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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)**

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

On 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.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 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.

A circular containing, among other things, (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 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, will be dispatched to Shareholders by no later than December 15, 2022 as additional time is required to prepare and finalize the relevant information to be included in the circular.

## **RENEWAL OF THE 2021 PRODUCTS PROCUREMENT FRAMEWORK AGREEMENT**

On 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.

*(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. In the event that mark-up rates offered by the TCI Group would not allow the Company a reasonable profit margin, the Company shall not procure such products from TCI and will re-negotiate mark-up rates with TCI.

**(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.

**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.

**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:

	<b>Proposed annual caps for the year ending December 31,</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
		<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; (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 the COVID-19 pandemic, which is in line with increasing sales volume of healthcare related products since the outbreak of COVID-19 pandemic in 2020.

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

The Directors are of the view that (i) the purchase of the 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 will be disclosed in the 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.

## **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, no less favourable to the Group than terms available to or from Independent Third Parties, 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 and assess the reasonableness and fairness of the mark-up rates every half year. 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; and
- iv. the independent non-executive Directors and auditors of the Company will conduct annual reviews 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.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 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.

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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.

## **DISPATCH OF CIRCULAR**

A circular containing, among other things, (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 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, will be dispatched to Shareholders by no later than December 15, 2022 as additional time is required to prepare and finalize the relevant information to be included in the circular.

## **DEFINITIONS**

“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 purchase 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 purchase products from the TCI Group
“Board”	the board of Directors
“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), an exempted company incorporated in the Cayman Islands with

	limited liability on October 31, 2019
“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
“EGM”	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 under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to be appointed by the Company to advise 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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of HK\$0.0001 each
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under 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
“Unicharm”	Unicharm Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time
“%”	per cent

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

Hong Kong, October 31, 2022



*As of 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.*