291	36.4	50,640	43.5
Health products	32,269	38.9	23,877	34.0
Others	19,643	50.6	22,664	46.4
Provision of services	7,241	92.3	2,838	20.1
Total	241,351	26.8	273,795	24.4

Note: Others mainly include household necessities.

The gross profit margin of personal care products for adults increased by 3.2 percentage points as compared to the same period last year, mainly due to (i) the Group's optimization of product mix and the increase in proportion of high-margin products; (ii) the continuous optimization of inventory management and control and the decrease in inventory loss in the first half of 2023 as compared to the same period last year; and (iii) the optimization of channel operations and stabilization of prices of goods.

The gross profit margin of personal care products for babies decreased by 4.4 percentage points as compared to the same period last year, mainly due to the increase in sales volume of low-priced products and the decline in overall gross profit margin caused by various factors in the overall baby and maternal market, including the declining birth rate and fluctuations in spending power.

The gross profit margin of beauty products decreased by 7.1 percentage points as compared to the same period last year, mainly due to the transfer of remaining merchandise inventories at low prices as a result of terminating cooperations with some beauty product brands.

The gross profit margin of health products increased by 4.9 percentage points as compared to the same period last year, mainly due to the increase in the proportion of high-margin product sales and improvement in the overall gross profit margin, which was attributed to the Group's timely adjustment of its sales strategy based on its prediction of market demand, and the optimization of its product mix.

Operating profit and earnings per share

The Group recorded an operating profit of RMB8.1 million for the six months ended 30 June 2023 (as compared with an operating loss of RMB41.2 million for the same period of the previous year), which was mainly due to (i) a decrease in the promotion and advertising expenses by 32.2% due to the Group's control over the marketing expenses and improvement in marketing efficiency; (ii) a decrease in human resources costs by 31.5% as compared to the same period last year, to continuously improve human efficiency; and (iii) the reasonable use of financial derivatives to offset losses arising from foreign exchange fluctuations considering foreign exchange risk, leading to the realization of foreign exchange gains.

For the six months ended 30 June 2023, basic earnings per share of the Group were RMB0.01 as compared with basic loss per share of RMB0.20 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 30 June 2023, the Group mainly used cash generated from operations and bank borrowings to meet its cash demand. As of 30 June 2023, cash and cash equivalents were RMB276.0 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 30 June 2022 and the six months ended 30 June 2023 are as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	<i>RMB'000</i>
Net cash generated from operating activities	865	13,023
Net cash used in investing activities	(36,073)	(56,190)
Net cash used in financing activities	(107,046)	(168,095)
Net decrease in cash and cash equivalents	(142,254)	(211,262)
Opening cash and cash equivalents	417,642	442,085
Effect on exchange rate difference	633	12,340
Closing cash and cash equivalents	276,021	243,163

For the six months ended 30 June 2023, net cash generated from operating activities was RMB0.9 million, mainly consist of cash from operations of RMB11.9 million, received interests of RMB0.6 million plus income tax paid of RMB11.6 million. The overall operating cash flow was relatively stable because there were no significant changes in the account period conditions between the Group and its major suppliers.

Net cash used in investing activities was RMB36.1 million, mainly due to the payment of RMB34.4 million to subscribe limited partnership interests in a fund.

Net cash used in financing activities was RMB107.0 million, mainly due to the Group's active repayment of net borrowings of RMB99.0 million as a result of the Group's proactive efforts to reduce its debt ratio.

CAPITAL STRUCTURE

As at 30 June 2023, the gearing ratio of the Group was 2.7% (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 Group's gearing ratio is at a low level, total amount of borrowings is relatively low and the book maintains relatively sufficient cash.

BANK AND OTHER BORROWINGS, CHARGES ON ASSETS

The Group adopted proactive financing policies. As at 30 June 2023, the Group's total amount of borrowings was RMB286.2 million, mainly consisting of bank borrowings. As at 30 June 2023, among the Group's borrowings, total borrowings of an equivalent of RMB146.4 million were secured by inventories or account receivables, while borrowings of an equivalent of RMB105.3 million were guaranteed by the Company and its subsidiaries, commercial banks or other financial institutions. As at 30 June 2023, the Group's borrowings were mainly at a fixed interest rate.

As at 30 June 2023, the Group's unutilized banking facilities amounted to RMB93.9 million.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

During the six months ended 30 June 2023, the capital expenditure of the Group was RMB0.8 million (RMB0.2 million for the same period of 2022). As at 30 June 2023, the Group had no material capital commitment.

FUTURE PLANS OF MAJOR INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2023, the Group did not have any other plans of major investments and capital assets.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2023, the Group did not hold any significant investments in any other companies' equity interest.

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 during the six months ended 30 June 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 346 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, the Group also adopts 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. The Group was not subject to any strikes or other labor disputes that had a significant impact on its business activities.

FOREIGN EXCHANGE RISK

During the six months ended 30 June 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 its financial position and results of operations. The foreign exchange risk to which the Group is exposed mainly arises from the changes in the exchange rates of US Dollar and Japanese Yen against Renminbi. The Group had entered into currency swaps in relation to foreign currency borrowing repayment for the next 6 months that did not satisfy the accounting requirements for hedging. The currency swaps were accounted for derivative financial instruments, with fair value gains/(losses) recognised in profit or loss.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

SUBSEQUENT EVENTS

After 30 June 2023 and up to the date of the announcement, the Group did not have material subsequent events.

OUTLOOK

In the first half of 2023, the Group adopted the strategy of “continuous optimization of the Company’s operations”, with continuous optimization of the brand structure, continuous optimization of inventories and continuous optimization of marketing investment as the specific means. Although the Group’s revenue decreased somewhat compared to the same period last year, positive progress has been made in improving the quality of the Company’s operations, including (i) further optimization of inventories, which is conducive to providing the Group with more abundant operating cash; (ii) sorting out and optimization of brand structure, which improved the Group’s gross profit margin; and (iii) adoption of a series of measures to reduce expenses, leading to turnaround from loss to profit of the Group in the first half of this year.

In the second half of 2023, the Group will implement the following operating strategies:

- The Group will strengthen the existing businesses, continue to implement measures such as cost reduction, efficiency improvement and optimization of asset quality through refined operations, so as to continuously enhance the Group’s profitability;
- The Group will continue to increase resource investment in platforms such as TikTok and continuously promote the construction of private domain for specific groups, so as to record steady revenue and realize more balanced omni-channel development; and
- The Group will continue to discover more high-quality goods for consumers in the health category, including health food, OTC and other items with huge market demand in the future, so as to meet the diversified needs of consumers, and will increase investment in this field to create businesses with its own brands.

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 30 June 2023.

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 30 June 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 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 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.

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 30 June 2023. 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 declared the distribution of an interim dividend of HK\$0.12 per share for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil) to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 18 September 2023, amounting to approximately HK\$19.9 million out of the share premium account of the Company. The above-mentioned interim dividend is expected to be paid on Wednesday, 27 September 2023.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of members who are eligible for receiving the interim dividend, the register of members of the Company will be closed from Thursday, 14 September 2023 to Monday, 18 September 2023, both days inclusive, during which no transfer of shares will be registered. In order to be eligible for receiving the interim dividend, all completed transfer documents 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 Wednesday, 13 September 2023.

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 of the Company 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 30 June 2023.

USE OF PROCEEDS FROM LISTING

The Company was listed on the Main Board of 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 (HK\$ million)	Utilised	Utilised	Unutilised	Expected timeline for balance of net proceeds
			amount during the six months ended 30 June 2023 (HK\$ million)	amount as at 30 June 2023 (HK\$ million)	amount as at 30 June 2023 (HK\$ million)	
For investing in social media marketing and advertising, growing proprietary brands, diversifying brand portfolios and strengthening supply chain management	54.3%	174	16	112	62	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	2	12	10	By 31 December 2024
For pursuing strategic investments in technology companies and O2O service providers	13.0%	42	0	0	42	By 31 December 2024
For working capital and general corporate uses	10.0%	32	0	32	0	Not applicable
Total	100%	320	18	206	114	

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 the remaining net proceeds 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.

PUBLICATION OF INTERIM RESULTS AND 2023 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 30 June 2023 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, 30 August 2023

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.