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If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in UNQ Holdings Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
RENEWAL OF PRODUCTS PROCUREMENT FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



The notice convening an Extraordinary General Meeting of UNQ Holdings Limited to be held at 17F, Tower C, LCM Square, No. 4, Lane 2389, Zhangyang Road, Pudong New Area, Shanghai, PRC on Friday, December 30, 2022 at 10:00 a.m. is set out on pages 36 to 37 of this circular. A form of proxy for use at the Extraordinary General Meeting is enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.youquhui.com), respectively. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the Extraordinary General Meeting (i.e. before 10:00 a.m. on Wednesday, December 28, 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting (or any adjournment thereof) if they so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

The Company will implement the following precautionary measures at the EGM to ensure the safety of the EGM attendees and to prevent the spreading of the Covid-19 pandemic, which include without limitation:

1. compulsory body temperature screening/checks;
2. mandatory wearing of face mask;
3. maintaining an appropriate social distancing between seats; and
4. no provision of gifts, food or beverages.

Any attendee who (a) refuses to comply with the precautionary measures; (b) is subject to any prescribed quarantine by the Government or has close contact with any person under quarantine; or (c) has any flu-like symptoms or is otherwise unwell will be denied entry into or be required to leave the EGM venue at the absolute discretion of the Company as permitted by law.

The Company will continue to review the COVID-19 pandemic situation and related prevention and control policies and may implement further precautionary measures and may make relevant adjustments and arrangements for the EGM accordingly. Further announcement will be issued as and when appropriate.

December 15, 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2021 Products Procurement Framework Agreement”	a framework agreement entered into between the Company (for itself and on behalf of the Group) and TCI (for itself and on behalf of the TCI Group) on June 23, 2021, pursuant to which the Group purchased products from the TCI group
“2023 Products Procurement Framework Agreement”	a framework agreement entered into between the Company (for itself and on behalf of the Group) and TCI (for itself and on behalf of the TCI Group) on October 31, 2022, pursuant to which the Group will purchase products from the TCI group
“Announcement”	The announcement of the Company dated October 31, 2022 in relation to the 2023 Products Procurement Framework Agreement
“Board”	the board of Directors
“China” or “PRC”	People’s Republic of China
“Combi”	Combi Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Combi
“Company”	UNQ Holdings Limited (优趣汇控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange under the stock code of 2177
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the 2023 Products Procurement Framework Agreement, the transactions contemplated thereunder (including the proposed annual caps as set out in the 2023 Products Procurement Framework Agreement), or any adjournment thereof
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. NG Kam Wah Webster, Mr. WEI Hang and Ms. XIN Honghua, to advise the independent Shareholders in respect of the 2023 Products Procurement Framework Agreement (including the proposed annual caps for each of the three years ending December 31, 2025)
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the 2023 Products Procurement Framework Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) and is/are not connected person(s) of the Company
“Latest Practicable Date”	December 9, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Lion”	Lion Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Lion

DEFINITIONS

“Listing Date”	July 12, 2021, being the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Nichiban”	Nichiban Co., Ltd., a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Nichiban
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of HK\$0.0001 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Taisho”	Taisho Pharmaceutical Holdings Co., Ltd., and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Taisho
“TCI”	Transcosmos Inc. (大宇宙株式會社), a company incorporated under the laws of Japan, whose shares are listed on the Tokyo Stock Exchange under the stock code of 9715, and one of the Controlling Shareholders of the Company
“TCI Group”	TCI and its subsidiaries from time to time

DEFINITIONS

“Unicharm” Unicharm Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time

“%” per cent

References to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE BOARD



UNQ HOLDINGS LIMITED

优趣汇控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2177)

Executive Directors:

Mr. WANG Yong

(Chairman and Chief Executive Officer)

Mr. SHEN Yu

Mr. MATSUMOTO Ryoji

Non-executive Director:

Mr. NAKAYAMA Kokkei

Independent non-executive Directors:

Mr. NG Kam Wah Webster

Mr. WEI Hang

Ms. XIN Honghua

Registered Office:

Campbells Corporate Services Limited

Floor 4, Willow House

Cricket Square

Grand Cayman KY1-9010

Cayman Islands

Headquarters in China:

17F, Tower C, LCM Square

No. 4, Lane 2389, Zhangyang Road

Pudong New Area

Shanghai

PRC

Principal Place of Business in

Hong Kong:

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

December 15, 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
RENEWAL OF PRODUCTS PROCUREMENT FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with (i) details of the transactions contemplated under the 2023 Products Procurement Framework Agreement that are subject to annual reporting, announcement, and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; (ii) a letter of recommendation from

LETTER FROM THE BOARD

the Independent Board Committee to the independent Shareholders; (iii) a letter of recommendation from VBG Capital to the Independent Board Committee and independent Shareholders; and (iv) the notice of the EGM.

RENEWAL OF THE 2021 PRODUCTS PROCUREMENT FRAMEWORK AGREEMENT

Reference is made to the Announcement dated October 31, 2022, the Company (for itself and on behalf of the Group) and TCI (for itself and on behalf of the TCI Group) agreed to renew the 2021 Products Procurement Framework Agreement by entering into the 2023 Products Procurement Framework Agreement.

Principal terms of the 2023 Products Procurement Framework Agreement

(1) *Date*

October 31, 2022

(2) *Parties*

- i. TCI (for and on behalf of the TCI Group); and
- ii. the Company (for and on behalf of the Group)

(3) *Term*

From January 1, 2023 to December 31, 2025

(4) *Subject matter*

Pursuant to the 2023 Products Procurement Framework Agreement, the Group agrees to purchase, and the TCI Group agrees to sell, certain products manufactured by various Japanese brand partners and introduced by TCI to the Company, including but not limited to personal care products for babies under the brand of Combi, and the OTC drugs and healthcare products under the brands of Nichiban, Taisho and Lion (the “**Products**”). While separate sale and purchase agreements will be entered into between the TCI Group and the Group under the 2023 Products Procurement Framework Agreement to provide detailed terms in respect of delivery, warranty, etc., such sale and purchase agreements shall be subject to applicable laws, regulatory rules of the places where the shares of the parties are listed, and internal corporate governance policies of the parties, and shall not contravene the provisions of the 2023 Products Procurement Framework Agreement.

LETTER FROM THE BOARD

(5) Pricing basis and pricing policies

The consideration paid by the Group for the procurement under the 2023 Products Procurement Framework Agreement will be charged on a cost-plus basis with the mark-up rate no more than 8% which is determined by arm's length negotiation between the parties taking into account the TCI Group's cost of development and maintenance of relationship of brand partners in Japan, with reference to the prevailing mark-up rates for such kind of transactions in the market. The business departments of the Company shall review product list and mark-up rates offered by TCI from time to time, taking into account factors including market prospects, procurement quantity and profitability of the products offered by TCI. The senior management of the business departments of the Company will estimate the profit margin prior to entering into definitive agreements with TCI taking into account the expected sales price of the Products, consideration to be paid by the Group to TCI for such procurement, and any other applicable expenses and costs borne by the Group and assess whether such estimated profit margin will be around or above the average profit margin of the Group's overall sales (the "**Average Profit Margin**"). In the event that mark-up rates offered by the TCI Group would not allow the Company a reasonable profit margin around or above the Average Profit Margin, the Company shall not procure such products from TCI and will re-negotiate mark-up rates with TCI.

The brand partners of the Products, TCI and the Group (the "**Relevant Parties**") have been cooperating under the existing business model since Relevant Parties first commenced such cooperation in 2018. Taking into account (i) the quotations and terms offered by three independent suppliers who are capable of fulfilling the Product demand of the Group, in respect of the Products, are not more favorable to the Group than those offered by TCI; (ii) the mark-up rates mainly consist of the cost borne by TCI to maintain business relationship with brand partners of the Products which are basically comparable with the overall business partner maintenance costs of the Group; (iii) the mark-up rates have been stable since Relevant Parties first commenced such cooperation and are expected to be stable under the 2023 Products Procurement Framework Agreement; and (iv) the Group has a long-term and stable business relationship with TCI who is familiar with the Group's requirements and business operation. The Products have been provided by TCI in high and stable quality standards and TCI could also ensure punctual delivery of sufficient amounts of the Products even during peak seasons which benefits the smooth business operations of the Group. Therefore, the Board is of the view that the transactions contemplated under the 2023 Products Procurement Framework Agreement are on under normal commercial terms.

(6) Payment arrangement

Separate sale and purchase agreements will be entered into between the TCI Group and the Company under the 2023 Products Procurement Framework Agreement, which will set out the precise payment method, time of the payment and other details of the arrangements.

LETTER FROM THE BOARD

Historical amounts

The historical transaction amounts of the transactions contemplated under the 2021 Products Procurement Framework Agreement in respect of the Products for the year ended December 31, 2021 and for the nine months ended September 30, 2022 are approximately RMB87.8 million and approximately RMB55.1 million, respectively. The Group previously purchased certain Unicharm branded products under the 2021 Products Procurement Framework Agreement from TCI in an amount of approximately RMB44.4 million and approximately RMB19.8 million for the year ended December 31, 2021 and for the nine months ended September 30, 2022, respectively. The Company will not purchase Unicharm branded products from TCI under the 2023 Products Procurement Framework Agreement. The net amounts of purchase under the 2021 Products Procurement Framework Agreement less purchase of Unicharm branded products for each of the year ended December 31, 2021 and the nine months ended September 30, 2022 are approximately RMB43.4 million and approximately RMB35.3 million, respectively.

Proposed annual caps and basis of determination

In respect of the 2023 Products Procurement Framework Agreement, the proposed annual caps are set out in the table below:

	Proposed annual caps for the year ending		
	December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Consideration for the purchase of Products from the TCI Group	90,000	117,000	175,000

When estimating the proposed annual caps for the three years ending December 31, 2025, the Directors have taken into account (i) the historical transaction amounts in respect of the Products under the 2021 Products Procurement Framework Agreement; and (ii) the anticipated substantial increase in sales volume of the Products taking into account (a) based on the Group's experience, it is expected that the sales volume of the Products via the Company's existing e-commerce platforms will continue to grow; (b) the expected new retail channel in certain social platforms which would contribute to sales of the Products if materialised; (c) the Company plans to enrich Japanese branded product offerings and therefore expects to purchase more Products under the 2023 Products Procurement Framework Agreement; and (d) the anticipated continuous increase in sales volume of healthcare related Products considering the increasing public awareness of healthcare due to COVID-19 pandemic, which is in line with increasing sales volume of healthcare related Products since the outbreak of COVID-19 Pandemic in 2020.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 PRODUCTS PROCUREMENT FRAMEWORK AGREEMENT

The Directors are of the view that (i) the purchase of Products manufactured by new brand partners developed and introduced by the TCI Group to the Company will strengthen the ability to continue broadening and diversifying the brand portfolio and expand the Products offering beyond beauty and personal care categories, which will be of help to keep the Company competitive in the market; (ii) TCI, as a company listed on the Tokyo Stock Exchange, is a reputable market player in Japan. Through such procurement arrangement, the Company is able to leverage the TCI Group's network in Japan to get access to a wide range of Japanese brand partners, particularly those offering branded OTC drugs; (iii) after years of cooperation with the Company, the TCI Group has developed an adequate understanding of the brand portfolio, capital structure and business operations of the Company, which facilitates the introduction of appropriate brand partners by the TCI Group to the Company; and (iv) as the Company is not able to procure Combi branded mother and infant products, Nichiban, Taisho and Lion branded OTC drugs from brand partners directly, TCI's relationship with those brand partners helps the Company get access to the products of those brands.

CONFIRMATION BY THE DIRECTORS

The Directors (excluding the independent non-executive Directors whose view has been disclosed in the section headed "Letter from the Independent Board Committee" of this circular) consider that it is in the interests of the Company and its Shareholders as a whole to enter into the 2023 Products Procurement Framework Agreement, the terms thereunder are fair and reasonable and the transactions contemplated thereunder (including the proposed annual caps as set out in the 2023 Products Procurement Framework Agreement) are on normal commercial terms and in the ordinary and usual course of business of the Company.

Mr. NAKAYAMA Kokkei, being a non-executive Director, acts as a senior management in the TCI Group and has therefore abstained from voting on the relevant Board resolution approving the 2023 Products Procurement Framework Agreement. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated thereunder.

INFORMATION OF THE PARTIES

The Group

The Group is a leading brand e-commerce retail and wholesale solutions provider in China strategically focused on Japanese-branded fast-moving consumer goods, consisting of, among others, personal care products, beauty products, health products and others.

LETTER FROM THE BOARD

TCI

TCI is a company incorporated under the laws of Japan, whose shares are listed on the Tokyo Stock Exchange under the stock code of 9715, and one of the controlling shareholders of the Company. TCI's principal business includes business process outsourcing services, contact centre services, e-commerce on-stop services and digital marketing services.

INTERNAL CONTROL PROCEDURES

The Group has maintained an independent finance department and an independent internal control department. In order to ensure that the terms under the 2023 Products Procurement Framework Agreement for the continuing connected transactions are fair and reasonable, and are carried out under normal commercial terms, the Group has adopted the following internal control procedures:

- i. the Board and business and legal departments of the Company will review the terms and the pricing offered by the TCI Group to the Group under the 2023 Products Procurement Framework Agreement every half year. In addition, quotations will be conducted from at least three independent third suppliers to ensure the purchase from TCI will be conducted on the terms no less favorable than terms available to independent parties. If the Board and business departments are of the opinion that the mark-up rates offered by the TCI Group would not allow the Group to have a reasonable profit margin, the Group will either negotiate with TCI to lower the price and/or offer such more favourable terms, or not make such purchase;
- ii. the business management team of the Company will closely monitor the products provided by the TCI Group to the Group in connection with the 2023 Products Procurement Framework Agreement, to ensure that the TCI Group's performance under the 2023 Products Procurement Framework Agreement is in compliance with the provisions specified therein;
- iii. on an annual basis, the auditors of the Company will check and confirm that the transactions under the 2023 Products Procurement Framework Agreement are carried out in accordance with the Company's pricing policies and such agreement, and approved by the Board and the transactions under the 2023 Products Procurement Framework Agreement will not exceed the annual caps for that relevant year;
- iv. the auditors of the Company will conduct an annual review of the continuing connected transactions under the 2023 Products Procurement Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the 2023 Products Procurement Framework Agreement; and

LETTER FROM THE BOARD

- v. the independent non-executive Directors will conduct an annual review of the continuing connected transactions under the 2023 Products Procurement Framework Agreement and provide annual confirmation to ensure that the transactions have been entered into (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms or better; and (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this circular, TCI held approximately 34.52% of the total issued Shares and is one of the controlling shareholders of the Company, and thus TCI and its associates are connected persons of the Company. Therefore, the transactions contemplated under the 2023 Products Procurement Framework Agreement constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest proposed annual cap under the 2023 Products Procurement Framework Agreement is more than 5%, the transactions contemplated thereunder are therefore subject to annual reporting, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to provide recommendation to the independent Shareholders in respect of the 2023 Products Procurement Framework Agreement and the transactions contemplated thereunder. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this regard.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this circular, which contains its recommendation to the independent Shareholders in relation to the 2023 Products Procurement Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for each of the three years ending December 31, 2025). Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 16 to 30 of this circular, which contains its advice to the Independent Board Committee and the independent Shareholders in relation to the 2023 Products Procurement Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for each of the three years ending December 31, 2025), and the principal factors and reasons taken into account in arriving at its recommendation.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the entitlement of the Shareholders to attend and vote at the Extraordinary General Meeting, the register of members of the Company will be closed from Friday, December 23, 2022 to Friday, December 30, 2022 (both days inclusive), during which period no transfer of Shares will be registered. To be eligible to attend and vote at the Extraordinary General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, December 22, 2022.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Set out on pages 36 to 37 of this circular is the notice of the Extraordinary General Meeting at which, inter alia, ordinary resolution will be proposed to Shareholders to consider and approve the 2023 Products Procurement Framework Agreement, the transactions contemplated thereunder and the proposed annual caps as set out in the 2023 Products Procurement Framework Agreement.

FORM OF PROXY

A form of proxy is enclosed for use at the Extraordinary General Meeting. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time fixed for holding the Extraordinary General Meeting (i.e. before 10:00 a.m. on Wednesday, December 28, 2022) or any adjournment thereof. Completion and return of the form of proxy shall not preclude a Shareholder from attending and voting in person at the Extraordinary General Meeting if they so wish and in such event the form of proxy shall be deemed to be revoked.

VOTING BY POLL

In accordance with the Listing Rules, any Shareholder with a material interest in the 2023 Products Procurement Framework Agreement, and its/his/her associates will be required to abstain from voting on the resolution approving the 2023 Products Procurement Framework Agreement, the transaction contemplated thereunder and the proposed annual caps as set out in the 2023 Products Procurement Framework Agreement at the EGM. As at the Latest Practicable Date, TCI held approximately 34.52% equity interest in the Company and is the controlling Shareholder. As such, TCI will abstain from voting on such resolution. Save for TCI, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting on such resolution.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules and article 13.5 of the Articles of Association, any resolution put to the vote of the Shareholders at a general meeting shall be decided on a poll except where the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution put to vote at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote need not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

RECOMMENDATION

The Board considers that the 2023 Products Procurement Framework Agreement, the transactions contemplated thereunder and the proposed annual caps as set out in the 2023 Products Procurement Framework Agreement are in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the Extraordinary General Meeting.

By order of the Board
UNQ Holdings Limited
WANG Yong
Chairman



UNQ HOLDINGS LIMITED

优趣汇控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2177)

December 15, 2022

To the independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF PRODUCTS PROCUREMENT FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated December 15, 2022 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider and advise the independent Shareholders as to whether the terms of the 2023 Products Procurement Framework Agreement, the transactions contemplated thereunder and the proposed annual caps set out in the 2023 Products Procurement Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. VBG Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the “Letter from Independent Financial Adviser” as set out on pages 16 to 30 of the Circular. We have considered the terms and conditions of the transactions, the advice of the Independent Financial Adviser and the other factors contained in the “Letter from the Board” as set out on pages 5 to 13 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by VBG Capital, in particular the principal factors, reasons and recommendation as set out in this letter, we consider that (i) the entering into the 2023 Products Procurement Framework Agreement is in ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms and conditions of the 2023 Products Procurement Framework Agreement are normal commercial terms whilst the proposed annual caps as set out in the 2023 Products Procurement Framework Agreement are fair and reasonable so far as the Company and the independent Shareholders are concerned. Accordingly, we recommend you vote in favor of the relevant ordinary resolution to be proposed at the EGM to approve the 2023 Products Procurement Framework Agreement, the transactions contemplated thereunder and the proposed annual caps set out in the 2023 Products Procurement Framework Agreement.

Yours faithfully
For and on behalf of
Independent Board Committee

Mr. NG Kam Wah Webster

Mr. WEI Hang

Ms. XIN Honghua

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Products Procurement Framework Agreement for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

15 December 2022

To: The independent board committee and the independent shareholders of UNQ Holdings Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF PRODUCTS PROCUREMENT FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Products Procurement Framework Agreement, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 15 December 2022 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular unless the context requires otherwise.

On 31 October 2022, the Company (for itself and on behalf of the Group) and TCI (for itself and on behalf of the TCI Group) agreed to renew the 2021 Products Procurement Framework Agreement by entering into the 2023 Products Procurement Framework Agreement. The proposed annual caps for the transactions contemplated under the 2023 Products Procurement Framework Agreement are RMB90 million, RMB117 million and RMB175 million for the three years ending 31 December 2023, 2024 and 2025, respectively.

As referred to in the Letter from the Board, the transactions contemplated under the 2023 Products Procurement Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

The Independent Board Committee comprising Mr. Ng Kam Wah Webster, Mr. Wei Hang and Ms. Xin Honghua (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the 2023 Products Procurement Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

entering into of the 2023 Products Procurement Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the 2023 Products Procurement Framework Agreement at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders of the Company or any of their associates (as defined in the Listing Rules). We consider ourselves independent to form our opinion in respect of the 2023 Products Procurement Framework Agreement.

BASIS OF OUR OPINION

In formulating our opinion with regard to the 2023 Products Procurement Framework Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group. We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the TCI Group or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a

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result of the 2023 Products Procurement Framework Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenues or costs to be recorded from the 2023 Products Procurement Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue and cost to be recorded under the 2023 Products Procurement Framework Agreement will correspond with the proposed annual caps.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2023 Products Procurement Framework Agreement, we have taken into consideration the following principal factors and reasons:

(1) Business and financial overview of the Group

The Group is a leading brand e-commerce retail and wholesale solutions provider in China, strategically focused on Japanese-branded fast-moving consumer goods (FMCG), including personal care products for adults, personal care products for babies, beauty products, health products and others. With reference to the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), the Group recorded sales revenue of approximately RMB3,033.1 million in 2021, representing an increase of approximately 8.3% as compared to 2020.

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 the 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

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COVID-19 pandemic also had an adverse impact on the Group's performance in the first half of the year. Hence, the Group recorded a decrease in sales revenue of approximately 24.1% for the six months ended 30 June 2022 as compared to the corresponding period of the previous year.

During the course of its business, the Group has been maintaining long-term and in-depth cooperation with major brand partners and e-commerce platforms. According to the Directors, the Group acts as the bridge among brand partners, e-commerce platforms and customers in China, and operates its business primarily under the distribution model. Under the distribution model, the Group purchases products from selected brand partners, manages the Chinese and cross-border supply chains, identifies and reaches to target customers through omni-channel marketing, and sells products either (i) directly to customers through the online marketplace stores it operates (referred to as "business-to-customer", or B2C), or (ii) to e-commerce platforms or other distributors, which, in turn, sell to customers (referred to as "business-to-business", or B2B). As referred to in the 2021 Annual Report, in 2021, the Group's sales revenue from general trade and cross-border e-commerce by B2B jumped by approximately 14.3% and 16.5% respectively as compared to 2020; while its sales revenue from general trade and cross-border e-commerce by B2C jumped by approximately 6.2% and 1.5% respectively as compared to 2020.

Going forward, the Group will continue to introduce high quality goods and meet the diversified needs of consumers by further exploring into and sourcing from overseas markets, in particular Japan. The Group will also endeavor to consolidate its leading position in the domestic e-commerce services market of Japanese FMCG in order to foster future business growth.

(2) Information on TCI

As extracted from the Letter from the Board, TCI is a company incorporated under the laws of Japan, whose shares are listed on the Tokyo Stock Exchange under the stock code of 9715, and one of the controlling shareholders of the Company.

To enrich our understanding on TCI, we have performed independent research regarding its background and business. From our research, we noted from the company website of TCI at <https://www.trans-cosmos.co.jp/english/> that TCI was founded in the 1980s; together with its subsidiaries, the TCI Group principally engages in provision of comprehensive global sourcing services, comprising digital marketing, e-commerce and contact center services, digital marketing services, e-commerce one-stop shop services, contact centre services as well as business process outsourcing services. Headquartered in Japan, the TCI Group had set up 69 service bases in Japan and 103 service bases globally across Asia, Europe and the Americas as at the Latest Practicable Date. Throughout the years of development, the TCI Group has gained renowned reputation and client recognition. Its international clientele includes numerous famous brands, such as Jaquar, Sanrio, Cannon, Dyson, Bandai, Levi's, Casio, Sony etc., covering a wide spectrum of businesses.

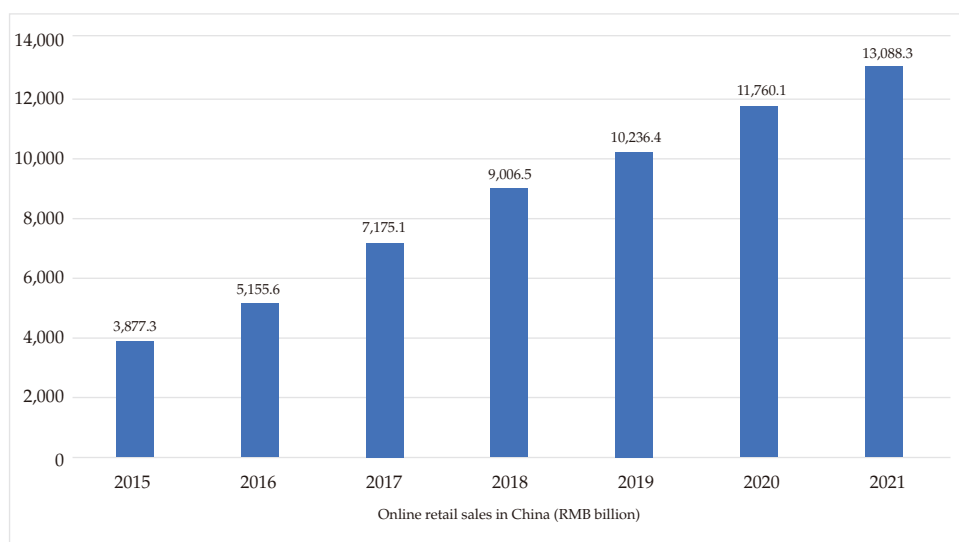
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Based on the financial information of the TCI Group published publicly at <https://www.trans-cosmos.co.jp/english/>, the TCI Group recorded total sales of approximately YEN284,696 million, YEN311,871 million, YEN336,405 million and YEN354,085 million for the four financial years ended 31 March 2019, 2020, 2021 and 2022, respectively, demonstrating a continuous considerable surge. Concurrently, its net income for the year attributable to owners also surged tremendously in a row by approximately 384.7% from approximately YEN4,433 million for the financial year ended 31 March 2019 to approximately YEN21,488 million for the financial year ended 31 March 2022.

(3) Industry overview

The e-commerce and e-commerce service provider industry

The chart below illustrates the total value of online retail sales in China from 2015 to 2021:



Source: *the National Bureau of Statistics of China*

As illustrated above, the total value of online retail sales in China has been expanding persistently over the past years and exceeded RMB13,000 billion in 2021. Online shopping has become one of the main retail channels, especially after the outbreak of COVID-19 pandemic which further motivated the “Stay-at-home Economy” and stimulated the shift of consumers’ preference to online shopping. Backed-up by the supportive policies promulgated by the Chinese government, the development of e-commerce has become more and more mature. E-commerce enterprises are encouraged to cooperate with brand e-commerce service providers, thus promoting the new e-commerce business models. Based on the data from iiMedia Research, a sizeable third-party data mining and analysis organization established in Guangzhou, the PRC in 2007 and has operations in Hong Kong, Guangzhou, Beijing, Shanghai of the PRC with more than 2,000 reports related to the new economy such as artificial intelligence (AI), e-commerce, blockchain, environmental protection published, the scale of the brand e-commerce service

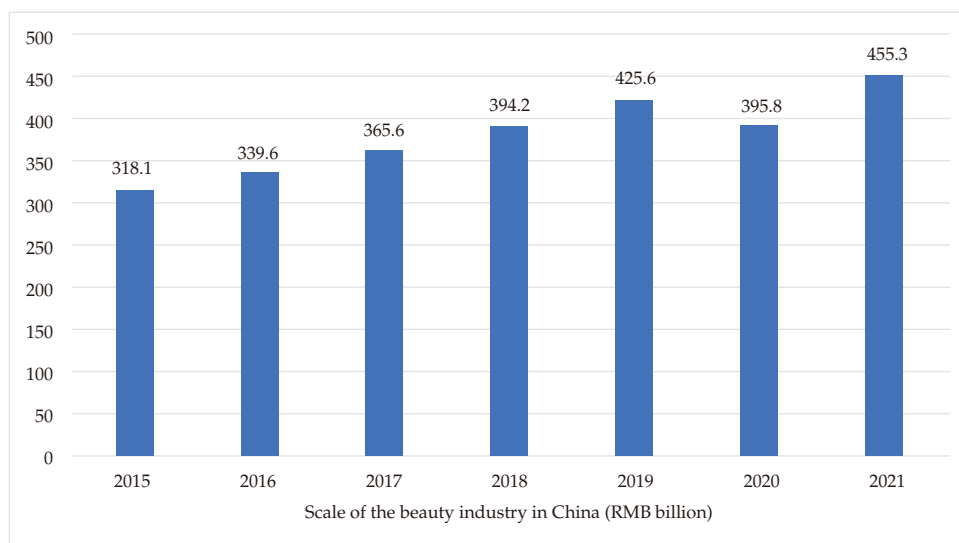
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provider industry in China in 2021 was approximately RMB295.1 billion, escalating by approximately 22.6% as compared to 2020. In 2022, the scale is expected to achieve RMB360 billion, escalating further by around 25%.

As the e-commerce industry enters the stage of transformation, brand e-commerce service providers have gradually developed into service providers with comprehensive competences capable of providing a one-stop platform for digitalization and intelligence. To adapt to changes in demand and consumption habit of consumers, brand e-commerce service providers serve to help e-commerce enterprises to expand in all channels using new applications like 5G, AI, virtual reality, big data, cloud computing and other new technologies. Those new e-commerce applications are expected to enhance network traffic flows for brand promotion and bring new development opportunities to the brand e-commerce service providers.

The beauty and personal care industry

The chart below illustrates the scale of the beauty industry in China from 2015 to 2021:



Source: *iiMedia Research*

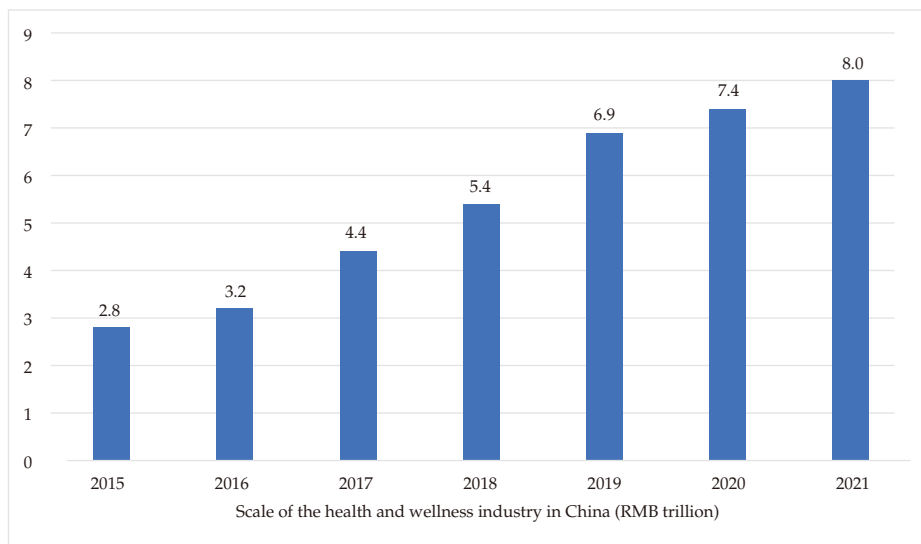
As illustrated above, except for 2020 when consumer spending was temporarily disrupted by the outbreak of COVID-19 pandemic, the scale of the beauty industry in China has been enlarging steadily. Prospects of the beauty industry is expected to stay positive given the rising disposable income of the population together with the increasing awareness on beauty and personal care of the new generation. Meanwhile, beauty and personal care products is the largest product category for cross-border import brand e-commerce in China, and Japan is the most popular market for import of beauty and personal care products.

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Amid the rising popularity of online channels, China's beauty and personal care industry will rely more heavily on online channels for sales. To attract more consumers for beauty and personal care products, live-streaming marketing, cosmetics social e-commerce and other new online channels which have accelerated their penetration among consumers will continue to be the driving factors for online sales. Nevertheless, the authentic makeup try-on experience from the offline channels will still be indispensable due to the wide variety of beauty and personal care products combined with the highly personalized consumers' preference. With the mixing effect of online and offline channels, it is expected that companies with omni-channel layout will be more competitive in the beauty and personal care industry.

The health and wellness industry

The chart below illustrates the overall scale of the health and wellness industry in China from 2015 to 2021:



Source: *iiMedia Research*

As illustrated above, the health and wellness industry in China has been growing significantly in recent years. The total healthcare expenditure in China reached RMB8.0 trillion in 2021. Such significant growth was driven by a number of factors, including the increase in disposable income and aging of the population and the development of medical insurance policies. Likewise, the advancement in technologies coupled with Chinese consumers' increasing spending on online services, have resulted in the rapid digitalization of the health and wellness industry in China. The scale of the digital health and wellness industry in China surpassed RMB300 billion in 2020, and is expected to grow to approximately RMB4.2 trillion in 2030, representing a compound annual growth rate of nearly 30% from 2020 to 2030. In this relation, the over-the-counter (OTC) drugs online market has accounted for the largest segment within the digital health and wellness industry in terms of transaction volume, and is expected to flourish at a compound

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annual growth rate of approximately 23.1% from 2020 to 2030. More e-commerce platforms will establish their OTC drugs online retail channels, and more pharmaceutical companies will shift their focus to online retail in future.

For instance, the Chinese government has promulgated a series of favourable policies in support of the development of the OTC drugs online market, for example, in 2018, the “Announcement on Adjusting the List of Cross-border E-commerce Retail Imports” was issued to encourage the import of overseas OTC drugs; subsequently in 2019, the “Outline of Promoting the High-quality Development of Health and Wellness Industry (2019-2022)” which permitted the delivery of prescription drugs ordered online to consumers by third-party delivery was also issued. Therefore, the OTC drugs online retail market in China is likely to grow robustly in the near future.

(4) Reasons for and possible benefits of the 2023 Products Procurement Framework Agreement

Pursuant to the 2023 Products Procurement Framework Agreement, the Group agrees to purchase, and the TCI Group agrees to sell, products under various Japanese brand partners including Combi, Nichiban, Taisho and Lion.

As advised by the Directors, the Group will benefit from the 2023 Products Procurement Framework Agreement in the following ways:

- the purchase of products manufactured by new brand partners developed and introduced by the TCI Group to the Group will strengthen its ability to continue broadening and diversifying its brand portfolio and expand its products offering beyond beauty and personal care categories, which will help to keep the Group competitive in the market;
- TCI, as a company listed on the Tokyo Stock Exchange, is a reputable market player in Japan. Through such procurement arrangement, the Group will be able to leverage on the TCI Group’s network in Japan to get access to a wide range of Japanese brand partners, particularly those offering branded OTC drugs;
- after years of cooperation, the TCI Group has developed an adequate understanding of the Group’s brand portfolio, capital structure and business operations, which facilitates the introduction of appropriate brand partners by the TCI Group to the Group; and
- as the Company is not able to procure Combi branded mother and infant products, Nichiban, Taisho and Lion branded OTC drugs from brand partners directly, TCI’s relationship with those brand partners helps the Group to get access to the products of those brands.

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Considering the aforesaid reasons for and possible benefits of the 2023 Products Procurement Framework Agreement as represented by the Directors together with the solid background of the TCI Group and the positive industry outlook as highlighted in the previous sections of this letter of advice, we are of the view that the 2023 Products Procurement Framework Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

(5) Principal terms of the 2023 Products Procurement Framework Agreement

A summary of the principal terms of the 2023 Products Procurement Framework Agreement dated 31 October 2022 as extracted from the Letter from the Board is set out below:

Parties:	The Company (for and on behalf of the Group); and TCI (for and on behalf of the TCI Group).
Term:	From 1 January 2023 to 31 December 2025.
Subject matter:	Pursuant to the 2023 Products Procurement Framework Agreement, the Group agrees to purchase, and the TCI Group agrees to sell, certain products manufactured by various Japanese brand partners and introduced by TCI, including but not limited to personal care products for babies under the brand of Combi, and the OTC drug and healthcare products under the brands of Nichiban, Taisho and Lion. While separate sale and purchase agreements will be entered into between the Group and the TCI Group under the 2023 Products Procurement Framework Agreement to provide detailed terms in respect of delivery, warranty, etc., such sale and purchase agreements shall be subject to applicable laws, regulatory rules of the places where the shares of the parties are listed, and the internal corporate governance policies of the parties, and shall not contravene the provisions of the 2023 Products Procurement Framework Agreement.

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Pricing basis and pricing policies:

The consideration paid by the Group for the procurement under the 2023 Products Procurement Framework Agreement will be charged on a cost-plus basis with the mark-up rate of no more than 8% which is determined by arm's length negotiation between the parties taking into account the TCI Group's cost of development and maintenance of relationship of brand partners in Japan, with reference to the prevailing mark-up rates for such kind of transactions in the market. The business department of the Company shall review the product list and mark-up rates offered by TCI from time to time, taking into account factors including market prospects, procurement quantity and profitability of the products. The senior management of the business department of the Company will estimate the profit margin prior to entering into separate sale and purchase agreements with the TCI Group, taking into account the expected sales price of the products, consideration to be paid by the Group to the TCI Group for such procurement, and any other applicable expense and costs borne by the Group, and assess whether such estimated profit margin will be around or above the average profit margin of the Group's overall sales (the "**Average Profit Margin**"). In the event that the mark-up rate offered by TCI would not allow the Company a reasonable profit margin around or above the Average Profit Margin, the Group shall not procure such products from the TCI Group and the Company will re-negotiate mark-up rate with TCI.

As said, in respect of the procurement of products manufactured by brand partners introduced by the TCI Group to the Company, the consideration is charged on a cost-plus basis with the mark-up rate of no more than 8%. We were advised by the Directors that all products which the Group procured from the TCI Group were charged within 8%. For our due diligence purpose, we have requested the Company to provide us with the historical price list of 25 products which the Group procured from the TCI Group. After reviewing the said price list, we noted that the mark-up rates charged by TCI were normally in the range of 2% to 5%. Furthermore, we have requested the Company to provide us with the profit level of products of different brands, from which we noted that the Group remained profitable after deducting the mark-up cost. Upon our enquiry with the Directors, we understand that the Group will assess whether a reasonable profit margin could be achieved prior to entering into separate sale and purchase agreements with the TCI Group taking into account (i) the expected sales price of the product; (ii) the consideration to be paid by the Group to the TCI Group for such procurement; and (iii) any other applicable expense and costs borne by the Group. The Average Profit Margin was determined by the Company having considered the average profit margin of the Group's overall sales.

Moreover, quotations will be conducted from at least three independent suppliers to ensure the purchase from the TCI Group will be conducted on terms no less favourable than terms available from independent third parties. We have obtained samples of such independent quotations for our due diligence purpose.

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As further advised by the Directors, the brand partners of the products, the TCI Group and the Group (the “**Relevant Parties**”) have been cooperating under the existing business model in the first place since 2018. In light of that (i) the terms offered by the independent suppliers are not more favourable to the Group than those offered by TCI; (ii) the mark-up rate mainly consists of the cost borne by the TCI Group to maintain business relationship with the brand partners which is basically comparable to the overall direct business partner maintenance cost of the Group; (iii) the mark-up rates have been stable since the Relevant Parties first commenced such cooperation and are expected to remain stable under the 2023 Products Procurement Framework Agreement; (iv) the Group has a long-term and stable business relationship with the TCI Group who is familiar with its requirements and business operation. The products have been provided by the TCI Group in high and stable quality standards and the TCI Group could ensure punctual delivery of sufficient amounts of products even during peak seasons which benefits the smooth business operations of the Group, we concur with the Directors that the pricing basis and policies pursuant to the 2023 Products Procurement Framework Agreement are fair and reasonable.

In view of the above, we are of the opinion that the terms of the 2023 Products Procurement Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(6) Proposed annual caps

The proposed annual caps for the three years ending 31 December 2023, 2024 and 2025 for the transactions contemplated under the 2023 Products Procurement Framework Agreement are set out in the table below:

	2023	2024	2025
Consideration for the purchase of products from the TCI Group	RMB90,000,000	RMB117,000,000	RMB175,000,000

To assess the fairness and reasonableness of the proposed annual caps for the transactions contemplated under the 2023 Products Procurement Framework Agreement, we have requested and obtained the relevant detailed computation worksheet from the Company. After reviewing the computation worksheet and discussing with the Company, we understand that during the term of the 2023 Products Procurement Framework Agreement, it is expected that the Company will procure various personal care products for babies and OTC drugs and healthcare products. The computation worksheet exhibits a clear breakdown of the expected product procurement amounts of each of the different brands. With respect to products of Combi and Nichiban, we noted that the Company has projected the procurement amounts in 2023 primarily based on their respective actual sales values in 2021 and 2022 (note: the 2022 actual sales values were estimated based on (i) the actual figures up to September 2022; (ii) the historical sales pattern from October to December; and (iii) the abnormal disruption to the Group’s operation and performance resulting from mainly the resurgence of the COVID-19 pandemic in Shanghai causing strict lockdown in the first half of 2022 as presented in the section headed “Business and financial overview of the Group” of this letter of advice). The Company also expected the procurement amounts of these products to be relatively stable in 2024 and 2025 having considered factors such as the historical trend of procurement and sales, as well as the overall market condition.

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As for products of Taisho, Lion, Daiichi Sankyo and Ohta's Isan, similarly, the Company has projected their procurement amounts in 2023 primarily based on their respective actual sales values in 2021 and 2022 (see note in the above paragraph). As for the procurement amounts in 2024 and 2025, in light of (i) the substantial jump of the actual sales values of products of Taisho and Lion from 2021 to 2022 (see note in the above paragraph) of around 20% and 15% respectively; (ii) the drastic jump of the actual sales values of products of Daiichi Sankyo and Ohta's Isan from 2021 to 2022 (see note in the above paragraph) of around 40% and 160% respectively; (iii) the expected new retail channels in certain social media platforms which would boost sales if materialized; (iv) the mounting sales of the overseas OTC drugs and healthcare products attributable to the increasing public awareness of healthcare after the outbreak of COVID-19 pandemic; and (v) the Company's plan to enrich the Japanese branded product offerings in the coming future, the Company expected the procurement amounts will increase considerably year-on-year in 2024 and 2025.

Furthermore, we understand from the computation worksheet provided by the Company that the Company intends to procure OTC drugs and healthcare products under a new brand pursuant to the 2023 Products Procurement Framework Agreement. The estimated procurement amounts are around RMB5.6 million on average from 2023 to 2025. Given that our independent research regarding the company background of this new brand shows that it is a large-scale long established listed pharmaceutical brand in Japan with net sales of around YEN60,000 million and YEN34,000 million for the financial year ended 31 March 2022 and the six months ended 30 September 2022, respectively, we consider the estimated procurement amounts to be fair and reasonable.

As also revealed by our independent research in the section headed "Industry overview" of this letter of advice, the health and wellness industry in China has been growing significantly in recent years. The total healthcare expenditure in China reached RMB8.0 trillion in 2021. In addition, the advancement in technologies, coupled with Chinese consumers' increasing spending on online services, have resulted in the rapid digitalization of the health and wellness industry in China. The scale of the digital health and wellness industry in China surpassed RMB300 billion in 2020, and is expected to grow to approximately RMB4.2 trillion in 2030, representing a compound annual growth rate of nearly 30% from 2020 to 2030. In this relation, the OTC drugs online market has accounted for the largest segment within the digital health and wellness industry in terms of transaction volume, and is expected to flourish at a compound annual growth rate of approximately 23.1% from 2020 to 2030.

In regards the Group's expected new retail channels in social media platforms, we have enquired into and noted that one of those social media platforms is a short video app with more than 600 million active users and is highly popular among consumers and online shoppers in China.

Notwithstanding that the Group recorded a decrease in sales revenue of approximately 24.1% for the six months ended 30 June 2022 as compared to the corresponding period of the previous year, we concur with the Directors that such downturn, which was primarily attributable to the resurgence of the COVID-19 pandemic in Shanghai causing strict lockdown, may recover after the effect of the pandemic fades

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out. Together with the Group's intentions to expand its retail channels and enrich the Japanese branded product offerings in the coming future amid the expected robust growth of the OTC drugs online retail market in China, we concur with the Directors that the projected increments of the proposed annual caps in 2024 and 2025 are justifiable.

For instance, as explained by the Directors, the historical transaction amounts of the transactions contemplated under the 2021 Products Procurement Framework Agreement may be a less relevant reference than the historical sales values for the proposed annual caps since the transaction amounts were affected by the Group's products inventories.

Given the combined effect of the foregoing, namely:

- (i) the expected stable procurement amounts of products of Combi and Nichiban;
- (ii) the expected considerable year-on-year increase in the procurement amounts of products of Taisho, Lion, Daiichi Sankyo and Ohta's Isan in light of (a) the substantial jump of the actual sales values of products of Taisho and Lion from 2021 to 2022; (b) the drastic jump of the actual sales values of products of Daiichi Sankyo and Ohta's Isan from 2021 to 2022; (c) the expected new retail channels in certain social media platforms which would boost sales if materialized; (d) the mounting sales of the overseas OTC drugs and healthcare products attributable to the increasing public awareness of healthcare after the outbreak of COVID-19 pandemic; and (e) the Company's plan to enrich the Japanese branded product offerings in the coming future;
- (iii) the expected procurement of OTC drugs and healthcare products under a new brand in Japan which is of large scale, long established, listed on the Tokyo Stock Exchange and recorded substantial net sales;
- (iv) the growing trend of the health and wellness industry in China and its optimistic prospects; and
- (v) the high popularity of the social media platforms which the Group intends to use as its new retail channels,

we are of the view the proposed annual caps for the transactions contemplated under the 2023 Products Procurement Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

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(7) Internal control and compliance with the Listing Rules

With reference to the Letter from the Board, the Group has adopted the following internal control policies to supervise the 2023 Products Procurement Framework Agreement:

- (i) the Board and business and legal departments of the Company will review the terms and the pricing offered by TCI under the 2023 Products Procurement Framework Agreement and assess the reasonableness and fairness of the mark-up rates every half year. In addition, quotations will be conducted from at least three independent suppliers to ensure the purchase from the TCI Group will be conducted on terms no less favourable than terms available from independent third parties. If the Board and business department are of the opinion that the mark-up rate offered by TCI would not allow the Company a reasonable profit margin, the Company will either re-negotiate with TCI to lower the price and/or offer such more favourable terms, or the Group will not make such purchase; and
- (ii) the business management team of the Company will closely monitor the services and products provided by the TCI Group to the Group in connection with the 2023 Products Procurement Framework Agreement to ensure that the TCI Group's performance under the agreement is in compliance with the provisions specified therein.

We consider that the internal control policies of the Group can ensure that the pricing offered by TCI under the 2023 Products Procurement Framework Agreement would be subject to regular review by designated experienced staff and would allow the Company to achieve reasonable profit. There are also constant review to ensure that the TCI Group's performance under the 2023 Products Procurement Framework Agreement is in compliance with the provisions specified therein.

Moreover, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the amounts of the transactions contemplated under the 2023 Products Procurement Framework Agreement must be restricted by the proposed annual caps; (ii) the terms of the 2023 Products Procurement Framework Agreement (together with the proposed annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the 2023 Products Procurement Framework Agreement (together with the proposed annual caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the 2023 Products Procurement Framework Agreement are carried out in accordance with the pricing policies of the Company, and the proposed annual caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the 2023 Products Procurement Framework Agreement exceed the proposed annual caps, or that there is any material amendment to the terms of the 2023

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Products Procurement Framework Agreement (together with the proposed annual caps), the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the internal control policies of the Group as well as the stipulated requirements for continuing connected transaction of the Listing Rules in place, the 2023 Products Procurement Framework Agreement will be monitored and hence the interest of the Independent Shareholders may be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2023 Products Procurement Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2023 Products Procurement Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2023 Products Procurement Framework Agreement and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

i. Directors and the chief executives of the Company

As at the Latest Practicable Date, the following Directors and chief executives of the Company were interested, or were deemed or taken to be interested in the following long and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to (a) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the “**Model Code**”) to be notified to the Company and the Stock Exchange:

Name of Director	Identity and nature of interests	Number of shares held ⁽¹⁾	Approximate percentage of equity interest
Mr. WANG Yong (“Mr. WANG”) ⁽²⁾	Interest in controlled corporation	64,392,700	38.82%
Mr. MATSUMOTO Ryoji (“Mr. MATSUMOTO”) ⁽³⁾	Interest in controlled corporation	1,000,000	0.60%

Notes:

- (1) All interests stated are long positions.
- (2) Wisdom Oasis Holdings Limited (“**Wisdom Oasis**”), which is wholly owned by Mr. WANG, is interested in 64,392,700 ordinary shares of the Company (the “**Shares**”), and thus Mr. WANG is deemed to be interested in 64,392,700 Shares.
- (3) Athena Land V Holdings Limited, which is wholly owned by Mr. MATSUMOTO, is interested in 1,000,000 Shares, and thus Mr. MATSUMOTO is deemed to be interested in 1,000,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to (a) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

ii. Substantial Shareholders

As at Latest Practicable Date, to the best knowledge of the Directors and chief executive of the Company, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares, which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Identity and nature of interests	Number of Shares held ⁽¹⁾	Approximate percentage of equity interest
Wisdom Oasis ⁽²⁾	Beneficial owner	64,392,700	38.82%
Transcosmos Inc. ⁽³⁾	Beneficial owner	57,264,100	34.52%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. WANG, being an executive Director, acts as a director of Wisdom Oasis;
- (3) Mr. NAKAYAMA Kokkei, being a non-executive Director, acts as a senior management in the TCI Group.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept by the Company under section 336 of the SFO. Save as disclosed above, none of the Directors is a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, save as disclosed in the profit warning announcement of the Company dated August 12, 2022, the Directors confirmed that there were no material adverse changes to the financial or trading position of the Group since December 31, 2021 (being the date to which the latest published audited accounts of the Company were made up).

4. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since December 31, 2021 (being the date to which the latest published audited financial statements of the Group were made up) or were proposed to be acquired or disposed of by or leased to any member of the Group; and none of the Directors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company with an initial term of three years effective from the Listing Date. The respective executive Directors or the Company may terminate the contract by a prior written notice of at least three months. The appointment of an executive Director shall be in accordance with requirements on Directors' retirement by rotation under the Articles of Association and applicable Listing Rules.

The non-executive Director and each of the independent non-executive Directors has signed a letter of appointment with the Company with a term of three years commencing from the date of appointment. In accordance with their respective letters of appointment, each of the independent non-executive Directors is entitled to receive a fixed amount of Director's emoluments while the non-executive Director is not entitled to receive any remuneration. Relevant appointments shall be in accordance with the requirements on Directors' retirement by rotation under the Articles of Association and applicable Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation (legal compensations excluded).

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
VBG Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, VBG Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated December 15, 2022, (as set out on pages 16 to 30 of this circular) and references to its name, in the form and context in which it respectively appears.

As at the Latest Practicable Date, VBG Capital:

- i. did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group; or
- ii. did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e., December 31, 2021), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.youquhui.com>) for a period of 14 days from the date of this circular:

- i. the 2023 Products Procurement Framework Agreement;
- ii. the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- iii. the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 30 of this circular;

- iv. the written consent of the Independent Financial Adviser referred to under the paragraph headed “7. Expert and Consent” in this Appendix; and
- v. this circular.

9. MISCELLANEOUS

- i. The registered office of the Company is located at Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.
- ii. The H Share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- iii. The joint company secretaries of the Company are Mr. SHEN Yu and Ms. SZETO Kar Yee Cynthia.

NOTICE OF EXTRAORDINARY GENERAL MEETING



UNQ HOLDINGS LIMITED 优趣汇控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2177)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**Extraordinary General Meeting**”) of UNQ Holdings Limited (the “**Company**”) will be held at 17F, Tower C, LCM Square, No. 4, Lane 2389, Zhangyang Road, Pudong New Area, Shanghai, PRC on Friday, December 30, 2022 at 10:00 a.m. for the following purpose.

Unless otherwise specified, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated December 15, 2022 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. “**THAT**
 - (i) the 2023 Products Procurement Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, details of which are more particularly described in the circular of the Company dated December 15, 2022, be and is hereby approved, confirmed and ratified; and
 - (ii) any one director of the Company be and is hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as he/her considers necessary or expedient or desirable in connection with or to give effect to the 2023 Products Procurement Framework Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interests of the Company.”

Yours faithfully
By order of the Board
UNQ Holdings Limited
WANG Yong
Chairman

Hong Kong, December 15, 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

<i>Registered Office in Cayman Islands:</i>	<i>Headquarters in China:</i>	<i>Principal Place of Business in Hong Kong:</i>
Campbells Corporate Services Limited	17F, Tower C, LCM Square	31/F, Tower Two
Floor 4, Willow House Cricket Square	No. 4, Lane 2389 Zhangyang Road	Times Square
Grand Cayman KY1-9010 Cayman Islands	Pudong New Area Shanghai PRC	1 Matheson Street Causeway Bay Hong Kong

Notes:

1. For the purpose of determining the entitlement of the shareholders to attend and vote at the Extraordinary General Meeting, the register of members of the Company will be closed from Friday, December 23, 2022 to Friday, December 30, 2022 (both days inclusive), during which period no transfer of shares will be registered. To be eligible to attend and vote at the Extraordinary General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, December 22, 2022.
2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is appointed.
3. Form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 48 hours before the time fixed for holding the Extraordinary General Meeting (i.e. before 10:00 a.m. on Wednesday, December 28, 2022) or any adjournment thereof. Completion and return of the proxy form will not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be), should he/she so wishes and in such event, the form of proxy shall be deemed to be revoked.
4. Pursuant to Rule 13.39(4) of the Listing Rules, the ordinary resolution set out above will be voted by poll. Where the chairperson of the Company in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by a show of hands.
5. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding of such share.
6. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.