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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Xinjiang La Chapelle Fashion Co., Ltd., you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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# La Chapelle

## 新疆拉夏貝爾服飾股份有限公司

### Xinjiang La Chapelle Fashion Co., Ltd.

(IN REORGANISATION)

(formerly known as “Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司)”) (a joint stock company incorporated in the People’s Republic of China with limited liability)

(1) ENTERING INTO OF THE REORGANISATION INVESTMENT  
AGREEMENT INVOLVING SUBSCRIPTION AND ISSUANCE OF DOMESTIC  
SHARES BY WAY OF CONVERSION OF CAPITAL RESERVE IN BANKRUPTCY  
REORGANISATION;  
(2) APPLICATION FOR WHITEWASH WAIVER;  
(3) REORGANISATION INVESTMENT ARRANGEMENT; AND  
(4) NOTICE OF 2025 SECOND EXTRAORDINARY GENERAL MEETING

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



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A letter from the Board is set out on pages 9 to 35 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 36 to 37 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 90 of this circular.

Please read pages 114 to 116 of this circular for the Notice convening the EGM.

Any holder of Foreign Share(s) entitled to attend and vote at the EGM are entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy needs not be a Shareholder. In the event that a Shareholder appoints more than one proxy to attend the EGM, such proxies may only exercise their voting rights on a poll.

If you intend to appoint a proxy to attend the EGM, please complete the proxy form(s) according to the instructions printed thereon and return the same by hand or by post to the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM or not less than 24 hours before the time appointed for the holding of any adjournment thereof. Completion and return of the proxy form(s) will not preclude holders of Foreign Share(s) from attending and voting in person at the EGM or any adjournment thereof should they so wish.

14 April 2025

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## EXPECTED TIMETABLE

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The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be announced by the Company.

Despatch date of this circular and the accompanying  
form of proxy and publication of this circular,  
notice of EGM and the accompanying form of  
proxy on SFC's and Company's websites ..... Monday, 14 April 2025

Latest time for lodging transfer documents and  
relevant share certificates to be eligible to attend  
and vote at the EGM ..... 4:30 p.m. on Thursday,  
24 April 2025

Record date for determining holders of  
Foreign Share(s)'s eligibility to attend  
and vote at the EGM ..... at the close of business on  
Thursday, 24 April 2025

Closure of register of members for  
the purpose of ascertaining the holders of  
Foreign Share(s)'s eligibility to attend  
and vote at the EGM ..... Friday, 25 April 2025 to  
Wednesday, 30 April 2025  
(both days inclusive)

Latest time for lodging the form of  
proxy for the EGM ..... 2 p.m. on Tuesday,  
29 April 2025

Date and time of the EGM ..... 2 p.m. on Wednesday,  
30 April 2025

Publication of announcement on results of the EGM ..... By 7 p.m. on  
Wednesday, 30 April 2025

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Administrator”	the administrator of the Company, i.e., King & Wood Mallesons (Beijing), Shanghai Branch* (北京市金杜律師事務所上海分所) before 22 May 2024 or JunHe LLP, Shanghai Office* (君合律師事務所上海分所) on or after 22 May 2024
“24 July Announcement”	the announcement of the Company dated 24 July 2024 in relation to, among other things, the (1) entering into the Reorganisation Investment Agreement involving Subscription and issuance of Domestic Shares by way of Conversion of Capital Reserve under Specific Mandate in bankruptcy reorganisation; (2) application for Whitewash Waiver; and (3) appointment of Independent Financial Adviser
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Bankruptcy Law of the PRC”	the Enterprise Bankruptcy Law of the People’s Republic of China, as amended from time to time
“Board”	the board of Directors of the Company
“Business Day(s)”	a day on which domestic banks in the PRC are generally open for business and conducting corporate banking business, including a day which the PRC government announced as a temporary working day
“Capital Reserve Conversion Shares”	1,893,524,692 new Domestic Shares to be allotted and issued by the Company by way of Conversion of Capital Reserve, which is subject to the Reorganisation Scheme and registration with CSDC Beijing

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## DEFINITIONS

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“Company”	Xinjiang La Chapelle Fashion Co., Ltd. (新疆拉夏貝爾服飾股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose Foreign Shares are formerly listed on the Main Board of the Stock Exchange (former stock code: 06116, which have been delisted with effect from 14 November 2024) and whose Domestic Shares are listed on the National Equities Exchange and Quotations (stock code: 400116)
“Company Law of the PRC”	the Company Law of the People’s Republic of China, as amended from time to time
“Conversion of Capital Reserve”	the conversion of capital reserve into share capital of the Company on the basis of 57.50 new Domestic Shares for every 10 existing Domestic Shares, representing a total expected increase of 1,893,524,692 new Domestic Shares upon completion based on the 329,308,642 existing Domestic Shares (excluding the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws) in the Company’s share capital as of the Latest Practicable Date, which is subject to the Reorganisation Scheme and registration with CSDC Beijing
“Court”	Shanghai No. 3 Intermediate People’s Court* (上海市第三中級人民法院)
“Creditor(s)”	the creditor(s) of the Company
“CSDC Beijing”	China Securities Depository and Clearing Co., Ltd. Beijing Branch
“Deposit”	RMB20 million which has been paid by Guangsui Gold in cash to the designated account of the Administrator as the investment deposit
“Director(s)”	the director(s) of the Company
“Disposal of Assets”	the proposed disposal of inefficient assets by the Company as part of the Reorganisation Investment Arrangement

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## DEFINITIONS

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“Domestic Share(s)”	RMB-denominated ordinary share(s) of the Company of RMB1.00 each, all of which are issued in the PRC, subscribed in RMB and formerly listed on the Shanghai Stock Exchange (former stock code: 603157, which have been delisted on 24 May 2022) and currently listed on the National Equities Exchange and Quotations (stock code: 400116)
“Draft Reorganisation Scheme”	upon confirmation by the Investors, the Reorganisation Scheme (Draft) of Xinjiang La Chapelle Fashion Co., Ltd. prepared and submitted by the Company and/or the Administrator to the Court and the Creditors’ meeting in accordance with applicable laws, which includes the Conversion of Capital Reserve (i.e., the Subscription and the Loan Conversion), the loan repayment arrangement, the Operation Plan and the Disposal of Assets
“EGM”	the 2025 second extraordinary general meeting of the Company to be held at the Conference Room, 3F, the Conference Center, Building 3 (Tower C), No. 50, Lane 2700, South Lianhua Road, Minhang District, Shanghai, the PRC on Wednesday, 30 April 2025 at 2 p.m.. According to the Bankruptcy Law of the PRC, a capital contributors group meeting shall be convened if the Draft Reorganisation Scheme involves the adjustment of rights and interests of the capital contributors, i.e. the Shareholders. Therefore, the Company will convene a capital contributors group meeting to vote on the adjustment plan of the capital contributors’ equity in the Draft Reorganisation Scheme. As such, for the avoidance of doubt, the EGM is also known as the “capital contributors group meeting”, the convening of which shall be subject to the Enterprise Bankruptcy Law of the PRC
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Framework Agreement”	the framework agreement dated 17 August 2023 signed by Guangsui Gold and Orient Securities Innovation to form the Reorganisation Investment Consortium to participate in the reorganisation investment of the Company

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## DEFINITIONS

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“Foreign Share(s)”	foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in HK\$ and formerly listed on the Main Board of the Stock Exchange (former stock code: 06116, which have been delisted with effect from 14 November 2024)
“Group”	the Company and its subsidiaries
“Guangsui Gold”	Hangzhou Guangsui Gold Investment Holding Co., Ltd.* (杭州廣穗金投控股有限公司), which is respectively owned as to 80% and 20% by Guangsui Gold Investment (Hainan) Enterprise Management Partnership (Limited Partnership)* (廣穗金投(海南)企業管理合夥企業(有限合夥)) (owned as to 99% by Wang Guoliang (王國良) as the general partner and 1% by Wang Yanhong (王艷紅) as the limited partner) and Wang Guoliang
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising the non-executive Director and all of the independent non-executive Directors who have no direct or indirect interest in the Subscription and the Whitewash Waiver, namely, Ms. Wang Yan, Mr. Xing Jiangze, Ms. Chow Yue Hwa Jade and Ms. Yang Linyan
“Independent Financial Adviser”	Red Solar Capital Limited, a licensed corporation under the SFO to carry out Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) Guangsui Gold, the Subscriber and parties acting in concert with any of them; (ii) Orient Securities Innovation; and (iii) those who are involved or interested in the Subscription and/or the Whitewash Waiver
“Investors”	Guangsui Gold and Orient Securities Innovation

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## DEFINITIONS

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“Last Trading Day”	6 February 2023, being the last trading day immediately before the Trading Suspension
“Latest Practicable Date”	11 April 2025, being the latest practicable date prior to the printing of the circular for ascertaining certain information contained herein
“Liquidity Support”	the non-interest-bearing liquidity support of RMB199 million to be provided by Orient Securities Innovation through a designated entity to the Company pursuant to the Reorganisation Investment Arrangement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Review Committee”	the Listing Review Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Conversion”	the repayment of certain debts of the Company by the allotment and issuance of 309,069,655 new Domestic Shares by way of Conversion of Capital Reserve, which is subject to the Reorganisation Scheme and the registration with CSDC Beijing
“Loan Conversion Shares”	309,069,655 new Domestic Shares to be allotted and issued by the Company by way of Conversion of Capital Reserve to certain Creditors
“Macao”	the Macao Special Administrative Region of the People’s Republic of China
“Operation Plan”	the operation plan for the Company after its reorganisation
“Orient Securities Innovation”	Shanghai Orient Securities Innovation Investment Company Limited* (上海東方證券創新投資有限公司)
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, Macao and Taiwan
“Relevant Period”	the period commencing from 24 January 2024, being six months prior to 24 July 2024 (the date of the 24 July Announcement) and up to and including the Latest Practicable Date



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## DEFINITIONS

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“Reorganisation Investment Agreement”	the conditional agreement dated 24 July 2024 entered into amongst the Company, the Investors and the Administrator in connection with the Reorganisation Investment Arrangement
“Reorganisation Investment Consortium”	a consortium formed by Guangsui Gold and Orient Securities Innovation through the Framework Agreement for the purpose of participating in the Reorganisation Investment Arrangement
“Reorganisation Investment Arrangement”	the reorganisation investment arrangement of the capital, business and indebtedness of the Company involving (i) the Subscription; (ii) the Loan Conversion; (iii) loan repayment arrangement other than the Loan Conversion; (iv) the Liquidity Support; (v) the Operation Plan; and (vi) the Disposal of Assets, which is subject to the Reorganisation Scheme having been approved by the Court
“Reorganisation Scheme”	the Reorganisation Scheme of Xinjiang La Chapelle Fashion Co., Ltd. having been approved by the Court, the name of which is subject to the Court. Before the approval by the Court, it shall be the Draft Reorganisation Scheme
“Repurchased Shares”	the 3,573,200 Domestic Shares deposited in the securities account designated for share repurchase of the Company, representing approximately 0.65% of the total issued share capital of the Company as at the Latest Practicable Date, which are subject to cancellation procedures in accordance with PRC laws. Please refer to the circular of the Company dated 28 December 2022 and the announcement of the Company dated 13 January 2023 published on the Stock Exchange’s and the Company’s websites for details
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Share(s)”	the Domestic Share(s) and the Foreign Share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Hangzhou Jinsui Fenghua Enterprise Management Partnership (Limited Partnership)* (杭州金穗豐華企業管理合夥企業有限合夥)), a limited partnership established in the PRC, which is respectively owned as to 1% by Guangsui Gold as the general partner and 99% by Wang Guoliang as the limited partner
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Reorganisation Investment Agreement
“Subscription Consideration”	RMB220 million, being the aggregate consideration for the Subscription
“Subscription Price”	the subscription price of approximately RMB0.1388 per Subscription Share (being the Subscription Consideration divided by the number of Subscription Shares)
“Subscription Share(s)”	1,584,455,037 new Domestic Shares to be allotted and issued by the Company by way of conversion of capital reserve to the Subscriber pursuant to the Reorganisation Investment Agreement, each a “Subscription Share”
“Supervisor(s)”	the supervisor(s) of the Company, namely Mr. Zhou Tao, Mr. Sun Bin and Mr. Wang Jiajie
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended from time to time)
“Trading Suspension”	the suspension of trading in the Foreign Shares since 7 February 2023
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of any obligation of the Subscriber to make a mandatory general offer for all the issued Shares and other securities (if any) of the Company not already owned, controlled or agreed to be acquired by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription
“%”	per cent.

\* For identification purpose only

# La Chapelle

新疆拉夏貝爾服飾股份有限公司

**Xinjiang La Chapelle Fashion Co., Ltd.**

(IN REORGANISATION)

(formerly known as “Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司)”) (a joint stock company incorporated in the People’s Republic of China with limited liability)

*Executive Directors*

Mr. Zhao Jinwen (Chairman)

Ms. Zhang Ying

Mr. Zhu Fengwei

*Non-executive Director*

Ms. Wang Yan

*Independent Non-executive Directors*

Mr. Xing Jiangze

Ms. Chow Yue Hwa Jade

Ms. Yang Linyan

*Registered office:*

Room 2008, 20/F,

Tower D, Chuangxin Square,

Si Ping Road,

Xin Shi District,

Urumqi, Xinjiang,

the PRC

*Principal place of business in Hong Kong:*

40th Floor, Dah Sing Financial Centre,

No. 248 Queen’s Road East,

Wanchai,

Hong Kong

14 April 2025

*To the Shareholders*

Dear Sir or Madam,

**(1) ENTERING INTO OF THE REORGANISATION INVESTMENT AGREEMENT INVOLVING SUBSCRIPTION AND ISSUANCE OF DOMESTIC SHARES BY WAY OF CONVERSION OF CAPITAL RESERVE IN BANKRUPTCY REORGANISATION;**

**(2) APPLICATION FOR WHITEWASH WAIVER;**

**(3) REORGANISATION INVESTMENT ARRANGEMENT; AND**

**(4) NOTICE OF 2025 SECOND EXTRAORDINARY GENERAL MEETING**

## **I. INTRODUCTION**

References are made to the 24 July Announcement and the following announcements (collectively, the “Announcements”):

- (a) the announcements of the Company published on the Stock Exchange’s (these announcements are available on the Stock Exchange’s website under delisted securities (stock code: 6116)) and Company’s websites dated:

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## LETTER FROM THE BOARD

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- (i) 14 October 2022 in relation to the petition for liquidation of the Company by a Creditor;
  - (ii) 3 February 2023 in relation to the decision of the Court to accept the petition from a Creditor for liquidation of the Company and the clarification announcement dated 6 February 2023;
  - (iii) 7 February 2023 in relation to the designation of the Administrator of bankruptcy liquidation of the Company by the Court and suspension of trading;
  - (iv) 3 September 2024 in relation to, among other things, the decision of the Listing Committee on cancellation of listing;
  - (v) 8 November 2024 in relation to, among other things, the decision of the Listing Review Committee and the cancellation of listing; and
  - (vi) 13 September 2024, 10 October 2024, 8 November 2024 in relation to the monthly update and progress of the Company;
- (b) the announcements of the Administrator published on the Stock Exchange's (these announcements are available on the Stock Exchange's website under delisted securities (stock code: 6116)) and Company's websites dated:
- (i) 8 February 2023 in relation to the notice of filing claims of the Creditors and the convening of the first Creditors' meeting;
  - (ii) 24 May 2023 in relation to the information regarding the convening of the first Creditors' meeting of the Company;
  - (iii) 5 June 2023 in relation to the voting results of the first Creditors' meeting of the Company;
  - (iv) 20 June 2023 in relation to the pre-invitation for intended investors for the bankruptcy liquidation case of the Company;
  - (v) 30 August 2023 in relation to the application for reorganisation of the Company;
  - (vi) 13 September 2023 in relation to the Court's ruling on reorganisation of the Company;
  - (vii) 15 September 2023 in relation to the invitation for reorganisation investors for the Company;
  - (viii) 12 January 2024 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure;

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## LETTER FROM THE BOARD

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- (ix) 12 March 2024 in relation to the Court's decision on the extension for submission of Draft Reorganisation Scheme;
  - (x) 22 May 2024 in relation to the change of Administrator;
  - (xi) 6 June 2024 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure;
  - (xii) 7 June 2024 in relation to the extension of deadline for submission of the Draft Reorganisation Scheme; and
  - (xiii) 17 July 2024 in relation to the receipt of the decision from the Court;
- (c) the announcements of the Company published on the SFC's and Company's websites dated:
- (i) 6 December 2024, 13 January 2025, 12 February 2025 in relation to the monthly update and progress of the Company;
  - (ii) 13 December 2024 in relation to the further delay in despatch of circular;
  - (iii) 27 February 2025 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure;
  - (iv) 17 March 2025 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure; and
  - (v) 10 April 2025 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure.

A Creditor of the Company had presented a liquidation petition to the Court for the reason that the Company was unable to repay its debts as they fell due. On 2 February 2023, the Court decided to accept the case. On 3 February 2023, the Court designated King & Wood Mallesons (Beijing), Shanghai Branch\* (北京市金杜律師事務所上海分所) to act as the Administrator. On 22 May 2024, the Company received the second issue of the (2023) Hu 03 Po 64 Decision\* ((2023) 滬03破64號之二《決定書》) issued by the Court. As King & Wood Mallesons (Beijing), Shanghai Branch\* (北京市金杜律師事務所上海分所) has a stake in the case, in order to ensure the reorganisation procedures of the Company is carried out in an orderly manner, upon random lottery by the Shanghai Higher People's Court, JunHe LLP, Shanghai Office\* (君合律師事務所上海分所) was re-determined as the Administrator. On 17 July 2024, the Company received the third issue of the (2023) Hu 03 Po 64 Decision\* ((2023) 滬03破64號之三《決定書》) from the Court, in which the Court gave approval to the Company to perform the information disclosure obligations independently under the supervision of the Administrator.

At the request of the Company, following the designation of the Administrator, trading in the Foreign Shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 7 February 2023. The Company received a letter from the Stock

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## LETTER FROM THE BOARD

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Exchange respectively dated 2 March 2023 and 19 April 2023 in relation to the resumption guidance for the Company. The Company received a letter from the Stock Exchange dated 23 August 2024 stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A(1) of the Listing Rules as the Company had failed to fulfil all the resumption guidance. On 3 September 2024, the Company submitted an application requesting the decision be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules.

The Company received a letter from the Stock Exchange dated 1 November 2024 stating that the Listing Review Committee has decided to uphold the Listing Committee's decision to cancel the listing of the Company's Foreign Shares pursuant to Rule 6.01A(1) of the Listing Rules. On 4 November 2024, the Company was further informed by the Stock Exchange that the last day of listing of the Company's Foreign Shares is 13 November 2024 and the listing of the Company's Foreign Shares has been cancelled with effect from 9:00 a.m. on 14 November 2024.

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; and (iv) a notice to convene the EGM.

## II. THE BANKRUPTCY REORGANISATION OF THE COMPANY

The first Creditors' meeting of the case of the bankruptcy liquidation of the Company was held at 2:00 p.m. on 24 May 2023. The Administrator published the Announcement on Pre-Invitation for Intended Investors for the Bankruptcy Liquidation Case of the Company\* (《公司破產清算案意向投資人預招募公告》) on 20 June 2023. The Company submitted application for reorganisation to the Court on 29 August 2023. The Court ruled the Company to enter into reorganisation procedure on 12 September 2023. The Administrator published the Announcement on Invitation for Reorganisation Investors for the Bankruptcy Reorganisation Case of the Company\* (《公司破產重整案重整投資人招募公告》) on 15 September 2023. For details, please refer to the Announcements.

Pursuant to the Bankruptcy Law of the PRC, after the reorganisation investors are confirmed, a Draft Reorganisation Scheme (which sets out, among others, the Reorganisation Investment Arrangement of the Company) will be formulated based on the reorganisation investment proposal from the Investors and is required to be submitted to the Court and be put forward at a meeting of the Creditors within six months (the Court may grant a three-month extension if there were justifiable grounds) after the Court's ruling on the reorganisation of the Company. Given the Company was ruled to enter into the reorganisation procedure on 12 September 2023, the deadline for the Company to submit its Draft Reorganisation Scheme would be by 12 March 2024 (or by 12 June 2024 if a three-month extension is sought and granted). On 12 March 2024, the Company received sixth issue of (2023) Hu 03 Po No. 64 Civil Judgement\* ((2023) 滬03破64號之六《民事裁定書》) issued by the Court, in which the Court decided to extend the deadline for submission

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## LETTER FROM THE BOARD

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of the Draft Reorganisation Scheme of the Company to 12 June 2024. On 5 June 2024, the Administrator submitted an application to the Court for a two-month extension for submission of the Draft Reorganisation Scheme. On 7 June 2024, the Court decided to extend the deadline for submission of the Draft Reorganisation Scheme to 12 August 2024. On 5 August 2024, the Administrator received the application of 40 Creditors from the Court for the substantive consolidation in reorganisation (實質合併重整) of the Company with 32 related companies. The Court agreed to the Administrator's application that the period for review of the substantive consolidation in reorganisation will not be included in the calculation of deadline stipulated in Article 79 of the Bankruptcy Law of the PRC. On 22 October 2024, the Company received the eighth of (2023) Hu 03 Po No. 64 Civil Judgement\* ((2023) 滬03破64號之八《民事裁定書》) from the Court, ruling that the applicant's application for the substantive consolidation in reorganisation of the Company and its related companies was not accepted. On 1 November 2024, the Company received notices of appeal from the Court. The applicants disagreed with the judgement that the application for the substantive consolidation was not accepted and submitted appeals. On 3 January 2025, the Company received the (2024) Hu Po Jian No. 3 Notice of Response\* ((2024) 滬破監3號《應訴通知書》) from the Shanghai High People's Court (the "**Shanghai High Court**"), pursuant to which the Shanghai High Court has accepted the applicants' appeal against the ruling of the Court not to accept the substantive consolidation in reorganisation. On 25 February 2025, the Shanghai High Court has made the ruling rejecting the applicants' review petition. It is the final ruling. On 13 March 2025, the Company was informed by the Administrator that as approved by the Court, the creditors' meeting will be held on 1 April 2025 via off-site method (in writing), and arrange for the Creditors to vote on the Draft Reorganisation Scheme. The creditors' meeting has been held on 1 April 2025 via off-site method (in writing), and each of the creditors group for employee claims, the creditors group for tax expenses, and the creditors group for ordinary claims approved the Draft Reorganisation Scheme.

The approvals to which the Draft Reorganisation Scheme will be subject to are as follows:

- (1) *Approval by the Creditors:* the Draft Reorganisation Scheme will be put forward to a meeting of the Creditors for approval. The creditors' meeting has been held on 1 April 2025 via off-site method (in writing), and each of the creditors group for employee claims, the creditors group for tax expenses, and the creditors group for ordinary claims approved the Draft Reorganisation Scheme.
- (2) *Approval by the Shareholders:* Apart from approval by the Creditors, pursuant to the Bankruptcy Law of the PRC, in the event the Draft Reorganisation Scheme involved an adjustment in the equity interests of the Company's capital contributors (i.e. the Shareholders), such transaction or proposal that involved the adjustment in the equity interests shall be subject further to approval by the Shareholders. Given both the Subscription and the Loan Conversion (which form part of the Company's reorganisation, with details of which disclosed below) involve adjustments being made to the equity interests of the Company's capital contributors (i.e. the dilution of the equity interests held by the Company's existing Shareholders), the Subscription and the Loan Conversion will be subject to the approval of the Shareholders.



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## LETTER FROM THE BOARD

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- (3) *Approval by the Court:* Upon obtaining approvals by both the Creditors and the Shareholders, the Company or its Administrator shall apply to the Court for approval of the Draft Reorganisation Scheme. Nevertheless, pursuant to the Bankruptcy Law of the PRC, even if the Shareholders do not approve the Subscription and the Loan Conversion, in the event the Court considers that the adjustments being made to the equity interests of the Company's capital contributors are fair and reasonable, the Court has the jurisdiction to approve the Draft Reorganisation Scheme and proceed with the Draft Reorganisation Scheme, which includes the Subscription.

Upon approval by the Court of the Draft Reorganisation Scheme, the Draft Reorganisation Scheme will become the Reorganisation Scheme of the Company, and the Company will then enter into an implementation period, where the transactions under the Reorganisation Scheme (including the Subscription pursuant to the Reorganisation Investment Arrangement) will then be carried out in accordance with the terms of the Reorganisation Scheme.

Pursuant to the Bankruptcy Law of the PRC, the Company's assets or proceeds from the reorganisation process shall be distributed in the following sequence:

- (1) the expenses incurred for the bankruptcy process of the Company and common interest debts (共益債務) (under the Bankruptcy Law of the PRC). The expenses and common interest debts (共益債務) incurred for the bankruptcy process mainly represent litigation expenses payable to courts, expenses incurred for the continuance of the Company's business operations and fees payable to the Administrator, legal advisors, accountants and other professional advisors to the Company;
- (2) any wages, benefits for medical treatment and disability, comfort and compensatory funds gratuity that fell due, basic pension fund payables and basic medical insurance payables that shall have been transferred into the employees' personal accounts, compensation for the employees as prescribed by the relevant laws and administrative regulations (the "**Employee's Claims**"). The aggregate amount of Employee's Claims to the employees of the Company that have been or expect to be reviewed and confirmed as of 28 February 2025 is approximately RMB1.31 million;
- (3) any tax that fell due and any social insurance security expenses that fell due. The aggregate amount of tax and social security expenses fell due that have been or expect to be reviewed and confirmed as of 28 February 2025 is approximately RMB86.64 million;
- (4) creditors' ordinary claims (the "**Creditors' Claims**"). The aggregate amount of Creditors' Claims that have been or expect to be reviewed and confirmed as of 28 February 2025 is approximately 3.42 billion; and finally,



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- (5) creditors' inferior claims (the “**Inferior Claims**”), which include punitive claims such as civil punitive damages, administrative fines, criminal fines, other similar claims arising before the acceptance of bankruptcy, and claims from related parties of the Company. The aggregate amount of Inferior Claims that have been or expect to be reviewed and confirmed as of 28 February 2025 is approximately RMB1.21 billion.

Given the declaration and review of debt claims are still underway as of the Latest Practicable Date, the aforementioned liabilities or claims amounts are still subject to change, and the final liabilities or claims amounts to be satisfied through the bankruptcy reorganisation shall be subject to the Court's final adjudication. Liabilities and claims under categories (1) to (3) above shall be satisfied in cash, while certain of the Creditors' Claims under category (4) shall first be satisfied by cash, with the remaining unsatisfied part to be satisfied through capitalisation of such debt and issuance of Domestic Shares to the relevant Creditors. Details of the repayment will be subject to the Reorganisation Scheme as approved by the Court. According to the Draft Reorganisation Scheme, the Inferior Claims under category (5) will not be repaid.

### III. REORGANISATION INVESTMENT ARRANGEMENT

#### THE SUBSCRIPTION

After the reorganisation investor invitation and selection procedure, the Reorganisation Investment Consortium formed by the Investors has been officially selected as the reorganisation investors of the Company. On 24 July 2024, the Company entered into the Reorganisation Investment Agreement with the Investors and the Administrator. The Draft Reorganisation Scheme is prepared based on the reorganisation investment proposal submitted by the Investors, and the Subscription will be implemented in accordance with the Reorganisation Scheme as approved by the Court as part of the Reorganisation Investment Arrangement.

#### *Subscription Shares*

Pursuant to the Reorganisation Investment Agreement, subject to the Reorganisation Scheme and satisfaction of the conditions precedent as stipulated therein, the Company will implement the Conversion of Capital Reserve, converting its capital reserve into share capital on the basis of 57.50 new Domestic Shares for every 10 existing Domestic Shares, representing a total expected increase of 1,893,524,692 new Domestic Shares upon completion of the Conversion of Capital Reserve based on the 329,308,642 existing Domestic Shares (excluding the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws) in the Company's share capital as at the Latest Practicable Date, among which 1,584,455,037 new Domestic Shares will be used for the Subscription and 309,069,655 new Domestic Shares will be used for the Loan Conversion. Upon completion of the Conversion of Capital Reserve, the total issued share capital of the Company is expected to be increased to 2,437,623,134 Shares (excluding the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws), which is subject to the Reorganisation Scheme and registration with CSDC Beijing.

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Pursuant to the Reorganisation Investment Agreement, subject to the satisfaction (or waiver, if applicable) of the conditions precedent, the Company has agreed to allot and issue by way of Conversion of Capital Reserve, and Guangsui Gold has agreed to subscribe for, 1,584,455,037 Subscription Shares with a par value of RMB1.00 each and an aggregate nominal value of RMB1,584,455,037, at the Subscription Consideration of RMB220 million, implying the Subscription Price of approximately RMB0.1388 per Subscription Share. The Subscription Shares will be registered under the name of the Subscriber, which is ultimately majority-controlled by Wang Guoliang.

In accordance with common registration method for bankruptcy and reorganisation of enterprises in the PRC, after the Court's approval of the Reorganisation Scheme, the Subscription Shares will be issued to the designated securities account of the Subscriber, which is ultimately majority-controlled by Wang Guoliang, while the Loan Conversion Shares will be issued to the Administrator before distribution to each of the Creditors individually upon calculation of each individual Creditor's Loan Conversion Shares entitlement pursuant to the settlement plan for the Creditors of the Reorganisation Scheme approved by the Court. For details of the Loan Conversion, please refer to the section headed "The Loan Conversion" in this letter from the Board.

As at the Latest Practicable Date, the Company has 547,671,642 Shares in issue, comprising 214,789,800 Foreign Shares and 332,881,842 Domestic Shares (including the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws), representing approximately 39.22% and 60.78% of the total issued share capital of the Company, respectively. The Subscription Shares represent:

- (i) approximately 475.98% of the existing issued Domestic Shares of the Company as at the Latest Practicable Date (including the Repurchased Shares);
- (ii) approximately 481.15% of the existing issued Domestic Shares of the Company as at the Latest Practicable Date (assuming the Repurchased Shares have been cancelled);
- (iii) approximately 289.31% of the total issued share capital of the Company as at the Latest Practicable Date (including the Repurchased Shares);
- (iv) approximately 291.21% of the total issued share capital of the Company as at the Latest Practicable Date (assuming the Repurchased Shares have been cancelled);
- (v) approximately 71.17% of the enlarged issued Domestic Shares of the Company upon completion of the Subscription and the Loan Conversion (including the Repurchased Shares and assuming there is no change to the number of issued Shares (other than the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares));
- (vi) approximately 71.28% of the enlarged issued Domestic Shares of the Company upon completion of the Subscription and the Loan Conversion (assuming the Repurchased Shares have been cancelled and there is no change to the number of

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issued Shares (other than the cancellation of the Repurchased Shares, the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares));

(vii) approximately 64.90% of the total enlarged issued share capital of the Company upon completion of the Subscription and the Loan Conversion (including the Repurchased Shares and assuming there is no change to the number of issued Shares (other than the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares)); and

(viii) approximately 65.00% of the total enlarged issued share capital of the Company upon completion of the Subscription and the Loan Conversion (assuming the Repurchased Shares have been cancelled and there is no change to the number of issued Shares (other than the cancellation of the Repurchased Shares, the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares)).

### *Subscription Consideration and Payment Arrangement*

The Subscription Consideration is RMB220 million, out of which RMB20 million has been paid in cash to the designated account of the Administrator by Guangsui Gold as the Deposit and the remaining RMB200 million shall be paid in cash by the Subscriber to the designated account of the Administrator within five (5) Business Days upon approval of the Reorganisation Scheme by the Court.

For the purpose of this circular, all figures in HK\$ are calculated based on the exchange rate of HK\$1 to RMB0.86314 as quoted by the PBOC as at the Last Trading Day. The Subscription Price of approximately RMB0.1388 (equivalent to HK\$0.1608) per Subscription Share:

- (i) represents a discount of approximately 35.68% to the closing price of HK\$0.25 per Foreign Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) represents a discount of approximately 35.88% to the average closing price of HK\$0.2508 per Foreign Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) represents a premium of RMB6.2100 per Share over the audited net assets per Share of approximately RMB-6.0712 of the Group as at 31 December 2023 based on the Company's annual results announcement for the financial year ended 31 December 2023 and the number of Shares in issue as at the Latest Practicable Date; and
- (iv) represents a premium of RMB5.9847 per Share over the unaudited net assets per Share of approximately RMB-5.8459 of the Group as at 30 June 2024 based on the Company's interim results announcement for the six months ended 30 June 2024 and the number of Shares in issue as at the Latest Practicable Date.

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Considering that (i) the Company is currently in bankruptcy reorganisation procedure, and if it is unable to introduce investors and complete the bankruptcy reorganisation, the reorganisation procedure of the Company will be terminated by the Court and the Company will be declared bankrupt by the Court, which will further damage the interests of the Creditors and other stakeholders of the Company and result in existing Shareholders' equity interests being zeroed out; (ii) the Group has recorded consecutive large losses for several years, and its net assets and net assets per share attributable to Shareholders (excluding the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws) as of 31 December 2023 amounted to approximately RMB-3.325 billion and RMB-5.96, respectively; (iii) the Subscription Consideration translates to the total number of issued Shares being valued at approximately RMB340 million, which is higher than the market capitalization of the Shares being approximately RMB118 million before suspension as at the Last Trading Day; (iv) as part of the reorganisation investment proposal submitted by the Investors, Orient Securities Innovation has agreed to provide through a designated investment entity to be set up by Orient Securities Innovation a non-interest-bearing Liquidity Support of RMB199 million to the Company to supplement its working capital; and (v) it is expected that Guangsui Gold, as an industrial investor, can bring various benefits such as development resources and business cooperation opportunities to the Company, the reorganisation investment proposal (including the Subscription Consideration) submitted by the Investors is in the interests of the Company, the Shareholders and the Creditors as a whole, and the substantial discount of the Subscription Price to the market price of the Foreign Shares would be necessary to attract the Investors to participate in the Subscription for the rescue of the Company.

### ***Ranking of the Subscription Shares***

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with all other existing Domestic Shares in issue.

### ***Conditions Precedent***

The completion of the Conversion of Capital Reserve and the Subscription shall be subject to the satisfaction of the following conditions, unless a waiver is obtained pursuant to the Reorganisation Investment Agreement:

- (1) the Independent Shareholders having passed resolutions to approve the Subscription and the Whitewash Waiver;
- (2) the Executive having granted the Whitewash Waiver and such Whitewash Waiver not being revoked or withdrawn and any other necessary conditions (if any) attached to the Whitewash Waiver having been satisfied; and
- (3) the Reorganisation Scheme having been approved by the Court.

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Condition (1) (other than the Whitewash Waiver) and condition (3) are not waivable. Guangsui Gold may waive all or part of condition (1) in respect of the Whitewash Waiver and condition (2). Except for the Reorganisation Scheme having been approved by the Court as set out in condition (3), there are no other regulatory approvals, consents and/or waivers required to be obtained.

Upon satisfaction (or waiver, if applicable) of the conditions set out above, completion of the Conversion of Capital Reserve and the Subscription shall take place within 30 Business Days upon payment of all Subscription Consideration, the specific date of which is subject to registration with CSDC Beijing.

As at the Latest Practicable Date, none of the conditions have been satisfied or waived.

### ***Transitional Period and Completion***

- (i) During the period from the effective date of the Reorganisation Investment Agreement to the completion of Reorganisation Scheme (the “**Transitional Period**”), the daily operation and major matters of the Company shall be carried out by the Company and/or the Administrator under the supervision of the Court and/or the Administrator in accordance with the Bankruptcy Law of the PRC, the Company Law of the PRC and other relevant laws and regulations.
- (ii) Guangsui Gold shall provide the details of the securities account to the Company and/or the Administrator in writing within three (3) days from the date on which the Company and/or the Administrator applies to the Court for approval of the Draft Reorganisation Scheme. From the date on which the Subscription Shares are registered to the securities account provided by Guangsui Gold, the Subscriber shall be entitled to exercise the Shareholders’ rights.
- (iii) The Company shall, within ten (10) Business Days from the date of receipt of all the Subscription Consideration paid by Guangsui Gold to the account designated by the Administrator, submit the relevant judicial documents issued by the Court to CSDC Beijing to apply for the registration of the Subscription Shares to the securities account of the Subscriber. The aforesaid registration shall in principle be completed within 30 Business Days. The Company shall apply to the Court for a notice of assistance in enforcement and other relevant judicial documents in a timely manner, and Guangsui Gold and the Administrator shall provide timely and necessary assistance and cooperation (including but not limited to providing relevant information required for the registration of the Subscription Shares). The Company shall bear the costs incurred in such registration. The time for the completion of the registration of the Subscription Shares shall be subject to the actual processing time of CSDC Beijing, and if the registration of the Subscription Shares is not completed within the aforesaid time due to reasons not attributable to the Company, it shall not be deemed that the Company is in breach of the Reorganisation Investment Agreement.

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## LETTER FROM THE BOARD

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- (iv) The Company and/or the Administrator shall not use the Subscription Consideration paid by Guangsui Gold to the account designated by the Administrator for any reason before the Conversion of Capital Reserve is completed and the Capital Reserve Conversion Shares have been registered to the securities account of the Administrator or the Subscription Shares have been registered to the securities account of the Subscriber (if possible). During the Transitional Period, the Company and/or the Administrator shall not make cash settlement to the Creditors in accordance with the provisions of the Reorganisation Scheme.

### *Effectiveness and Termination*

The Reorganisation Investment Agreement shall become effective on the date when it is sealed by all parties and may be terminated by unanimous consent from all parties and shall be automatically terminated if:

- (1) the Draft Reorganisation Scheme fails to be submitted to the Court and Creditors' meeting during the period of reorganisation (including extension), which leads to the Court's declaration on the bankruptcy of the Company;
- (2) the Draft Reorganisation Scheme fails to be approved by the Court;
- (3) the Conversion of Capital Reserve fails to complete during the implementation of the Reorganisation Scheme;
- (4) the Company expressly or implicitly (by conduct) indicates that it will not implement the Reorganisation Scheme;
- (5) the Company encounters objective obstacles in the implementation of the Reorganisation Scheme; or
- (6) the Court orders the termination of the implementation of the Reorganisation Scheme and declares the bankruptcy of the Company.

Under the circumstances (1), (2) and (3), the Company and/or the Administrator shall fully refund the Subscription Consideration (including the Deposit) and Liquidity Support respectively paid by the Investors or their designated entities within five (5) Business Days upon termination of the Reorganisation Investment Agreement without any interest. Under the circumstances (4), (5) and (6), the Investors respectively shall be entitled to preferential refund or settlement as common interest debts (共益債務) incurred in respect of the Subscription Consideration and the Liquidity Support that have been respectively paid by them. Common interest debts (共益債務) refer to debts borne by the Company for the interests of all Creditors in its bankruptcy procedures. Pursuant to the Bankruptcy Law of the PRC, expenses relating to the reorganisation and common interest debts shall be entitled to preferential settlement. Due to the fact that the Subscription Consideration will be used for settlement of debts of the Company and expenses relating to the reorganisation, and the Liquidity Support will be used for supplementing the working capital of the Company,



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which are in the interests of all Creditors, they shall be regarded as common interest debts and the Investors shall be entitled to preferential settlement if the Company is declared bankrupt.

During the period from the execution of the Reorganisation Investment Agreement to the approval of the Draft Reorganisation Scheme by the Court, the Investors shall be entitled to terminate the Reorganisation Investment Agreement and exit the reorganisation procedure of the Company if the Company and/or the Administrator breaches any provision of the Reorganisation Investment Agreement, in which case the Company and/or Administrator shall refund the Deposit without any interest to Guangsui Gold or the Subscriber within five (5) Business Days upon issuance of written termination notice by the Investors.

### THE LOAN CONVERSION

As part of the Reorganisation Investment Arrangement and as disclosed above, the Creditors' Claims will be partly repaid by cash, and the Company will allot and issue, by way of Conversion of Capital Reserve, approximately 309,069,655 Loan Conversion Shares for offsetting remaining claims, details of which (including the criteria for categorisation of Creditors into those to be repaid in cash and those to be repaid by way of the Loan Conversion, and the final amount of debt to be offset by the Loan Conversion Shares) will be determined by the Company and the Administrator based on the Reorganisation Scheme as approved by the Court and the claims as confirmed by the Court. The allotment and issuance of the Loan Conversion Shares will be conducted only after the Loan Conversion, as part of the Reorganisation Investment Arrangement and as included in the Draft Reorganisation Scheme, is approved by both the Creditors' meeting and the Court.

### THE LIQUIDITY SUPPORT FROM ORIENT SECURITIES INNOVATION

As part of the Reorganisation Investment Arrangement, Orient Securities Innovation has been invited by Guangsui Gold to be the financial investor and has agreed to participate in the reorganisation of the Company by providing a non-interest-bearing Liquidity Support of RMB199 million through a designated entity to the Company after the Draft Reorganisation Scheme has been approved by the Court, details of which such as conditions to the provision will be separately agreed by the Company and Orient Securities Innovation in writing after the Draft Reorganisation Scheme having been approved by the Court. In return of the provision of the non-interest-bearing Liquidity Support by Orient Securities Innovation (through a designated entity), Guangsui Gold agreed to independently bear certain expenses of capital of Orient Securities Innovation or its designated entity.

### THE OPERATION PLAN

As part of the Reorganisation Investment Arrangement, Guangsui Gold has agreed to help improve the operation capacity of the Company after its reorganisation pursuant to the operation plan as set out in the reorganisation investment proposal submitted by the Investors, which is proposed to include, among others, optimize the company's asset structure and business model, dealing with inefficient or redundant assets and subsidiaries

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within the Group and revitalizing existing assets of the Group. The Operation Plan will form part of the Draft Reorganisation Scheme and will be subject to the Reorganisation Scheme as approved by the Court.

### **THE DISPOSAL OF ASSETS**

As part of the Reorganisation Investment Arrangement, within fifteen (15) days after the Reorganisation Scheme has been approved by the Court, the Company will initiate the disposal of certain existing assets with low relevance to the main business of the Group or long-term idle inefficient assets by public disposal based on the terms of the Reorganisation Scheme, and the actual disposal of such assets through public disposal is expected to take place during the implementation period after the Draft Reorganisation Scheme is approved. Actual terms of the assets disposal, including without limitation the scope of assets subject to such disposal, has not yet been finalized as of the Latest Practicable Date and will be subject to approval by (among others) the Creditors and the Court as part of the Draft Reorganisation Scheme. The proceeds from the disposal will be used for supplementary settlement of certain debts of the Company, details of which will also be subject to the Reorganisation Scheme as approved by the Court.

### **USE OF PROCEEDS OF THE SUBSCRIPTION, THE LIQUIDITY SUPPORT AND THE DISPOSAL OF ASSETS**

It is intended that (i) proceeds from the Subscription will be used for settlement of debts of the Company and expenses relating to the reorganisation of the Company; (ii) the Liquidity Support will be used for supplementing the working capital of the Company; and (iii) proceeds from the Disposal of Assets will be used for supplementary settlement of certain debts of the Company. The above use of proceeds will be subject to the Reorganisation Scheme having been approved by the Court.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE REORGANISATION INVESTMENT AGREEMENT**

The entering into of the Reorganisation Investment Agreement is a necessary part for the reorganisation, and the Company, the Administrator and the Investors will actively facilitate the fulfillment of the conditions precedent in the Reorganisation Investment Agreement as set out in the section headed “The Subscription – Conditions Precedent” in this letter from the Board, at which time the Draft Reorganisation Scheme will be prepared and submitted to the Court and the Creditors’ meeting in accordance with the reorganisation investment proposal submitted by the Investors and the Reorganisation Investment Agreement, and the Draft Reorganisation Scheme will be voted by the Creditors’ meeting. Separately, according to the Bankruptcy Law of the PRC, a capital contributors group meeting shall be convened if the Draft Reorganisation Scheme involves the adjustment of rights and interests of the capital contributors, i.e. the Shareholders. Therefore, the Company will convene a capital contributors group meeting to vote on the adjustment plan of the capital contributors’ rights and interests in the Draft Reorganisation Scheme, i.e., the EGM. If the reorganisation of the Company is smoothly carried out and implemented, it will be conducive to (i) resolving the risk of bankruptcy liquidation, and avoiding existing Shareholders’ equity interests being zeroed out, (ii) optimizing the Company’s asset-liability



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structure, and improving the Company's continuous operation, and (iii) improving the repayment rate of Creditors, safeguarding the interests of all Creditors, and releasing the value of core assets of the Company.

Having considered the factors above, the terms of the Reorganisation Investment Agreement (including the Subscription and the Loan Conversion) are on normal commercial terms and the entering into of the Reorganisation Investment Agreement will be in the interest of the Company and the Shareholders as a whole.

### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 547,671,642 Shares in issue, comprising 214,789,800 Foreign Shares and 332,881,842 Domestic Shares (including the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws), and had no other share, option, warrant, derivative or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in issue that carry a right to subscribe for or which are convertible into the Shares. Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Subscription (assuming there is no change to the number of issued Shares (other than the issuance and allotment of the Subscription Shares)); and (iii) upon completion of the Conversion of Capital Reserve (i.e. Subscription together with Loan Conversion) (assuming there is no change to the number of issued Shares (other than the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares)).

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	As at the Latest Practicable Date		Immediately after the completion of Subscription <sup>Note 1</sup>		Immediately after the completion of Conversion of Capital Reserve (i.e. Subscription together with Loan Conversion)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Guangsui Gold, the Subscriber and parties acting in concert with any of them <sup>Note 2</sup>	–	–	1,584,455,037	74.31	1,584,455,037	64.90
Shanghai Wensheng Asset Management Co., Ltd.* (上海文盛資產管理股份有限公司) (“Shanghai Wensheng”) <sup>Note 3</sup>	106,800,000	19.50	106,800,000	5.01	106,800,000	4.37
Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry* (證券行業支持民企系列之海通證券資管1號FOF單一資產管理計劃) <sup>Note 4</sup>	80,000,000	14.61	80,000,000	3.75	80,000,000	3.28
Creditors	–	–	–	–	309,069,655	12.66
Other Shareholders	360,871,642	65.89	360,871,642	16.93	360,871,642	14.78
<b>Total</b>	<b>547,671,642</b>	<b>100</b>	<b>2,132,126,679</b>	<b>100</b>	<b>2,441,196,334</b>	<b>100</b>

*Notes:*

- (1) It is expected that the Subscription Shares and the Loan Conversion Shares will be issued simultaneously. The information set out in this column is for illustrative purpose only.
- (2) The Subscription Shares will be registered under the name of the Subscriber, which is ultimately majority-controlled by Wang Guoliang. Orient Securities Innovation is not a Shareholder as at the Latest Practicable Date and will not become a Shareholder upon the completion of Conversion of Capital Reserve (i.e. Subscription together with Loan Conversion).
- (3) Shanghai Wensheng directly holds 21,600,000 Domestic Shares and is deemed to be interested in 85,200,000 Domestic Shares held by Shanghai Qijin Enterprise Management Partnership LLP\* (上海其錦企業管理合夥企業(有限合夥)) (“Shanghai Qijin”). Shanghai Wensheng is deemed to be interested in the Domestic Shares held by Shanghai Qijin because Hangzhou Wensheng Xiangwen Asset Management Co., Ltd.\* (杭州文盛祥文資產管理有限公司), a subsidiary of Shanghai Wensheng is the limited partner of Shanghai Qijin, and Hangzhou Wensheng Lijin Asset Management Co., Ltd.\* (杭州文盛勵錦資產管理有限公司), a wholly-owned subsidiary of Shanghai Wensheng is the general partner of Shanghai Qijin.
- (4) Shanghai Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry\* (證券行業支持民企系列之海通證券資管1號 FOF 單一資產管理計劃) managed by Haitong Securities Asset Management Co., Ltd.\* (上海海通證券資產管理有限公司) directly holds 80,000,000 Domestic Shares.

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- (5) As at the Latest Practicable Date, none of the Directors hold any Shares.
- (6) The 3,573,200 Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws, have been included in the table above. Any discrepancies in the above table between totals and sums of amounts listed therein are due to rounding.

### GENERAL INFORMATION

#### Information on the Company

The Company is a joint stock company incorporated in the PRC with limited liability, whose Foreign Shares are formerly listed on the Main Board of the Stock Exchange (former stock code: 06116, which have been delisted with effect from 14 November 2024) and whose Domestic Shares are listed on the National Equities Exchange and Quotations (stock code: 400116). The Group is a multi-brand and omnichannel operated fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market casualwear.

The following is a summary of the financial information of the Group for the two financial years ended 31 December 2023 as extracted from the 2022 annual report and 2023 annual report of the Company:

## LETTER FROM THE BOARD

	<b>For the year ended 31 December 2022 RMB'000 (Audited)</b>	<b>For the year ended 31 December 2023 RMB'000 (Audited)</b>	<b>For the six months ended 30 June 2024 RMB'000 (Unaudited)</b>
Revenue	197,841	170,233	69,354
Profit before tax	(1,074,224)	(750,831)	(68,428)
Income tax expenses	<u>(450)</u>	<u>2,479</u>	<u>(28,026)</u>
Net profit attributable to:			
owners of the Company	(1,071,973)	(737,450)	(13,341)
non-controlling interests	<u>(1,801)</u>	<u>(15,860)</u>	<u>(27,061)</u>
	<u><u>(1,073,774)</u></u>	<u><u>(753,310)</u></u>	<u><u>(40,402)</u></u>
Total comprehensive income attributable to:			
owners of the Company	(1,074,553)	(737,450)	(13,341)
non-controlling interests	<u>(1,801)</u>	<u>(15,860)</u>	<u>(27,061)</u>
	<u><u>(1,076,354)</u></u>	<u><u>(753,310)</u></u>	<u><u>(40,402)</u></u>
Earnings per share (expressed in RMB per share)	(1.97)	(1.36)	(0.02)
Dividend distributed to owners of the Company	Nil	Nil	Nil

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders to the material uncertainty in respect of the “going concern” issue, “litigation matter” and “recognition of the amount of claims and debts related to the litigation” issue. The auditors of the Company expressed qualified opinion on the Company’s financial statements for the year ended 31 December 2021 and a disclaimer of opinion on the Company’s financial statements for each of the two years ended 31 December 2023. Please refer to Appendix II to this circular for detailed information of material uncertainty in respect of the “going concern” issue, “litigation matter” and “recognition of the amount of claims and debts related to the litigation” issue, and the basis of qualified opinion and disclaimer of opinion. The material uncertainty means that the Independent Shareholders are advised to take into account the foregoing and consider carefully the resolutions proposed at the EGM. If the Independent Shareholders decide not to vote for the resolutions at the EGM, they should be aware of the potential risks associated with the material uncertainty.

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## LETTER FROM THE BOARD

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### Information on the Investors, the Subscriber and the Reorganisation Investment Consortium

Guangsui Gold is a company incorporated in the PRC with limited liability and respectively owned as to 80% and 20% by Guangsui Gold Investment (Hainan) Enterprise Management Partnership (Limited Partnership)\* (廣穗金投(海南)企業管理合夥企業(有限合夥)) and Wang Guoliang (王國良). Guangsui Gold Investment (Hainan) Enterprise Management Partnership (Limited Partnership) is a limited partnership established in the PRC and respectively owned as to 99% by Wang Guoliang as the general partner and 1% by Wang Yanhong (王艷紅) as the limited partner. Wang Guoliang founded Hangzhou Guangsui E-commerce Co., Ltd.\* (杭州廣穗電子商務有限公司) (“**Guangsui E-commerce**”) in 2012 and has served as its chief executive officer since its establishment. Wang Yanhong joined Guangsui E-commerce in 2012 and is currently the director of Data Analysis Department and Customer Service Department of Guangsui E-commerce. Guangsui E-commerce mainly focuses on providing brands with solutions, including product design, supply chain building, distributor recruitment and management, online store operation, IT data central control platform and customer service. As at the Latest Practicable Date, Guangsui Gold is a holding company and holds 100% equity interest in Guangsui E-commerce.

The Subscriber is a limited partnership established in the PRC, which is respectively owned as to 1% by Guangsui Gold as the general partner and 99% by Wang Guoliang as the limited partner.

Orient Securities Innovation is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Orient Securities Co., Ltd. (東方證券股份有限公司), whose A shares and H shares are respectively listed on the Shanghai Stock Exchange (stock code: 600958) and the Main Board of the Stock Exchange (stock code: 3958). As at the Latest Practicable Date, Orient Securities Co., Ltd. (東方證券股份有限公司) does not have any controlling shareholder. Its single largest shareholder is Shenergy (Group) Company Limited (申能(集團)有限公司), which held 26.63% shareholding in Orient Securities Co., Ltd. and is 100% controlled by the Shanghai State-owned Assets Supervision and Administration Commission. Orient Securities Innovation is principally engaged in venture capital, financial product investment, investment management and investment advisory.

Pursuant to bankruptcy practice in the PRC, Guangsui Gold and Orient Securities Innovation have signed the Framework Agreement, to form the Reorganisation Investment Consortium to participate in the reorganisation of the Company as set out in the section headed “Introduction” in this letter from the Board, pursuant to which, among other things, (i) Guangsui Gold and Orient Securities Innovation have agreed to advance the reorganisation of the Company together; (ii) Guangsui Gold has agreed to subscribe for the Subscription Shares; and (iii) Orient Securities Innovation has agreed to provide through a designated entity the Liquidity Support and will not have any shareholding relationship with the Company.

The Investors, the Subscriber and their respective beneficial owners are parties independent of the Company.

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## LETTER FROM THE BOARD

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### **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activities in the past 12 months before the Latest Practicable Date.

### **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

As at the Latest Practicable Date, neither (i) Guangsui Gold and the Subscriber; (ii) any parties acting in concert with any of Guangsui Gold and the Subscriber; nor (iii) Orient Securities Innovation holds or is interested in any Shares. Immediately upon completion of the Subscription, Guangsui Gold, the Subscriber and parties acting in concert with any of them will hold 1,584,455,037 Domestic Shares, representing (i) 82.64% of the total number of Domestic Shares and 74.31% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares (assuming there is no change to the number of issued Shares other than the issuance and allotment of the Subscription Shares); and (ii) 71.17% of the total number of Domestic Shares and 64.90% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares and the Loan Conversion Shares (assuming there is no change to the number of issued Shares other than the issuance and allotment of the Subscription Shares and the Loan Conversion Shares). Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it unless the Whitewash Waiver is granted by the Executive. An application has been made by the Subscriber to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares. The Executive has indicated that it is minded to grant the Whitewash Waiver, subject to approval by Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver will be subject to, among other things, the approval of at least 75% of the votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% of the votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Subscription at the EGM by way of poll. As required by the Bankruptcy Law of the PRC, the “Adjustment Plan of the Capital Contributors’ Rights and Interests in the Draft Reorganisation Scheme”, which includes the Subscription, shall be approved by more than two-thirds of the votes of the Independent Shareholders.

Shareholders and potential investors should be aware that if the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, upon completion of the Subscription, the Subscriber and parties acting in concert with it will hold more than 50% of the issued share capital of the Company. Hence, the Subscriber and parties acting in concert with it may increase their shareholding of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, save for the entering into of the Reorganisation Investment Agreement, the Subscriber has confirmed that:

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## LETTER FROM THE BOARD

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- (a) the Subscriber, Guangsui Gold and the parties acting in concert with either of them have not dealt in the Shares, outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible or exchangeable into any Shares during the Relevant Period;
- (b) the Subscriber, Guangsui Gold and the parties acting in concert with either of them do not hold, own, control or have direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (c) the Subscriber, Guangsui Gold and the parties acting in concert with either of them have not entered into any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares of the Company or shares of any of the Subscriber, Guangsui Gold or the parties acting in concert with either of them, which might be material to the Subscription or the Whitewash Waiver;
- (d) the Subscriber, Guangsui Gold and the parties acting in concert with either of them have not entered into any agreements or arrangements which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription or the Whitewash Waiver;
- (e) the Subscriber, Guangsui Gold and the parties acting in concert with either of them have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) the Subscriber, Guangsui Gold and the parties acting in concert with either of them have not received any irrevocable commitment from the Independent Shareholders that they will vote for or against the resolution(s) approving the Subscription and/or the Whitewash Waiver at the EGM; and
- (g) there is no other understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders on one hand; and the Subscriber, Guangsui Gold or any party acting in concert with either of them on the other hand.

As at the Latest Practicable Date, save for the entering into of the Reorganisation Investment Agreement, Orient Securities Innovation has confirmed that:

- (a) Orient Securities Innovation has not dealt in the Shares, outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible or exchangeable into any Shares during the Relevant Period;

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## LETTER FROM THE BOARD

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- (b) Orient Securities Innovation does not hold, own, control or have direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (c) Orient Securities Innovation has not entered into any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares of the Company or shares of any of Orient Securities Innovation or the parties acting in concert with it, which might be material to the Subscription or the Whitewash Waiver;
- (d) Orient Securities Innovation has not entered into any agreements or arrangements which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription or the Whitewash Waiver;
- (e) Orient Securities Innovation has not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) Orient Securities Innovation has not received any irrevocable commitment from the Independent Shareholders that they will vote for or against the resolution(s) approving the Subscription and/or the Whitewash Waiver at the EGM; and
- (g) there is no other understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders on one hand; and Orient Securities Innovation on the other hand.

As at the Latest Practicable Date, the Directors have confirmed that there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholders on one hand; (ii) and the Company, its subsidiaries or associated companies on the other hand.

As at the Latest Practicable Date, the Company does not believe that the Subscription will give rise to any concern in relation to the compliance with other applicable rules or regulations. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising the non-executive Director and all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Subscription and the Whitewash Waiver.

Red Solar Capital Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver, such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.



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## LETTER FROM THE BOARD

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### RESERVATION OF RIGHT TO WAIVE THE WHITEWASH WAIVER CONDITION AND COMMENCEMENT OF THE OFFER PERIOD

Under the Reorganisation Investment Agreement, Guangsui Gold has reserved its right to waive the conditions in relation to the granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders. Accordingly, the offer period has commenced as at the date of the 24 July Announcement. The results of the EGM will be announced in accordance with the relevant requirements under the Takeovers Code following the conclusion of the EGM. If the Independent Shareholders do not approve the grant of the Whitewash Waiver at the EGM, Guangsui Gold will consider whether to proceed with the Subscription and make a general offer, which will be solely in cash, for all the outstanding issued Shares of the Company in accordance with Rule 26.1 of the Takeovers Code. Guangsui Gold will disclose its intention in the results announcement of the EGM. If Guangsui Gold announces its intention to complete the Subscription and make an offer for all the outstanding Shares in issue in the results announcement of the EGM, the offer period will continue until such offer completes or lapses.

### INTENTION OF THE SUBSCRIBER

Upon completion of the Subscription, the Subscriber will become the controlling Shareholder.

The Subscriber considers and confirms that:

1. it is intended that the Group will continue with its existing business following completion of the Subscription;
2. it shares the view of the Directors as disclosed in the section headed “Reasons for and Benefits of Entering into the Reorganisation Investment Agreement” above, in which it is mentioned that the entering into of the Reorganisation Investment Agreement will be in the interest of the Company and the Shareholders as a whole; and
3. there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group’s employees and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business after completion of the Subscription.

### DEALING DISCLOSURE

For the purposes of the Takeovers Code, the offer period of the Company has commenced as at the date of the 24 July Announcement. In accordance with Rule 3.8 of the Takeovers Code, the respective associates (as defined in the Takeovers Code) of the Company, Guangsui Gold and Orient Securities Innovation (including persons owning or controlling 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, Guangsui Gold or Orient Securities Innovation) are hereby reminded to disclose their dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company pursuant to Rule 22 of the Takeovers Code.

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## LETTER FROM THE BOARD

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For this purpose, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

***“Responsibilities of stockbrokers, banks and other intermediaries***

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of the Investor or the Company and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant requirements under the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

#### **IV. EGM AND FORM OF PROXY**

The Company will convene the EGM at 2 p.m. on Wednesday, 30 April 2025 at the Conference Room, 3F, the Conference Centre, Building 3 (Tower C), No. 50, Lane 2700, South Lianhua Road, Minhang District, Shanghai, the PRC, for the purpose of considering and, if thought fit, approving by the Shareholders, the resolutions in respect of the matters set out in the notice of the EGM.

The notice of the EGM is set out on pages 114 to 116 of this circular. The form of proxy for the EGM is attached to the circular.

If you intend to appoint a proxy to attend the EGM, please complete such proxy form(s) according to the instructions printed thereon and return the same by hand or by post to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or not less than 24 hours before the time appointed for the holding of any adjournment thereof. Completion and return of the proxy form(s) will not preclude holders of Foreign Share(s) from attending and voting in person at the EGM or any adjournment thereof should they so wish.

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## LETTER FROM THE BOARD

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### **V. THE ADJUSTMENT PLAN OF THE CAPITAL CONTRIBUTORS' RIGHTS AND INTERESTS IN THE DRAFT REORGANISATION SCHEME**

Among other things, the Conversion of Capital Reserve, the Loan Conversion and the Subscription are included in the “Adjustment Plan of the Capital Contributors’ Rights and Interests in the Draft Reorganisation Scheme”, which will be put forward to the Shareholders’ consideration and approval at the EGM, by way of a special resolution.

The “Adjustment Plan of the Capital Contributors’ Rights and Interests in the Draft Reorganisation Scheme” has been prepared in Chinese language. The full text of the English translation of this plan is set out in Appendix I to this circular for reference. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

### **VI. CLOSURE OF REGISTER OF MEMBERS FOR FOREIGN SHARES**

In order to determine the holders of Foreign Share(s) who are entitled to attend the EGM, the register of members for Foreign Shares of the Company will be closed from Friday, 25 April 2025 to Wednesday, 30 April 2025 (both days inclusive), during which period no transfer of Foreign Shares can be registered. In order to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 24 April 2025.

Holders of Foreign Share(s) whose names appear on the register of members of the Company at the close of business on Tuesday, 29 April 2025 are entitled to attend and vote at the EGM. Please refer to the announcement published by the Company on the website of the National Equities Exchange and Quotations for relevant information in respect of the holders of Domestic Shares attending the EGM.

### **VII. VOTING BY WAY OF POLL**

Any vote of shareholders at a general meeting shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, pursuant to Article 75 and Article 76 of the Articles of Association, the chairman of the EGM will demand a poll for the purpose of voting on all the resolutions set out in the notice of the EGM.

On a poll conducted at such meetings, Shareholders (including proxies) entitled to two or more votes are not required to cast all their votes for or against a resolution or to abstain from voting on a resolution by not casting any of their votes. Voting results will be uploaded onto the website of the Company ([www.lachapelle.cn](http://www.lachapelle.cn)), the website of the National Equities Exchange and Quotations ([www.neeq.com.cn](http://www.neeq.com.cn)) and the website of SFC ([www.sfc.hk](http://www.sfc.hk)) by 7 p.m. on the date of the EGM.

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## LETTER FROM THE BOARD

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Neither (i) Guangsui Gold and the Subscriber; (ii) any parties acting in concert with any of Guangsui Gold and the Subscriber; nor (iii) Orient Securities Innovation holds any Shares. No Shareholder is involved in or interested in the Subscription and/or the Whitewash Waiver and is required to abstain from voting at the EGM in respect of the resolutions approving the Subscription and the Whitewash Waiver.

### VIII. RECOMMENDATIONS

You are advised to read carefully the letter from the Board on pages 9 to 35 of this circular, the letter from the Independent Board Committee on pages 36 to 37 of this circular and the letter from the Independent Financial Adviser on pages 38 to 90 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 38 to 90 of this circular, considers that the terms of the Subscription (being a part of the Reorganisation Investment Agreement) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, the members of the Independent Board Committee recommends the Independent Shareholders vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription and the Whitewash Waiver.

### IX. ADDITIONAL INFORMATION

Your attention is also drawn to the other information set out in the appendices to this circular.

### X. WARNING

**The transactions contemplated under the Reorganisation Investment Arrangement, including the Reorganisation Investment Agreement, are subject to the fulfilment of various conditions and therefore may or may not materialise. The release of this circular is not an indication that (a) the conditions precedent to the Reorganisation Investment Agreement have been or will be fulfilled, or (b) the completion of the Subscription, the Loan Conversion, the Liquidity Support, the Operation Plan and the Disposal of Assets will take place.**

**There is uncertainty as to whether the adjustment plan of the capital contributors' rights and interests can be approved by the capital contributors group meeting (i.e. the EGM), whether the Draft Reorganisation Scheme can be approved by the Court, and whether the Reorganisation Scheme can be successfully implemented in the future. If the Draft Reorganisation Scheme is not approved by the Court or the Reorganisation Scheme cannot be implemented, the Court will terminate the reorganisation procedure of the Company, and the Company will be declared bankrupt by the Court and then the Administrator will commence liquidation of the Company based on laws and deregister the Company from its registration authority after obtaining the ruling on completion of bankruptcy procedures from the Court, which would result in the existing Shareholders' equity interests being zeroed out after the deregistration of the Company (i.e. a "total loss" for existing Shareholders).**

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## LETTER FROM THE BOARD

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Shareholders and potential investors of the Company should exercise caution when dealing in the Shares and are recommended to consult their professional advisers if they are in doubt about their position and as to the actions that they should take.

Yours faithfully,  
**Xinjiang La Chapelle Fashion Co., Ltd.**  
**Mr. Zhao Jinwen**  
*Chairman*

Shanghai, the PRC  
14 April 2025

\* *For identification purpose only.*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders on the Subscription and the Whitewash Waiver.*

# La Chapelle

新疆拉夏貝爾服飾股份有限公司

**Xinjiang La Chapelle Fashion Co., Ltd.**

(IN REORGANISATION)

*(formerly known as “Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司)”  
(a joint stock company incorporated in the People’s Republic of China with limited liability))*

14 April 2025

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) ENTERING INTO OF THE REORGANISATION INVESTMENT  
AGREEMENT INVOLVING SUBSCRIPTION AND ISSUANCE OF  
DOMESTIC SHARES BY WAY OF CONVERSION OF CAPITAL  
RESERVE IN BANKRUPTCY REORGANISATION; AND  
(2) APPLICATION OF WHITEWASH WAIVER**

We refer to the circular of the Company dated 14 April 2025 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires. We are appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription (being a part of the Reorganisation Investment Agreement) and the Whitewash Waiver are fair and reasonable and on how to vote at the EGM.

Red Solar Capital Limited is appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Reorganisation Investment Agreement (including the Subscription) and the Whitewash Waiver, such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. The text of the letter of advice from the IFA containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 38 to 90 of the Circular. Having considered the terms of the Subscription (being a part of the Reorganisation Investment Agreement) and the Whitewash Waiver and the advice given by the IFA and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of the Subscription (being a part of the Reorganisation Investment Agreement) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions relating to the Subscription and the Whitewash Waiver to be proposed at the EGM.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Yours faithfully,  
the Independent Board Committee of  
**Xinjiang La Chapelle Fashion Co., Ltd.**

**Ms. Wang Yan**

*Non-executive*

*Director*

**Mr. Xing Jiangze**

*Independent*

*Non-executive Director*

**Ms. Chow Yue Hwa Jade**

*Independent*

*Non-executive Director*

**Ms. Yang Linyan**

*Independent*

*Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Red Solar Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, for the purpose of inclusion in the Circular.*



Unit 402B, 4/F  
China Insurance Group Building  
No.141 Des Voeux Road Central  
Central, Hong Kong

14 April 2025

*To: The Independent Board Committee and the Independent Shareholders of  
Xinjiang La Chapelle Fashion Co., Ltd.*

Dear Sirs,

**(1) ENTERING INTO OF THE REORGANISATION INVESTMENT  
AGREEMENT INVOLVING SUBSCRIPTION AND ISSUANCE OF  
DOMESTIC SHARES BY WAY OF CONVERSION OF  
CAPITAL RESERVE IN BANKRUPTCY REORGANISATION;  
(2) APPLICATION FOR WHITEWASH WAIVER; AND  
(3) REORGANISATION INVESTMENT ARRANGEMENT.**

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, details of which are set out in the circular dated 14 April 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

References are made to the 24 July Announcement and the following announcements (i.e. collectively, the Announcements):

- A. the announcements of the Company published on the Stock Exchange’s (these announcements are available on the Stock Exchange’s website under delisted securities (stock code: 6116)) and Company’s websites dated:
1. 14 October 2022 in relation to the petition for liquidation of the Company by a Creditor;
  2. 3 February 2023 in relation to the decision of the Court to accept the petition from a Creditor for liquidation of the Company and the clarification announcement dated 6 February 2023;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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3. 7 February 2023 in relation to the designation of the Administrator of bankruptcy liquidation of the Company by the Court and suspension of trading;
  4. 3 September 2024 in relation to, among other things, the decision of the Listing Committee on cancellation of listing;
  5. 8 November 2024 in relation to, among other things, the decision of the Listing Review Committee and the cancellation of listing; and
  6. 13 September 2024, 10 October 2024, 8 November 2024 in relation to the monthly update and progress of the Company;
- B. the announcements of the Administrator published on the Stock Exchange's (these announcements are available on the Stock Exchange's website under delisted securities (stock code: 6116)) and Company's websites dated:
1. 8 February 2023 in relation to the notice of filing claims of the Creditors and the convening of the first Creditors' meeting;
  2. 24 May 2023 in relation to the information regarding the convening of the first Creditors' meeting of the Company;
  3. 5 June 2023 in relation to the voting results of the first Creditors' meeting of the Company;
  4. 20 June 2023 in relation to the pre-invitation for intended investors for the bankruptcy liquidation case of the Company;
  5. 30 August 2023 in relation to the application for reorganisation of the Company;
  6. 13 September 2023 in relation to the Court's ruling on reorganisation of the Company;
  7. 15 September 2023 in relation to the invitation for reorganisation investors for the Company;
  8. 12 January 2024 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure;
  9. 12 March 2024 in relation to the Court's decision on the extension for submission of Draft Reorganisation Scheme;
  10. 22 May 2024 in relation to the change of Administrator;
  11. 6 June 2024 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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12. 7 June 2024 in relation to the extension of deadline for submission of the Draft Reorganisation Scheme; and
  13. 17 July 2024 in relation to the receipt of the decision from the Court;
- C. the announcements of the Company published on the SFC's and Company's websites dated:
1. 6 December 2024, 13 January 2025, 12 February 2025 in relation to the monthly update and progress of the Company;
  2. 13 December 2024 in relation to the further delay in despatch of circular;
  3. 27 February 2025 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure;
  4. 17 March 2025 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure; and
  5. 10 April 2025 in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure.

A Creditor of the Company had presented a liquidation petition to the Court for the reason that the Company was unable to repay its debts as they fell due. On 2 February 2023, the Court decided to accept the case. On 3 February 2023, the Court designated King & Wood Mallesons (Beijing), Shanghai Branch\* (北京市金杜律師事務所上海分所) to act as the Administrator. On 22 May 2024, the Company received the second issue of the (2023) Hu 03 Po 64 Decision\* ((2023)滬03破64號之二《決定書》) issued by the Court. As King & Wood Mallesons (Beijing), Shanghai Branch\* (北京市金杜律師事務所上海分所) has a stake in the case, in order to ensure the reorganisation procedures of the Company is carried out in an orderly manner, upon random lottery by the Shanghai Higher People's Court, JunHe LLP, Shanghai Office\* (君合律師事務所上海分所) was re-determined as the Administrator. On 17 July 2024, the Company received the third issue of the (2023) Hu 03 Po 64 Decision\* ((2023)滬03破64號之三《決定書》) from the Court, in which the Court gave approval to the Company to perform the information disclosure obligations independently under the supervision of the Administrator.

The first Creditors' meeting of the case of the bankruptcy liquidation of the Company was held at 2:00 p.m. on 24 May 2023. The Administrator published the Announcement on Pre-Invitation for Intended Investors for the Bankruptcy Liquidation Case of the Company\* (《公司破產清算案意向投資人預招募公告》) on 20 June 2023. The Company submitted application for reorganisation to the Court on 29 August 2023. The Court ruled the Company to enter into reorganisation procedure on 12 September 2023. The Administrator published the Announcement on Invitation for Reorganisation Investors for the Bankruptcy Reorganisation Case of the Company\* (《公司破產重整案重整投資人招募公告》) on 15 September 2023. For details, please refer to the Announcements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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At the request of the Company, following the designation of the Administrator, trading in the Foreign Shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 7 February 2023. The Company received a letter from the Stock Exchange respectively dated 2 March 2023 and 19 April 2023 in relation to the resumption guidance for the Company. The Company received a letter from the Stock Exchange dated 23 August 2024 stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A(1) of the Listing Rules as the Company had failed to fulfil all the resumption guidance. On 3 September 2024, the Company submitted an application requesting the decision be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules.

The Company received a letter from the Stock Exchange dated 1 November 2024 stating that the Listing Review Committee has decided to uphold the Listing Committee's decision to cancel the listing of the Company's Foreign Shares pursuant to Rule 6.01A(1) of the Listing Rules. On 4 November 2024, the Company was further informed by the Stock Exchange that the last day of listing of the Company's Foreign Shares is 13 November 2024 and the listing of the Company's Foreign Shares has been cancelled with effect from 9:00 a.m. on 14 November 2024.

### **The Subscription**

After the reorganisation investor invitation and selection procedure, the Reorganisation Investment Consortium formed by the Investors has been officially selected as the reorganisation investors of the Company. On 24 July 2024, the Company entered into the Reorganisation Investment Agreement with the Investors and the Administrator. The Draft Reorganisation Scheme is prepared based on the reorganisation investment proposal submitted by the Investors, and the Subscription will be implemented in accordance with the Reorganisation Scheme as approved by the Court as part of the Reorganisation Investment Arrangement.

### ***Subscription Shares***

Pursuant to the Reorganisation Investment Agreement, subject to the Reorganisation Scheme and satisfaction of the conditions precedent as stipulated therein, the Company will implement the Conversion of Capital Reserve, converting its capital reserve into share capital on the basis of 57.50 new Domestic Shares for every 10 existing Domestic Shares, representing a total expected increase of 1,893,524,692 new Domestic Shares upon completion of the Conversion of Capital Reserve based on the 329,308,642 existing Domestic Shares (excluding the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws) in the Company's share capital as at the Latest Practicable Date, among which 1,584,455,037 new Domestic Shares will be used for the Subscription and 309,069,655 new Domestic Shares will be used for the Loan Conversion. Upon completion of the Conversion of Capital Reserve, the total issued share capital of the Company is expected to be increased to 2,437,623,134 Shares (excluding the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws), which is subject to the Reorganisation Scheme and registration with CSDC Beijing.

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Pursuant to the Reorganisation Investment Agreement, subject to the satisfaction (or waiver, if applicable) of the conditions precedent, the Company has agreed to allot and issue by way of Conversion of Capital Reserve, and Guangsui Gold has agreed to subscribe for, 1,584,455,037 Subscription Shares with a par value of RMB1.00 each and an aggregate nominal value of RMB1,584,455,037, at the Subscription Consideration of RMB220 million, implying the Subscription Price of approximately RMB0.1388 per Subscription Share. The Subscription Shares will be registered under the name of the Subscriber, which is ultimately majority-controlled by Wang Guoliang.

In accordance with common registration method for bankruptcy and reorganisation of enterprises in the PRC, after the Court's approval of the Reorganisation Scheme, the Subscription Shares will be issued to the designated securities account of the Subscriber, which is ultimately majority-controlled by Wang Guoliang, while the Loan Conversion Shares will be issued to the Administrator before distribution to each of the Creditors individually upon calculation of each individual Creditor's Loan Conversion Shares entitlement pursuant to the settlement plan for the Creditors of the Reorganisation Scheme approved by the Court. For details of the Loan Conversion, please refer to the section headed "The Loan Conversion" in this letter from the Board.

As at the Latest Practicable Date, the Company has 547,671,642 Shares in issue, comprising 214,789,800 Foreign Shares and 332,881,842 Domestic Shares (including the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws), representing approximately 39.22% and 60.78% of the total issued share capital of the Company, respectively. The Subscription Shares represent:

- (i) approximately 475.98% of the existing issued Domestic Shares of the Company as at the Latest Practicable Date (including the Repurchased Shares);
- (ii) approximately 481.15% of the existing issued Domestic Shares of the Company as at the Latest Practicable Date (assuming the Repurchased Shares have been cancelled);
- (iii) approximately 289.31% of the total issued share capital of the Company as at the Latest Practicable Date (including the Repurchased Shares);
- (iv) approximately 291.21% of the total issued share capital of the Company as at the Latest Practicable Date (assuming the Repurchased Shares have been cancelled);
- (v) approximately 71.17% of the enlarged issued Domestic Shares of the Company upon completion of the Subscription and the Loan Conversion (including the Repurchased Shares and assuming there is no change to the number of issued Shares (other than the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares));

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- (vi) approximately 71.28% of the enlarged issued Domestic Shares of the Company upon completion of the Subscription and the Loan Conversion (assuming the Repurchased Shares have been cancelled and there is no change to the number of issued Shares (other than the cancellation of the Repurchased Shares, the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares));
- (vii) approximately 64.90% of the total enlarged issued share capital of the Company upon completion of the Subscription and the Loan Conversion (including the Repurchased Shares and assuming there is no change to the number of issued Shares (other than the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares)); and
- (viii) approximately 65.00% of the total enlarged issued share capital of the Company upon completion of the Subscription and the Loan Conversion (assuming the Repurchased Shares have been cancelled and there is no change to the number of issued Shares (other than the cancellation of the Repurchased Shares, the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares)).

### *Subscription Consideration and Payment Arrangement*

The Subscription Consideration is RMB220 million, out of which RMB20 million has been paid in cash to the designated account of the Administrator by Guangsui Gold as the Deposit and the remaining RMB200 million shall be paid in cash by the Subscriber to the designated account of the Administrator within five (5) Business Days upon approval of the Reorganisation Scheme by the Court.

For the purpose hereof, all figures in HK\$ are calculated based on the exchange rate of HK\$1 to RMB0.86314 as quoted by the PBOC as at the Last Trading Day. The Subscription Price of approximately RMB0.1388 (equivalent to HK\$0.1608) per Subscription Share:

- (i) represents a discount of approximately 35.68% to the closing price of HK\$0.25 per Foreign Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) represents a discount of approximately 35.88% to the average closing price of HK\$0.2508 per Foreign Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) represents a premium of RMB6.2100 per Share over the audited net assets per Share of approximately RMB-6.0712 of the Group as at 31 December 2023 based on the Company's annual results announcement for the financial year ended 31 December 2023 and the number of Shares in issue as at the Latest Practicable Date; and

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- (iv) represents a premium of RMB5.9847 per Share over the unaudited net assets per Share of approximately RMB-5.8459 of the Group as at 30 June 2024 based on the Company's interim results announcement for the six months ended 30 June 2024 and the number of Shares in issue as at the Latest Practicable Date.

### **The Loan Conversion**

As part of the Reorganisation Investment Arrangement and as disclosed above, the Creditors' Claims will be partly repaid by cash, and the Company will allot and issue, by way of Conversion of Capital Reserve, approximately 309,069,655 Loan Conversion Shares for offsetting remaining claims, details of which (including the criteria for categorisation of Creditors into those to be repaid in cash and those to be repaid by way of the Loan Conversion, and the final amount of debt to be offset by the Loan Conversion Shares) will be determined by the Company and the Administrator based on the Reorganisation Scheme as approved by the Court and the claims as confirmed by the Court. The allotment and issuance of the Loan Conversion Shares will be conducted only after the Loan Conversion, as part of the Reorganisation Investment Arrangement and as included in the Draft Reorganisation Scheme, is approved by both the Creditors' meeting and the Court.

### **The Liquidity Support from Orient Securities Innovation**

As part of the Reorganisation Investment Arrangement, Orient Securities Innovation has been invited by Guangsui Gold to be the financial investor and has agreed to participate in the reorganisation of the Company by providing a non-interest-bearing Liquidity Support of RMB199 million through a designated entity to the Company after the Draft Reorganisation Scheme has been approved by the Court, details of which such as conditions to the provision will be separately agreed by the Company and Orient Securities Innovation in writing after the Draft Reorganisation Scheme having been approved by the Court. In return of the provision of the non-interest-bearing Liquidity Support by Orient Securities Innovation (through a designated entity), Guangsui Gold agreed to independently bear certain expenses of capital of Orient Securities Innovation or its designated entity.

### **The Operation Plan**

As part of the Reorganisation Investment Arrangement, Guangsui Gold has agreed to help improve the operation capacity of the Company after its reorganisation pursuant to the operation plan as set out in the reorganisation investment proposal submitted by the Investors, which is proposed to include, among others, optimize the company's asset structure and business model, dealing with inefficient or redundant assets and subsidiaries within the Group and revitalizing existing assets of the Group. The Operation Plan will form part of the Draft Reorganisation Scheme and will be subject to the Reorganisation Scheme as approved by the Court.

### **The Disposal of Assets**

As part of the Reorganisation Investment Arrangement, within fifteen (15) days after the Reorganisation Scheme has been approved by the Court, the Company will initiate the disposal of certain existing assets with low relevance to the main business of the Group or



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long-term idle inefficient assets by public disposal based on the terms of the Reorganisation Scheme, and the actual disposal of such assets through public disposal is expected to take place during the implementation period after the Draft Reorganisation Scheme is approved. Actual terms of the assets disposal, including without limitation the scope of assets subject to such disposal, has not yet been finalized as of the Latest Practicable Date and will be subject to approval by (among others) the Creditors and the Court as part of the Draft Reorganisation Scheme. The proceeds from the disposal will be used for supplementary settlement of certain debts of the Company, details of which will also be subject to the Reorganisation Scheme as approved by the Court.

### **Use of proceeds of the Subscription, the Liquidity Support and the Disposal of Assets**

It is intended that (i) proceeds from the Subscription will be used for settlement of debts of the Company and expenses relating to the reorganisation of the Company; (ii) the Liquidity Support will be used for supplementing the working capital of the Company; and (iii) proceeds from the Disposal of Assets will be used for supplementary settlement of certain debts of the Company. The above use of proceeds will be subject to the Reorganisation Scheme having been approved by the Court.

### **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

As at the Latest Practicable Date, neither (i) Guangsui Gold and the Subscriber; (ii) any parties acting in concert with any of Guangsui Gold and the Subscriber; nor (iii) Orient Securities Innovation holds or is interested in any Shares. Immediately upon completion of the Subscription, Guangsui Gold and the Subscriber and parties acting in concert with any of them will hold 1,584,455,037 Domestic Shares, representing (i) 82.64% of the total number of Domestic Shares and 74.31% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares (assuming there is no change to the number of issued Shares other than the issuance and allotment of the Subscription Shares); and (ii) 71.17% of the total number of Domestic Shares and 64.90% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares and the Loan Conversion Shares (assuming there is no change to the number of issued Shares other than the issuance and allotment of the Subscription Shares and the Loan Conversion Shares). Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Guangsui Gold and the Subscriber and parties acting in concert with any of them unless the Whitewash Waiver is granted by the Executive. An application has been made by the Subscriber to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares. The Executive has indicated that it is minded to grant the Whitewash Waiver, subject to approval by Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver will be subject to, among other things, the approval of at least 75% of the votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% of the votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Subscription at the EGM by way of poll. As required by the

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Bankruptcy Law of the PRC, the “Adjustment Plan of the Capital Contributors’ Rights and Interests in the Draft Reorganisation Scheme”, which includes the Subscription, shall be approved by more than two-thirds of the votes of the Independent Shareholders.

Shareholders and potential investors should be aware that if the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, upon completion of the Subscription, Guangsui Gold and the Subscriber and parties acting in concert with any of them will hold more than 50% of the issued share capital of the Company. Hence, Guangsui Gold and the Subscriber and parties acting in concert with any of them may increase their shareholding of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, the Directors have confirmed that there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholders on one hand; (ii) and the Company, its subsidiaries or associated companies on the other hand.

As at the Latest Practicable Date, the Company does not believe that the Subscription will give rise to any concern in relation to the compliance with other applicable rules or regulations. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

### **RESERVATION OF RIGHT TO WAIVE THE WHITEWASH WAIVER CONDITION AND COMMENCEMENT OF THE OFFER PERIOD**

Under the Reorganisation Investment Agreement, Guangsui Gold has reserved its right to waive the conditions in relation to the granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders. Accordingly, the offer period has commenced as at the date of the 24 July Announcement. The results of the EGM will be announced in accordance with the relevant requirements under the Takeovers Code following the conclusion of the EGM. If the Independent Shareholders do not approve the grant of the Whitewash Waiver at the EGM, Guangsui Gold will consider whether to proceed with the Subscription and make a general offer, which will be solely in cash, for all the outstanding issued Shares of the Company in accordance with Rule 26.1 of the Takeovers Code. Guangsui Gold will disclose its intention in the results announcement of the EGM. If Guangsui Gold announces its intention to complete the Subscription and make an offer for all the outstanding Shares in issue in the results announcement of the EGM, the offer period will continue until such offer completes or lapses.

### **WARNINGS**

**The transactions contemplated under the Reorganisation Investment Arrangement, including the Reorganisation Investment Agreement, are subject to the fulfilment of various conditions and therefore may or may not materialise. The release of the Circular is not an indication that (a) the resumption of trading in the Foreign Shares has been or will be approved, or (b) the conditions precedent to the Reorganisation**



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Investment Agreement have been or will be fulfilled, or (c) the completion of the Subscription, the Loan Conversion, the Liquidity Support, the Operation Plan and the Disposal of Assets will take place.

There is uncertainty as to whether the adjustment plan of the capital contributors' rights and interests can be approved by the capital contributors group meeting (i.e. the EGM), whether the Draft Reorganisation Scheme can be approved by the Court, and whether the Reorganisation Scheme can be successfully implemented in the future. If the Draft Reorganisation Scheme is not approved by the Court or the Reorganisation Scheme cannot be implemented, the Court will terminate the reorganisation procedure of the Company, and the Company will be declared bankrupt by the Court and then the Administrator will commence liquidation of the Company based on laws and deregister the Company from its registration authority after obtaining the ruling on completion of bankruptcy procedures from the Court, which would result in the existing Shareholders' equity interests being zeroed out after the deregistration of the Company (i.e. a "total loss" for existing Shareholders).

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares and are recommended to consult their professional advisers if they are in doubt about their position and as to the actions that they should take.

### THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising the non-executive Director and all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Subscription and the Whitewash Waiver.

We, Red Solar Capital Limited, have been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver, such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

### OUR INDEPENDENCE

During the two years immediately preceding the date of the 24 July Announcement and up to the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between us and (i) the Company; (ii) the counter parties to the Reorganisation Investment Agreement (including Guangsui Gold, the Subscriber and Orient Securities Innovation); (iii) their respective controlling shareholder(s); (iv) any party acting, or presumed to be acting, in concert with any of the above; nor (v) any company controlled by any of it/them (collectively, the "**Relevant Parties**"). As at the Latest Practicable Date, (i) we did not have any relationship with, or interest in, the Relevant Parties that could reasonably be regarded as relevant to our independence; (ii) we were not in the same group with the financial or other professional advisers to the Relevant Parties; and (iii) we did not have significant connection, financial or otherwise, with the Relevant Parties within the two

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years immediately prior to the date of the 24 July Announcement and up to the Latest Practicable Date of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice under the Takeovers Code. Apart from the normal advisory fee payable to us by the Company in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Relevant Parties. Accordingly, we considered that we are independent to act as the Independent Financial Adviser pursuant to Rule 2.6 of the Takeovers Code.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and the management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry. We considered that we have reviewed sufficient information and documents, including but not limited to (i) the Announcements; (ii) the Circular; (iii) the annual reports of the Company for the year ended 31 December 2021, 2022 and 2023, respectively (the “**2021 Annual Report**”, “**2022 Annual Report**” and “**2023 Annual Report**”, respectively); (iv) the interim reports of the Company for the six months ended 30 June 2023 and 2024, respectively (the “**2023 Interim Report**” and “**2024 Interim Report**”, respectively); (v) unaudited consolidated management accounts of the Company from 1 January 2024 to 31 December 2024 (both date inclusive), being the period subsequent to 31 December 2023, the date up to which the last published audited financial statements of the Company covered, up to the latest practicable date up to which the unaudited consolidated management accounts of the Company have been prepared, (vi) other relevant documents in relation to the Subscription and the Whitewash Waiver provided by the Company, including but not limited to historical documents, records and calculations; and (vii) relevant market data and information available from public sources to formulate our opinion and recommendation.

We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or Guangsui Gold or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true, accurate and complete in all material respects and not misleading or deceptive up to the time of the Latest Practicable Date, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than the information in relation to the Subscriber and Guangsui Gold) and confirm, having made all reasonable enquiries, that to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the best of their knowledge, opinions expressed (other than those expressed by the sole director of Guangsui Gold) in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

As of the Latest Practicable Date, the Subscriber does not have any directors and the sole director of Guangsui Gold is Wang Guoliang.

The information in relation to the Subscriber and Guangsui Gold contained in the Circular has been supplied by the sole director of Guangsui Gold. The sole director of Guangsui Gold accepts full responsibility for the accuracy of the information contained in the Circular (other than the information in relation to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed (other than those expressed by the Directors) in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We considered 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 in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group nor the Independent Shareholders as a result of the Subscription and the Whitewash Waiver. The Shareholders will be notified of any material changes to or update of facts, circumstances and this letter of opinion after the Latest Practicable Date as soon as possible. This letter, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Subscription and the Whitewash Waiver, we have considered the following principal factors and reasons:

#### **I. Background information of the Company and the Group**

The Company is a joint stock company incorporated in the PRC with limited liability, whose Foreign Shares are formerly listed on the Main Board of the Stock Exchange (former stock code: 06116, which have been delisted with effect from 14 November 2024) and whose Domestic Shares are listed on the National Equities Exchange and Quotations (stock code: 400116). The Group is a multi-brand and omnichannel operated fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market casualwear.

With reference to the 24 July Announcement, the circumstances leading to the entering into of the Reorganisation Investment Agreement are summarized below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Liquidation petition and designation of Administrator*

A Creditor of the Company had presented a liquidation petition to the Court for the reason that the Company was unable to repay its debts as they fell due. On 2 February 2023, the Court decided to accept the case. On 3 February 2023, the Court designated King & Wood Mallesons (Beijing), Shanghai Branch\* (北京市金杜律師事務所上海分所) to act as the Administrator. On 22 May 2024, the Company received the second issue of the (2023) Hu 03 Po 64 Decision\* ((2023)滬03破64號之二《決定書》) issued by the Court. As King & Wood Mallesons (Beijing), Shanghai Branch\* (北京市金杜律師事務所上海分所) has a stake in the case, in order to ensure the reorganisation procedures of the Company is carried out in an orderly manner, upon random lottery by the Shanghai Higher People's Court, JunHe LLP, Shanghai Office\* (君合律師事務所上海分所) was re-determined as the Administrator. On 17 July 2024, the Company received the third issue of the (2023) Hu 03 Po 64 Decision\* ((2023)滬03破64號之三《決定書》) from the Court, in which the Court gave approval to the Company to perform the information disclosure obligations independently under the supervision of the Administrator.

### *The bankruptcy reorganisation of the Company*

The first Creditors' meeting of the case of the bankruptcy liquidation of the Company was held at 2:00 p.m. on 24 May 2023. The Administrator published the Announcement on Pre-Invitation for Intended Investors for the Bankruptcy Liquidation Case of the Company\* (《公司破產清算案意向投資人預招募公告》) on 20 June 2023. The Company submitted application for reorganisation to the Court on 29 August 2023. The Court ruled the Company to enter into reorganisation procedure on 12 September 2023. The Administrator published the Announcement on Invitation for Reorganisation Investors for the Bankruptcy Reorganisation Case of the Company\* (《公司破產重整案重整投資人招募公告》) on 15 September 2023. For details, please refer to the Announcements.

As set out in the indicative announcement of the Administrator in relation to the progress of the Company's entering into the bankruptcy reorganisation procedure dated 12 January 2024, after the reorganisation investor invitation and selection procedure, the official reorganisation investor of the bankruptcy reorganisation case of the Company has been selected. We have further enquired with the Company and were given the understanding that such selection of reorganisation investor and reorganisation proposal is a procedure supervised by the Court following the relevant rules and court-mandated procedures. The selection procedure consists of an objective review process and a subjective review process.

Pursuant to the Bankruptcy Law of the PRC, after the reorganisation investors are confirmed, a Draft Reorganisation Scheme (which sets out, among others, the Reorganisation Investment Arrangement of the Company) will be formulated based on the reorganisation investment proposal from the Investors and is required to be submitted to the Court and be put forward at a meeting of the Creditors within six months (the Court may grant a three-month extension if there were justifiable grounds) after the Court's ruling on the reorganisation of the Company. Given the Company was

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ruled to enter into the reorganisation procedure on 12 September 2023, the deadline for the Company to submit its Draft Reorganisation Scheme would be by 12 March 2024 (or by 12 June 2024 if a three-month extension is sought and granted). On 12 March 2024, the Company received sixth issue of (2023) Hu 03 Po No. 64 Civil Judgement\* ((2023) 滬03破64號之六《民事裁定書》) issued by the Court, in which the Court decided to extend the deadline for submission of the Draft Reorganisation Scheme of the Company to 12 June 2024. On 5 June 2024, the Administrator submitted an application to the Court for a two-month extension for submission of the Draft Reorganisation Scheme. On 7 June 2024, the Court decided to extend the deadline for submission of the Draft Reorganisation Scheme to 12 August 2024. On 5 August 2024, the Administrator received the application of 40 Creditors from the Court for the substantive consolidation in reorganisation (實質合併重整) of the Company with 32 related companies. The Court agreed to the Administrator's application that the period for review of the substantive consolidation in reorganisation will not be included in the calculation of deadline stipulated in Article 79 of the Bankruptcy Law of the PRC. On 22 October 2024, the Company received the eighth of (2023) Hu 03 Po No. 64 Civil Judgement\* ((2023) 滬03破64號之八《民事裁定書》) from the Court, ruling that the applicant's application for the substantive consolidation in reorganisation of the Company and its related companies was not accepted. On 1 November 2024, the Company received notices of appeal from the Court. The applicants disagreed with the judgement that the application for the substantive consolidation was not accepted and submitted appeals. On 3 January 2025, the Company received the (2024) Hu Po Jian No. 3 Notice of Response\* ((2024) 滬破監3號《應訴通知書》) from the Shanghai High People's Court (the "**Shanghai High Court**"), pursuant to which the Shanghai High Court has accepted the applicants' appeal against the ruling of the Court not to accept the substantive consolidation in reorganisation. On 25 February 2025, the Shanghai High Court has made the ruling rejecting the applicants' review petition. It is the final ruling. On 13 March 2025, the Company was informed by the Administrator that as approved by the Court, the creditors' meeting will be held on 1 April 2025 via off-site method (in writing), and arrange for the Creditors to vote on the Draft Reorganisation Scheme. The creditors' meeting has been held on 1 April 2025 via off-site method (in writing), and each of the creditors group for employee claims, the creditors group for tax expenses, and the creditors group for ordinary claims approved the Draft Reorganisation Scheme.

The approvals to which the Draft Reorganisation Scheme will be subject to are as follows:

- (a) *Approval by the Creditors:* the Draft Reorganisation Scheme will be put forward to a meeting of the Creditors for approval. The creditors' meeting has been held on 1 April 2025 via off-site method (in writing), and each of the creditors group for employee claims, the creditors group for tax expenses, and the creditors group for ordinary claims approved the Draft Reorganisation Scheme.
- (b) *Approval by the Shareholders:* Apart from approval by the Creditors, pursuant to the Bankruptcy Law of the PRC, in the event the Draft Reorganisation Scheme involved an adjustment in the equity interests of the

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Company's capital contributors (i.e. the Shareholders), such transaction or proposal that involved the adjustment in the equity interests shall be subject further to approval by the Shareholders. Given both the Subscription and the Loan Conversion (which form part of the Company's reorganisation, with details of which disclosed below) involve adjustments being made to the equity interests of the Company's capital contributors (i.e. the dilution of the equity interests held by the Company's existing Shareholders), the Subscription and the Loan Conversion will be subject to the approval of the Shareholders.

- (c) *Approval by the Court:* Upon obtaining approvals by both the Creditors and the Shareholders, the Company or its Administrator shall apply to the Court for approval of the Draft Reorganisation Scheme. Nevertheless, pursuant to the Bankruptcy Law of the PRC, even if the Shareholders do not approve the Subscription and the Loan Conversion, in the event the Court considers that the adjustments being made to the equity interests of the Company's capital contributors are fair and reasonable, the Court has the jurisdiction to approve the Draft Reorganisation Scheme and proceed with the Draft Reorganisation Scheme, which includes the Subscription.

Upon approval by the Court of the Draft Reorganisation Scheme, the Draft Reorganisation Scheme will become the Reorganisation Scheme of the Company, and the Company will then enter into an implementation period, where the transactions under the Reorganisation Scheme (including the Subscription pursuant to the Reorganisation Investment Arrangement) will then be carried out in accordance with the terms of the Reorganisation Scheme.

Pursuant to the Bankruptcy Law of the PRC, the Company's assets or proceeds from the reorganisation process shall be distributed in the following sequence:

- (1) the expenses incurred for the bankruptcy process of the Company and common interest debts (共益債務) (under the Bankruptcy Law of the PRC). The expenses and common interest debts (共益債務) incurred for the bankruptcy process mainly represent litigation expenses payable to courts, expenses incurred for the continuance of the Company's business operations and fees payable to the Administrator, legal advisors, accountants and other professional advisors to the Company;
- (2) any wages, benefits for medical treatment and disability, comfort and compensatory funds gratuity that fell due, basic pension fund payables and basic medical insurance payables that shall have been transferred into the employees' personal accounts, compensation for the employees as prescribed by the relevant laws and administrative regulations (the "**Employee's Claims**"). The aggregate amount of Employee's Claims to the employees of the Company that have been or expect to be reviewed and confirmed as of 28 February 2025 is approximately RMB1.31 million;



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- (3) any tax that fell due and any social insurance security expenses that fell due. The aggregate amount of tax and social security expenses fell due that have been or expect to be reviewed and confirmed as of 28 February 2025 is approximately RMB86.64 million;
- (4) creditors' ordinary claims (the "**Creditors' Claims**"). The aggregate amount of Creditors' Claims that have been or expect to be reviewed and confirmed as of 28 February 2025 is approximately RMB3.42 billion; and finally;
- (5) creditors' inferior claims (the "**Inferior Claims**") from related parties of the Company. The aggregate amount of Inferior Claims that have been or expect to be reviewed and confirmed as of 28 February 2025 is approximately RMB1.21 billion.

Given the declaration and review of debt claims are still underway as of the Latest Practicable Date, the aforementioned liabilities or claims amounts are still subject to change, and the final liabilities or claims amounts to be satisfied through the bankruptcy reorganisation shall be subject to the Court's final adjudication. Liabilities and claims under categories (1) to (3) above shall be satisfied in cash, while certain of the Creditors' Claims under category (4) shall first be satisfied by cash, with the remaining unsatisfied part to be satisfied through capitalisation of such debt and issuance of Domestic Shares to the relevant Creditors. Details of the repayment will be subject to the Reorganisation Scheme as approved by the Court.

### *Cancellation of listing of the Company's Foreign Shares*

At the request of the Company, following the designation of the Administrator, trading in the Foreign Shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 7 February 2023. The Company received a letter from the Stock Exchange respectively dated 2 March 2023 and 19 April 2023 in relation to the resumption guidance for the Company. The Company received a letter from the Stock Exchange dated 23 August 2024 stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A(1) of the Listing Rules as the Company had failed to fulfil all the resumption guidance. On 3 September 2024, the Company submitted an application requesting the decision be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules.

The Company received a letter from the Stock Exchange dated 1 November 2024 stating that the Listing Review Committee has decided to uphold the Listing Committee's decision to cancel the listing of the Company's Foreign Shares pursuant to Rule 6.01A(1) of the Listing Rules. On 4 November 2024, the Company was further informed by the Stock Exchange that the last day of listing of the Company's Foreign Shares is 13 November 2024 and the listing of the Company's Foreign Shares has been cancelled with effect from 9:00 a.m. on 14 November 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (i) Historical financial performances and positions of the Group

The following tables set out key financial performances and positions of the Group for / as at the end of each of the three years ended 31 December 2023 (the “FY2021”, “FY2022” and “FY2023”, respectively) and the six months ended 30 June 2023 and 2024, respectively (the “6M2023” and “6M2024”), as extracted from the 2021 Annual Report, 2022 Annual Report, 2023 Annual Report, 2023 Interim Report and 2024 Interim Report:

	For the 6M2024 RMB'000 (unaudited)	For the 6M2023 RMB'000 (unaudited)	For the FY2023 RMB'000 (audited)	For the FY2022 RMB'000 (audited)	For the FY2021 RMB'000 (audited)
Revenue	69,354	83,988	170,233	197,841	430,128
Less:					
Cost of sales	15,856	20,925	47,086	61,761	219,366
Taxes and surcharges	574	1,398	(5,251)	12,201	20,116
Selling (and distribution) expenses	34,370	50,613	102,806	81,179	215,376
Administrative expenses	20,945	43,945	93,794	129,047	158,473
Finance expenses	37,810	47,057	88,641	181,703	199,731
Add:					
Other income	237	14,080	1,462	17,690	108,431
Investment income	(13,902)	(457,311)	(390,037)	(629,545)	31,792
Gain/(Loss) on fair value changes	(1,252)	(330)	4,907	(9,433)	7,591
Credit impairment losses	1,642	17,176	14,358	(27,890)	(186,505)
Asset impairment losses	(8,517)	(4,976)	(20,807)	(22,577)	(310,182)
Gain/(Loss) on disposal of assets	(562)	413	(28,472)	(2,218)	7,209
<b>Operating loss</b>	<b>(62,555)</b>	<b>(510,898)</b>	<b>(575,432)</b>	<b>(942,023)</b>	<b>(724,598)</b>
Add: Non-operating income	73	142	500	1,822	7,813
Less: Non-operating expenses	5,946	67,783	175,899	134,023	118,901
<b>Loss before tax</b>	<b>(68,428)</b>	<b>(578,539)</b>	<b>(750,831)</b>	<b>(1,074,224)</b>	<b>(835,686)</b>
Less: Income tax expenses	(28,026)	293	2,479	(450)	(12,924)
<b>Net loss</b>	<b>(40,402)</b>	<b>(578,832)</b>	<b>(753,310)</b>	<b>(1,073,774)</b>	<b>(822,762)</b>



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June 2024 <i>RMB'000</i> <i>(unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(audited)</i>	As at 31 December 2022 <i>RMB'000</i> <i>(audited)</i>	As at 31 December 2021 <i>RMB'000</i> <i>(audited)</i>
<b>Current assets:</b>				
Monetary Funds	36,839	49,930	100,238	167,456
Accounts receivables	9,894	9,253	42,580	88,718
Prepayments	4,078	1,472	5,004	11,050
Other receivables	5,831	5,469	11,298	53,453
Inventories	31,568	38,857	38,699	60,865
Other current assets	85,696	83,226	32,288	26,544
<b>Total current assets</b>	<b>173,906</b>	<b>188,207</b>	<b>230,107</b>	<b>408,086</b>
<b>Non-current assets:</b>				
Long-term equity investments	73,813	87,313	106,264	144,603
Other equity instruments investments	–	–	–	2,580
Other non-current financial assets	95,475	96,727	92,208	101,641
Fixed assets	107,180	110,972	526,254	1,516,195
Construction in progress	67,868	67,868	69,778	75,000
Right-of-use assets	2,152	8,988	36,427	3,837
Intangible assets	34,248	35,355	91,125	152,674
Long-term prepaid expenses	1,238	2,419	4,028	2,247
<b>Total non-current assets</b>	<b>381,974</b>	<b>409,642</b>	<b>926,084</b>	<b>1,998,777</b>
<b>TOTAL ASSETS</b>	<b>555,880</b>	<b>597,849</b>	<b>1,156,191</b>	<b>2,406,863</b>
<b>Current liabilities:</b>				
Short-term borrowings	1,077,598	1,077,598	1,147,748	1,149,220
Accounts payable	1,127,881	1,121,143	893,963	826,501
Advance from customers	417	782	267	10,851
Contract liabilities	3,069	5,170	4,408	20,395
Payroll payable	6,334	11,216	10,563	9,833
Tax payables	106,836	134,175	201,028	203,777
Other payables	1,106,506	1,082,453	958,932	914,134
Non-current liability due within a year	1,370	3,219	10,348	349,910
Other current liabilities	375	488	578	1,874
<b>Total current liabilities</b>	<b>3,430,386</b>	<b>3,436,244</b>	<b>3,227,835</b>	<b>3,486,495</b>
<b>Non-current liabilities:</b>				
Lease liabilities	1,008	5,328	26,673	1,897
Estimated liabilities	485,546	476,875	469,473	420,032
Deferred tax liabilities	–	–	–	2,110
Other non-current liabilities	4,350	4,500	5,419	5,899
<b>Total non-current liabilities</b>	<b>490,904</b>	<b>486,613</b>	<b>501,565</b>	<b>429,938</b>
<b>TOTAL LIABILITIES</b>	<b>3,921,290</b>	<b>3,922,857</b>	<b>3,729,400</b>	<b>3,916,433</b>
<b>NET LIABILITIES</b>	<b>(3,365,410)</b>	<b>(3,325,008)</b>	<b>(2,573,209)</b>	<b>(1,509,570)</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) **Discussions on material fluctuations in the financial performance of the Group**

*Comparing 6M2024 with 6M2023*

*Revenue*

The Group's revenue decreased by approximately RMB14.63 million, or approximately 17.42%, from approximately RMB83.99 million for the 6M2023 to approximately RMB69.35 million for the 6M2024. As set out in the 2024 Interim Report, such decrease in revenue was mainly attributable to the decrease in the number of stores of the Group. In particular, the number of retail points of the Group decreased from 200 as at 30 June 2023 to 155 as at 30 June 2024, representing a decrease of 22.50%.

The distribution channel of the Group's apparel products mainly consists of concessionaire counters, standalone retail outlets, online platform, franchise/associates and wholesale. The Group's aggregate revenue from concessionaire counters and standalone retail outlets amounted to approximately RMB35.34 million and RMB20.53 million for the 6M2023 and 6M2024, respectively, representing a decrease of approximately 41.91%. It could be attributed to the decrease in the number of stores of the Group between 30 June 2023 and 2024, respectively, as discussed above. The Group's revenue from online platform also decreased from approximately RMB6.38 million to RMB1.27 million, respectively, for the 6M2023 and 6M2024. Meanwhile, the Group's revenue from franchise/associates increased from approximately RMB7.41 million to RMB11.88 million for the 6M2023 and 6M2024, respectively, and the Group's revenue from wholesale slightly increased from approximately RMB0.22 million to RMB0.26 million for the 6M2023 and 6M2024, respectively.

The Group's revenue from brand-integrated services, which was primarily relating to the licensing of brands to third parties in return for royalties, increased from approximately RMB24.56 million for the 6M2023 to approximately RMB30.19 million for the 6M2024.

The Group's revenue from others, being mainly the Group's leasing business, decreased from approximately RMB10.08 million for the 6M2023 to approximately RMB5.22 million for the 6M2024.

*Cost of sales*

The Group's overall cost of sales decreased by approximately RMB5.07 million, or approximately 24.22%, from approximately RMB20.93 million for the 6M2023 to approximately RMB15.86 million for the 6M2024. Both the Group's cost of sales of principal business and other business decreased from 6M2023 to 6M2024, which was generally in line with the decrease in the Group's revenue between the same periods.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Gross profit and gross profit margin*

The Group's overall gross profit decreased by approximately RMB9.57 million, or 15.17% from approximately RMB63.06 million for the 6M2023 to approximately RMB53.50 million for the 6M2024.

The Group's gross profit margin for sales of apparel products from concessionaire counters and standalone retail outlets decreased by 8.4 percentage points and 6.4 percentage points to 66.9% and 68.4%, respectively, for the 6M2024 when compared with those for the 6M2023. Nonetheless, the Group's gross profit margin for sales of apparel products from online platform increased by 21.9 percentage points to 53.0% for the 6M2024 when compared with that for the 6M2023. The Group's gross profit margin from franchise/associates and wholesale also increased by 4.4 percentage points and 0.5 percentage points to 48.7% and 99.6%, respectively, for the 6M2024 when compared with those for the 6M2023. The Group's gross profit margin from brand-integrated services remained at 100% as it has no cost of sales. The Group's gross profit margin from others business decreased by 11.8 percentage points to 52.4% for the 6M2024 when compared with that for the 6M2023.

### *Taxes and surcharge*

The Group's taxes and surcharge expenses decreased by approximately RMB0.82 million, or 58.94% from approximately RMB1.40 million for the 6M2023 to approximately RMB0.57 million for the 6M2024.

### *Selling and distribution expenses*

The Group's selling and distribution expenses decreased by approximately RMB16.24 million, or 32.09% from approximately RMB50.61 million for the 6M2023 to approximately RMB34.37 million for the 6M2024, which primarily consisted of, among other things, employee benefits expenses, department store expenses, marketing expenses, depreciation of fixed assets, amortization of long-term prepaid expenses and depreciation of right of use assets, all of which decreased during 6M2023 and 6M2024.

### *Administrative expenses*

The Group's administrative expenses decreased by approximately RMB23.00 million, or 52.34% from approximately RMB43.95 million for the 6M2023 to approximately RMB20.95 million for the 6M2024, among which employee benefits expenses, consulting expenses and rental fees decreased significantly between 6M2023 and 6M2024. Other administrative expenses of the Group such as office expenses, amortization of intangible assets, and utilities expenses also decreased between 6M2023 and 6M2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Finance expenses*

The Group's finance expenses decreased by approximately RMB9.25 million from approximately RMB47.06 million for the 6M2023 to approximately RMB37.81 million for the 6M2024, which was primarily interest expenses.

### *Investment loss*

The Group's investment loss decreased by approximately RMB443.41 million, or 96.96% from approximately RMB457.31 million for the 6M2023 to approximately RMB13.90 million for the 6M2024, which was mainly because the Group did not record gain or loss on change in scope of consolidation for the 6M2024 while it recorded loss on change in scope of consolidation of approximately RMB464.46 million for the 6M2023.

### *Gain/(Loss) on fair value changes*

The Group recorded loss on fair value changes of RMB0.33 million and RMB1.25 million for the 6M2023 and 6M2024, respectively.

### *Credit impairment losses*

The Group recorded a reversal of credit impairment losses of approximately RMB1.64 million for the 6M2024 while compared to that of approximately RMB17.18 million for the 6M2023. It mainly consisted of bad debt losses of accounts receivables and other receivables.

### *Asset impairment losses*

The Group recorded asset impairment losses of approximately RMB4.98 million and RMB8.52 million for the 6M2023 and 6M2024. The asset impairment losses mainly consist of impairment of inventories.

### *Gain/(Loss) on disposal of assets*

The Group recorded loss on disposal of assets of approximately RMB0.56 million for the 6M2024 when compared to gain on disposal of assets of RMB0.41 million for the 6M2023.

### *Non-operating expenses*

The Group's non-operating expenses decreased from approximately RMB67.78 million to RMB5.95 million for the 6M2023 and 6M2024, respectively. It was mainly because of the Group's compensation for litigation reduced from approximately RMB61.13 million to approximately RMB4.98 million between the aforementioned periods.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Net Loss*

Because of the aforesaid, the Group's net loss decreased by approximately RMB538.43 million, or 93.02%, from approximately RMB578.83 million for the 6M2023 to approximately RMB40.40 million for the 6M2024.

### *Comparing FY2023 with FY2022*

#### *Revenue*

The Group's revenue decreased by approximately RMB27.61 million, or approximately 13.95%, from approximately RMB197.84 million for the FY2022 to approximately RMB170.23 million for the FY2023. The decrease in revenue was mainly due to the decrease in revenue derived from lease of approximately RMB40.56 million but partially offset by the increase in revenue derived from brand-integrated services of approximately RMB25.02 million.

The Group's revenue derived from sales of apparel products remained stable during FY2022 and FY2023, which was approximately RMB107.47 million and RMB101.40 million, respectively. The selling channel of the Group's apparel products mainly consists of concessionaire counters, standalone retail outlets, online platform and Franchise /Associates. The sales from concessionaire counters and standalone retail outlets decreased by RMB16.55 million from approximately RMB80.71 million for the FY2022 to approximately RMB64.16 million for the FY2023, which was mainly due to the decrease in number of retail points located in first-tier, second-tier and third-tier cities, from total 172 retail points as at December 31, 2022 to total 136 retail points as at December 31, 2023 but partially offset by the increase in sales from online platform by approximately RMB10.30 million for the FY2023. In general, the Group faced keen competition in first-tier cities, second-tier cities and third-tier cities, and the revenue from first-tier cities, second-tier cities and third-tier cities decreased by approximately RMB58.62 million, or 37.16% from approximately RMB157.75 million for the FY2022 to approximately RMB99.13 million for the FY2023.

The Group's revenue derived from lease decreased by approximately RMB40.56 million from approximately RMB50.24 million for the FY2022 to approximately RMB9.68 million for the FY2023, which was mainly due to (i) two subsidiaries of the Company entered into liquidation bankruptcy and reorganization bankruptcy during the years, which was no longer consolidated into consolidated statements and (ii) one of the Group's property was disposed during the FY2023, which resulted in the revenue from leasing business.

The Group's revenue derived from brand-integrated services was relating brand licensing and increased by RMB25.02 million from approximately RMB28.34 million for the FY2022 to approximately RMB53.36 million for the FY2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Cost of sales*

The Group's overall cost of sales decreased by approximately RMB14.68 million, or 23.76% from approximately RMB61.76 million for the FY2022 to approximately RMB47.09 million for the FY2023, which was mainly due to the decrease in cost of sales from other business by approximately RMB24.48 million but partially offset by the increase in cost of sales from principal business by approximately RMB9.80 million.

The Group's cost of sales from principal business increased by approximately RMB9.80 million, or 33.25% from approximately RMB29.48 million for the FY2022 to approximately RMB39.28 million for the FY2023, while the Group recorded a decrease in revenue derived from sales of apparel products by approximately RMB6.07 million, or 5.65%.

The Group's cost of sales from other business decreased by approximately RMB24.48 million, or 75.81% from approximately RMB32.28 million for the FY2022 to approximately RMB7.81 million for the FY2023, which was generally in line with the decrease in revenue from other business by approximately RMB46.56 million, or 75.05%.

### *Gross profit and gross profit margin*

The Group's overall gross profit decreased by approximately RMB12.93 million, or 9.50% from approximately RMB136.08 million for the FY2022 to approximately RMB123.15 million for the FY2023, which was mainly due to (i) the decrease in gross profit from sales of apparel products by approximately RMB6.07 million and (ii) decrease in revenue and gross profit from other business by approximately RMB46.56 million and RMB22.09 million for the FY2023, respectively, but partially offset by (iii) the increase in revenue derived from brand-integrated services by approximately RMB53.36 million for the FY2023 with 100.00% gross profit margin as it did not have any respective cost of sales.

The Group's gross profit margin for sales of apparel products decreased from approximately 72.57% for the FY2022 to approximately 61.26% for the FY2023, which was mainly due to the keen competition in first-tier cities, second-tier cities and third-tier cities with a decrease in gross profit margin from approximately 73.1%, 75.0% and 51.4% for the FY2022 to approximately 64.0%, 59.6% and 53.1% for the FY2023, respectively.

The Groups' gross profit margin for other business remained stable at approximately 47.96% and 49.55% for the FY2022 and FY2023, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Taxes and surcharge*

The Group's taxes and surcharge expenses decreased by approximately RMB17.45 million, or 143.04% from approximately RMB12.20 million for the FY2022 to a reversal of surcharges expenses of approximately RMB5.25 million for the FY2023, which was mainly due to the reversal of surcharges did not need to be paid by the deregistered subsidiaries during the year.

### *Selling and distribution expenses*

The Group's selling and distribution expenses increased by approximately RMB21.63 million, or 26.64% from approximately RMB81.18 million for the FY2022 to approximately RMB102.81 million for the FY2023, consisting primarily of department store expenses, sales staff salaries and benefits, depreciation of fixed assets, and e-commerce expenses. The increase in selling and distribution expenses was mainly due to (i) the increase in the department store expenses by approximately RMB34.89 million from approximately RMB6.74 million for the FY2022 to approximately RMB41.63 million for the FY2023, which was mainly due to the Group's closure of loss-making and inefficient stores and (ii) the increase in e-commerce expenses by approximately RMB3.37 million, which was in line with the increase in sales of apparel products from online platforms.

### *Administrative expenses*

The Group's administrative expenses decreased by approximately RMB35.25 million, or 27.32% from approximately RMB129.05 million for the FY2022 to approximately RMB93.79 million for the FY2023, consisting primarily of administrative employee salaries, depreciation of fixed assets, consulting service fees and rental fees. The decrease in administrative expenses was mainly due to the decrease in depreciation of fixed assets by approximately RMB38.41 million from approximately RMB39.59 million, which was mainly due to one subsidiary of the Group was no longer consolidated into the consolidated statements as it entered into liquidation procedures and was taken over by an administrator in August 2022.

### *Finance expenses*

The Group's finance expenses decreased by approximately RMB93.06 million from approximately RMB181.70 million for the FY2022 to approximately RMB88.64 million for the FY2023. The Group faced a high level of overdue debts of approximately RMB1,147.75 million and RMB1,077.60 million as of December 31, 2022 and 2023, which resulted in interests on debts and overdue penalty interests of approximately total RMB182.10 million and RMB88.60 million, respectively.



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### *Investment loss*

The Group's investment loss decreased by approximately RMB239.51 million, or 38.04% from approximately RMB629.55 million for the FY2022 to approximately RMB390.04 million for the FY2023, which was mainly due to the decrease in the loss on derecognition resulting from the former subsidiaries of the Group's entering bankruptcy liquidation or bankruptcy reorganisation procedure.

### *Gain/(Loss) on fair value changes*

The Group recorded a gain on fair value changes of approximately RMB4.91 million for the FY2023, which was mainly due the fair value gain from non-current financial assets.

### *Credit impairment losses*

The Group recorded a reversal of credit impairment losses of approximately RMB14.36 million for the FY2023 from credit impairment losses of approximately RMB27.89 million for the FY2022. The reversal of credit impairment losses was mainly due to the decrease in the provisions for expected credit losses on accounts receivables and other receivables for the FY2023.

### *Asset impairment losses*

The Group recorded asset impairment losses of approximately RMB22.58 million and RMB20.81 million for the FY2022 and FY2023. The asset impairment losses mainly consist of impairment of inventories, construction in progress and long-term equity investments.

### *Gain/(Loss) on disposal of assets*

The Group recorded loss on disposal of fixed assets of approximately RMB2.22 million and RMB28.47 million for the FY2022 and FY2023.

### *Non-operating expenses*

The Group recorded non-operating expenses of approximately RMB134.02 million and RMB175.90 million for the FY2022 and FY2023, which mainly consists of compensation for litigation.



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### *Net Loss*

The Group's net loss decreased by approximately RMB320.46 million, or 29.84%, from approximately RMB1,073.77 million for the FY2022 to approximately RMB753.31 million for the FY2023. It was primarily attributable to the (i) decrease in the Group's administrative expenses by approximately RMB35.25 million for the FY2023; (ii) decrease in the Group's finance expenses by approximately RMB93.06 million for the FY2023 and (iii) decrease in investment loss of approximately RMB239.51 million for the FY2023.

### *Disclaimer of opinion for FY2022 and FY2023*

According to Note 3 to Rule 2 of the Takeovers Code, we would like to draw your attention that the auditors of the Company have issued disclaimer of opinion on the financial statements of the Company for the FY2022 and FY2023, respectively, which comprise:

1. the consolidated and parent company's balance sheet as of December 31, 2022 and 2023, respectively;
2. the consolidated and parent company's income statements for the FY2022 and FY2023, respectively;
3. the consolidated and parent company's cash flow statements for the FY2022 and FY2023, respectively;
4. the consolidated and parent company statements of changes in shareholders' equity for the FY2022 and FY2023, respectively; and
5. notes to the financial statements for the FY2022 and FY2023, respectively.

For the FY2022, as stated in the 2022 Annual Report, the basis for the disclaimer of opinion mainly comprised (i) significant uncertainty of going concern; and (ii) litigation matters.

For the FY2023, as stated in the 2023 Annual Report, the basis for the disclaimer of opinion mainly comprised (i) going concern; and (ii) recognition of the amount of claims and debts related to the litigation.

In general, with reference to the 2022 Annual Report and 2023 Annual Report, the Group's consolidated financial statements for the FY2022 and FY2023 were prepared on a going concern basis, the validity of which is dependent on the outcomes of events such as whether the Company's reorganisation proposal will be approved by the creditors, whether the corresponding reorganisation plan will be approved by the court and whether the bankruptcy reorganisation proceedings will be successfully terminated. As a result of these multiple uncertainties and the possible impact thereof, the auditors of the Company disclaimed their opinion in

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respect of the material or significant uncertainty relating to the going concern basis, and that they were unable to obtain sufficient and appropriate audit evidence to determine the appropriateness of the same.

For detailed information on the basis of disclaimer for FY2022 and FY2023, relevant financial year or period and action taken or to be taken, please refer to the paragraphs headed “I. Disclaimer of opinion” and “II. Basis for the disclaimer of opinion” in the 2022 Annual Report and 2023 Annual Report, respectively.

We have reviewed the principal terms of the Reorganisation Investment Agreement (which includes the Subscription) and the Directors confirmed that the Reorganisation Investment Agreement (which includes the Subscription) is not conditional on the auditor’s opinion on the Group’s financial statements. However, the Directors considered, and we concurred, that the auditor’s disclaimer of opinion may affect the ability of the Group in raising capital from means other than the Reorganisation Investment Agreement (which includes the Subscription). As such, we were of the view that the auditor’s disclaimer of opinion does not have implication on the Subscription, being a part of the Reorganisation Investment Agreement, and that the Subscription being able to provide capital to the Company under the auditor’s disclaimer of opinion is in the interests of the Company and Independent Shareholders as a whole.

### *Comparing FY2022 with FY2021*

#### *Revenue*

The Group’s revenue decreased by approximately RMB232.29 million, or approximately 54.00%, from approximately RMB430.13 million for the FY2021 to approximately RMB197.84 million for the FY2022. The decrease in revenue was mainly due to (i) the decrease in revenue derived from sales of apparel products by approximately 195.22 million and (ii) the decrease in revenue derived from brand-integrated services by approximately RMB32.11 million.

The decrease in revenue derived from sales of apparel products was mainly attributed to (i) the decrease in total number of the Group’s retail points from total 300 as at December 31, 2021 to 217 as at December 31, 2022 and (ii) the decrease in sales of apparel products from online platform and wholesale distribution by approximately RMB13.28 million and RMB29.29 million, respectively. Due to the impact of COVID-19 pandemic, the sales of apparel products from all distribution channels of Group decreased, resulting in a decrease in revenue from sales of apparel products by approximately 54.00% for the FY2022.

The Group’s revenue derived from brand-integrated services was relating brand licensing and decreased by RMB32.11 million from approximately RMB60.45 million for the FY2021 to approximately RMB28.34 million for the FY2022.

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### *Cost of sales*

The Group's overall cost of sales decreased by approximately RMB157.61 million, or 71.85% from approximately RMB219.37 million for the FY2021 to approximately RMB61.76 million for the FY2022, which was mainly due to the decrease in cost of sales from sales of apparel products by approximately RMB154.40 million, or 83.97% and in line with the decrease in revenue derived from sales of apparel products of approximately 64.50% for the FY2022.

### *Gross profit and gross profit margin*

The Group's overall gross profit decreased by approximately RMB74.68 million, or 35.43% from approximately RMB210.76 million for the FY2021 to approximately RMB136.08 million for the FY2022, which was mainly due to (i) the decrease in revenue and gross profit from sales of apparel products by approximately RMB195.22 million and RMB40.82 million for the FY2022, respectively, and (ii) decrease in revenue derived from brand-integrated services by approximately RMB32.11 million for the FY2022 with 100.00% gross profit margin as it did not have any respective cost of sales.

The Group's overall gross profit margin increased from approximately 49.00% for the FY2021 to approximately 68.78% for the FY2022 which was mainly due to the increase in the Group's gross profit margin for sales of apparel products from approximately 39.25% for the FY2021 to approximately 72.57% for the FY2022.

The Groups' gross profit margin for other business remained stable at approximately 47.03% and 47.96% for the FY2021 and FY2022, respectively.

### *Taxes and surcharge*

The Group's taxes and surcharge expenses decreased by approximately RMB7.92 million, or 39.35% from approximately RMB20.12 million for the FY2021 to approximately RMB12.20 million for the FY2022, which was in line with the decrease in revenue of approximately 54.00%.

### *Selling and distribution expenses*

The Group's selling and distribution expenses decreased by approximately RMB134.20 million, or 62.31% from approximately RMB215.38 million for the FY2021 to approximately RMB81.18 million for the FY2022, consisting primarily of department store expenses, sales staff salaries and benefits, depreciation of fixed assets, and utilities and electricity fees. The decrease in selling and distribution expenses was mainly due to (i) the decrease in the department store expenses by approximately RMB67.44 million from approximately RMB74.18 million for the FY2021 to approximately RMB6.74 million for the FY2022, which was mainly due to the Group's closure of loss-making and inefficient stores,

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resulting in a drop in rental fees; (ii) the decrease in employee benefits expenses by approximately RMB17.00 million and (iii) the decrease in utilities and electricity fees by approximately RMB10.8 million.

### *Administrative expenses*

The Group's administrative expenses decreased by approximately RMB29.43 million, or 18.57% from approximately RMB158.47 million for the FY2021 to approximately RMB129.05 million for the FY2022, consisting primarily of administrative employee salaries, depreciation of fixed assets and consulting service fees. The decrease in administrative expenses was generally due to the overall decrease in employee benefits expenses, depreciation of fixed assets and consulting expenses by approximately RMB9.50 million, RMB7.34 million and RMB4.73 million, respectively.

### *Finance expenses*

The Group's finance expenses remained stable at approximately RMB199.73 million and RMB181.70 million for the FY2021 and FY2022. The Group faced a high level of overdue debts of approximately RMB1,149.22 million and RMB1,147.75 million as of December 31, 2021 and 2022, which resulted in interests on debts and overdue penalty interests of approximately total RMB209.67 million and RMB182.10 million, respectively.

### *Other income*

The Group's other income decreased by approximately RMB90.74 million, or 83.69% from approximately RMB108.43 million for the FY2021 to approximately RMB17.69 million for the FY2022, which was mainly due to the decrease in debt restructuring income generated by the settlement of debts with goods compared to the FY2021.

### *Investment loss/Income*

The Group's investment income decreased by approximately RMB661.34 million, or 2,080.20% from an investment income of approximately RMB31.79 million for the FY2021 to an investment loss of approximately RMB629.55 million for the FY2022, which was mainly due to the loss on derecognition resulting from the former subsidiaries of the Group's entering bankruptcy liquidation procedure.

### *(Loss)/Gain on fair value changes*

The Group recorded a loss on fair value changes of approximately RMB9.43 million for the FY2022, which was mainly due the fair value loss from non-current financial assets.

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### *Credit impairment losses*

The Group recorded a credit impairment losses of approximately RMB27.89 million for the FY2022, which was mainly due to the expected bad debt losses on accounts receivables and other receivables for the FY2022.

### *Asset impairment losses*

The Group recorded asset impairment losses of approximately RMB22.58 million for the FY2022. The asset impairment losses mainly consist of impairment of inventories and construction in progress.

### *Gain/(Loss) on disposal of assets*

The Group recorded loss on disposal of fixed assets of approximately RMB2.22 million for the FY2022.

### *Non-operating expenses*

The Group recorded non-operating expenses of approximately RMB118.90 million and RMB134.02 million for the FY2021 and FY2022, which mainly consists of compensation for litigation and tax late payment.

### *Net Loss*

The Group's net loss increased by approximately RMB251.01 million, or 30.51%, from approximately RMB822.76 million for the FY2021 to approximately RMB1,073.77 million for the FY2022. It was primarily attributable to the (i) decrease in the Group's gross profit by approximately RMB74.68 million for the FY2022 and (ii) the Group's investment loss of approximately RMB629.55 million for the FY2022 but partially offset by (iii) the decrease in selling and distribution expenses of approximately RMB134.20 million for the FY2022.

## **(iii) Discussions on selected key items in the financial positions of the Group**

### *Monetary Funds*

The Group's monetary fund amounted to approximately RMB167.46 million, RMB100.24 million, RMB49.93 million and RMB36.84 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, which mainly consisted of bank deposits and bank deposits temporarily sealed or frozen due to the judicial order. The decrease in monetary fund was mainly due to the Group entered into judicial procedures and the funds were transferred to the administrator account opened by the bankruptcy administrator.

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### *Accounts receivables*

The Group's accounts receivable amounted to approximately RMB88.72 million, RMB42.58 million, RMB9.25 million and RMB9.89 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively. The general decrease in accounts receivables was mainly because of provision for bad debt.

### *Other receivables*

The Group's other receivables amounted to approximately RMB53.45 million, RMB11.30 million, RMB5.47 million and RMB5.83 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, which mainly consists of deposits and security deposits and current accounts receivables. The general decrease in other receivables was mainly because of provision for bad debt.

### *Inventories*

The Group's inventories amounted to approximately RMB60.87 million, RMB38.70 million, RMB38.86 million and RMB31.57 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, which mainly consists of finished goods of approximately RMB52.72 million, RMB34.83 million, RMB35.28 million and RMB31.39 million respectively.

The Group's book balance of the finished goods decreased by approximately RMB155.36 million, or 52.14% from approximately RMB298.00 million as at 31 December 2021 to approximately RMB142.64 million as at 31 December 2022 and further decreased by approximately RMB44.62 million, or 31.29% to approximately RMB98.01 million as at 31 December 2023. It then decreased by approximately RMB4.45 million, or 4.76% to approximately RMB93.56 million as at 30 June 2024.

The Group accrues for impairment of inventories based on the age of the inventory and also uses the principle of lower of net realizable value or cost to provide for impairment and provides for impairment based on the principle of prudence. The impairment allowance of the finished goods amounted to approximately RMB245.27 million, RMB107.80 million, RMB62.73 million and RMB62.17 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, which was approximately 82.31%, 75.58%, 64.00% and 66.45% to the book balance of the finished goods. The generally decreasing trend in percentage of impairment allowance was mainly due to the Group's efforts to sell aged inventories during the years.

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### *Other current assets*

The Group's other current assets amounted to approximately RMB26.54 million, RMB32.29 million, RMB83.23 million and RMB85.70 as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, while the gross amount of the Group's other current assets amounted to RMB725.70 million, RMB427.98 million, RMB593.92 million and RMB596.39 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively.

The gross amount of other current assets of approximately RMB596.39 million as 30 June 2024 mainly consisted of borrowing to related parties of approximately 47.87 million, entrusted loan of approximately 42.40 million and long-term investments expected to be disposed of approximately RMB413.06 million. The Group has recorded approximately RMB510.69 million impairment loss for other current assets due to following reasons:

### *Borrowing to related parties*

As at 30 June 2024, the Group had provided loans of total approximately RMB40.00 million to a related party. Due to the poor operating conditions of the enterprise and liquidity problems, the Group considered that the loans are difficult to recover and therefore fully accrued impairment.

### *Entrusted loan*

As at 30 June 2024, the Company had provided loans of total approximately RMB37.40 million to a former subsidiary. The Group considered that it could hardly recover the amount and accrued a full impairment of the loans.

### *Long-term investments expected to be disposed*

The Group's three wholly-owned subsidiaries were filed for bankruptcy and liquidation by their creditors due to insolvency, and have been taken over by the court-appointed administrators during the year. According to the Group's understanding, the possibility of the parent company being compensated as a shareholder in the bankruptcy liquidation of the above subsidiaries was basically zero. Therefore, full provision for impairment was made for long-term equity investments transferred to other current assets for disposal during the year.

### *Fixed Assets*

The Group's fixed assets decreased from approximately RMB1,516.20 million as at 31 December 2021 to approximately RMB526.25 million as at 31 December 2022, to approximately RMB110.97 million as at 31 December 2023 and further to approximately RMB107.18 million as at 30 June 2024, which was mainly due to the Group's entering into bankruptcy liquidation procedures or bankruptcy reorganization procedures and were no longer consolidated into the consolidated statements, resulting in the decrease in properties and plants.



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### *Intangible assets*

The Group's intangible assets decreased from approximately RMB152.67 million as at 31 December 2021 to approximately RMB91.13 million as at 31 December 2022, approximately RMB35.36 million as at 31 December 2023 and approximately RMB34.25 million as at 30 June 2024, which was mainly due to the Group's entered into bankruptcy liquidation procedures or bankruptcy reorganization procedures and were no longer consolidated into the consolidated statements, resulting in the decrease in land use right.

### *Short-term borrowings*

The Group's short-term borrowings amounted to approximately RMB1,149.22 million, RMB1,147.75 million, RMB1,077.60 million and RMB1,077.60 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, all of which were overdue with an overdue interest rate ranging from approximately 6.50% to 10.50%, 6.30% to 10.50%, 6.30% to 10.50% and 6.30% to 10.50%, respectively.

### *Accounts payable*

The Group's accounts payable amounted to approximately RMB826.50 million, RMB893.96 million, RMB1,121.14 million and RMB1,127.88 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, which was payable for procurement.

### *Other payables*

The Group's other payables amounted to approximately RMB914.13 million, RMB958.93 million, RMB1,082.45 million and RMB1,106.51 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively. The Group's other payables as at 30 June 2024 consisted of (i) interests payable of short-term borrowings of approximately RMB410.32 million; and (ii) other payables which mainly comprised litigation defaults, fees, and interests of approximately RMB222.69 million, payable to external related parties of approximately RMB188.79 million and payables for construction and decoration of department stores of approximately RMB93.71 million, among other things.

### *Net current liabilities and net liabilities*

The Group recorded net current liabilities, being its total current assets subtracted by its total current liabilities, of approximately RMB3,078.41 million, RMB2,997.73 million, RMB3,248.04 million and RMB3,256.48 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, and a net liabilities of approximately RMB1,509.57 million, RMB2,573.21 million, RMB3,325.01 million and RMB3,365.41 million as at the same dates, respectively.



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### (iv) Prospect of the Group

The Group is a multi-brand and omnichannel operated fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market casualwear.

To assess the recent development and trend of the apparel industry in China, we have reviewed the Briefing on the Economic Operation of China's Apparel Industry from January to December 2024<sup>1</sup> (2024年1-12月中國服裝行業經濟運行簡報) (the "Briefing") published by the China National Textile And Apparel Council, a national-level textile and apparel industry organization whose members primarily comprise associations and legal entities from the textile and apparel industry and whose main objectives include, among other things: (i) to investigate the current situation and development trends of domestic and international textile and apparel industries, and put forward economic, technical and legislative suggestions and proposals; and (ii) to conduct industry statistics; collect, analyze and issue industry information; carry out industry surveys in accordance with the law, and organize activities on e-commerce of the industry, according to its website<sup>2</sup>. We also noted that the Briefing quoted its statistics from the National Bureau of Statistics, which we considered a reliable source of statistics and information.

According to the Briefing, during year 2024, although faced with a complicated and challenging economic environment and slowed down in term of growth when compared with year 2023, the Chinese apparel industry maintained steady in performance with supporting factors such as recovery in the demand from domestic and overseas markets and favourable government policies to stimulate internal demand and consumptions. In particular, the retail sales of apparel products in China amounted to RMB1,071.6 billion for year 2024, representing a slight growth of 0.1% when compared with that for year 2023. Among this, the online portion of the retail sales of apparel products in China for year 2024 grew by 1.5% when compared with that for year 2023.

Moreover, the Briefing disclosed that during year 2024, the aggregate revenue of the 13,820 apparel enterprises in China with annual revenue exceeding RMB20 million amounted to approximately RMB1,269.92 billion, representing a growth of 2.76% when compared with that for year 2023, while the aggregate profit of such apparel enterprises in China also grew by 1.54% when compared with that for year 2023.

It is also set out in the Briefing that the confidence of apparel enterprises in China in making investments are recovering in year 2024. For year 2024, the amount of completed investments in fixed assets by apparel enterprises in China grew by 18.0% when compared with that for year 2023. Such investments were primarily applied in areas such as intelligent manufacturing, business model innovation, brand building and strategic development, with the aims to raise supply chain management

<sup>1</sup> [https://www.cntac.org.cn/zixun/shuju/202502/t20250220\\_4376583.html](https://www.cntac.org.cn/zixun/shuju/202502/t20250220_4376583.html)

<sup>2</sup> <https://www.cntac.org.cn/aboutUs/jianjie/>

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efficiency, optimize manufacturing processes, increase product quality and lower operational costs. It could reflect that the apparel enterprises in China is overall confident about the future development and opportunities of the industry.

Looking forward, the China National Textile And Apparel Council expected that the apparel industry in China will be primarily fueled by the recovery of domestic economies, consumption confidence and market vitality in China. It is also expected that favourable government policies to stimulate internal demand and innovations of the apparel industry itself will support its development in the Chinese market. On the other hand, while it is noted that the current government of the United States of America will likely raise the tariff rates of products of China, including apparel products, which will have adverse impacts on the export of apparel products of China. Nonetheless, it is believed that the export of apparel products of China will continue to be supported by the supply chain advantage and modernized manufacturing capability of the apparel industry in China, as well as the strong growth in its e-commerce environment.

Considering all of the above, while we noted that the apparel industry in China faced challenges and future uncertainties, we believed that it will remain a major and vital market in China, having over one trillion RMB worth of sales per annum, with ample business and development opportunities, and will continue to be supported by the Chinese government's policies to stimulate internal demand and the steady recovery of the Chinese economies. Therefore, we considered that it will be in the interests of the Company and the Independent Shareholders as a whole that the Group continues to carry out its businesses of apparel design, marketing and sales.

## II. Information of the Investors, the Subscriber and the Reorganisation Investment Consortium

Guangsui Gold is a company incorporated in the PRC with limited liability and respectively owned as to 80% and 20% by Guangsui Gold Investment (Hainan) Enterprise Management Partnership (Limited Partnership)\* (廣穗金投(海南)企業管理合夥企業(有限合夥)) and Wang Guoliang (王國良). Guangsui Gold Investment (Hainan) Enterprise Management Partnership (Limited Partnership) is a limited partnership established in the PRC and respectively owned as to 99% by Wang Guoliang as the general partner and 1% by Wang Yanhong (王艷紅) as the limited partner. Wang Guoliang founded Hangzhou Guangsui E-commerce Co., Ltd.\* (杭州廣穗電子商務有限公司) (“**Guangsui E-commerce**”) in 2012 and has served as its chief executive officer since its establishment. Wang Yanhong joined Guangsui E-commerce in 2012 and is currently the director of Data Analysis Department and Customer Service Department of Guangsui E-commerce. Guangsui E-commerce mainly focuses on providing brands with solutions, including product design, supply chain building, distributor recruitment and management, online store operation, IT data central control platform and customer service. As at the Latest Practicable Date, Guangsui Gold is a holding company and holds 100% equity interest in Guangsui E-commerce.

The Subscriber, Hangzhou Jinsui Fenghua Enterprise Management Partnership (Limited Partnership)\* (杭州金穗豐華企業管理合夥企業(有限合夥)), is a limited partnership established in the PRC, which is respectively owned as to 1% by Guangsui Gold as the general partner and 99% by Wang Guoliang as the limited liability partner.

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Orient Securities Innovation is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Orient Securities Co., Ltd. (東方證券股份有限公司), whose A shares and Foreign Shares are respectively listed on the Shanghai Stock Exchange (stock code: 600958) and the Main Board of the Stock Exchange (stock code: 3958). As at the Latest Practicable Date, Orient Securities Co., Ltd. (東方證券股份有限公司) does not have any controlling shareholder. Its single largest shareholder is Shenergy (Group) Company Limited (申能(集團)有限公司), which held 26.63% shareholding in Orient Securities Co., Ltd. and is 100% controlled by the Shanghai State-owned Assets Supervision and Administration Commission. Orient Securities Innovation is principally engaged in venture capital, financial product investment, investment management and investment advisory.

Pursuant to bankruptcy practice in the PRC, Guangsui Gold and Orient Securities Innovation have signed the Framework Agreement, to form the Reorganisation Investment Consortium to participate in the reorganisation of the Company as set out in the section headed “Introduction” in this letter from the Board, pursuant to which, among other things, (i) Guangsui Gold and Orient Securities Innovation have agreed to advance the reorganisation of the Company together; (ii) Guangsui Gold has agreed to subscribe for the Subscription Shares; and (iii) Orient Securities Innovation has agreed to provide through a designated entity the Liquidity Support and will not have any shareholding relationship with the Company.

The Investors, the Subscriber and their respective beneficial owners are parties independent of the Company.

### **Intention of the Subscriber**

Upon completion of the Subscription, the Subscriber will become the controlling Shareholder.

The Subscriber considers and confirms that:

1. it is intended that the Group will continue with its existing business following completion of the Subscription;
2. it shares the view of the Directors as disclosed in the section headed “Reasons for and Benefits of Entering into the Reorganisation Investment Agreement” above, in which it is mentioned that the entering into of the Reorganisation Investment Agreement will be in the interest of the Company and the Shareholders as a whole; and
3. there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group’s employees and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business after completion of the Subscription.

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### III. Reasons for and benefits of the Subscription (as a part of the Reorganisation Investment Arrangement)

As set out in the Circular, the entering into of the Reorganisation Investment Agreement is a necessary part for the reorganisation, and the Company, the Administrator and the Investors will actively facilitate the fulfillment of the conditions precedent in the Reorganisation Investment Agreement, at which time the Draft Reorganisation Scheme will be prepared and submitted to the Court and the Creditors' meeting in accordance with the reorganisation investment proposal submitted by the Investors and the Reorganisation Investment Agreement, and the Draft Reorganisation Scheme will be voted by the Creditors. Separately, according to the Bankruptcy Law of the PRC, a capital contributors group meeting shall be convened if the Draft Reorganisation Scheme involves the adjustment of rights and interests of the capital contributors, i.e. the Shareholders. Therefore, the Company will convene a capital contributors group meeting to vote on the adjustment plan of the capital contributors' rights and interests in the Draft Reorganisation Scheme, i.e., the EGM. If the reorganisation of the Company is smoothly carried out and implemented, it will be conducive to (i) resolving the risk of bankruptcy liquidation, and avoiding existing Shareholders' equity interests being zeroed out, (ii) optimizing the Company's asset-liability structure, and improving the Company's continuous operation, and (iii) improving the repayment rate of Creditors, safeguarding the interests of all Creditors, and releasing the value of core assets of the Company.

Having considered the factors above, the Board is of the view that the entering into of the Reorganisation Investment Agreement will be in the interest of the Company and the Shareholders as a whole.

In assessing the reasons for and benefits of the Subscription, being a part of the Reorganisation Investment Arrangement, we have considered the followings:

#### *(i) The circumstances leading to the Reorganisation Investment Arrangement*

As set out in the section headed "I. Background information of the Company and the Group – The bankruptcy reorganisation of the Company" above in this letter, upon the presentation of liquidation petition against the Company to the Court, the designation of the Administrator, and the publication of the Announcement on Invitation for Reorganisation Investors for the Bankruptcy Reorganisation Case of the Company\* (《公司破產重整案重整投資人招募公告》) by the Administrator, the Company's bankruptcy reorganisation procedure entered into the reorganisation investor invitation and selection procedure. We understood from the Company that such selection of reorganisation investor and reorganisation proposal is a procedure supervised by the Court following the relevant rules and court-mandated procedures, and consisted of, in general, objective review process in accordance with the rules of selection as prepared by the Administrator and subjective review process by a professional selection committee and the Creditors.

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In this sense, the Investors and the Reorganisation Investment Arrangement (which includes the Subscription) were selected after reviews by the Administrator, the professional selection committee and the Creditors according to the procedure supervised by the Court following the relevant rules and court-mandated procedures.

Besides, the confirmation of reorganisation Investors and formulation of Draft Reorganisation Scheme were essential for the Company to obtain approval of and implement its final Reorganisation Scheme and avoid being bankrupt. Pursuant to the Bankruptcy Law of the PRC, after the reorganisation investors are confirmed, a Draft Reorganisation Scheme (which sets out, among others, the Reorganisation Investment Arrangement of the Company) will be formulated based on the reorganisation investment proposal from the Investors and is required to be submitted to the Court and be put forward at a meeting of the Creditors within certain timeframe (on which the Court may grant extensions if there were justifiable grounds) after the Court's ruling on the reorganisation of the Company. Without reorganisation Investors and thus its reorganisation investment proposal and Draft Reorganisation Scheme, the Company will be unable to proceed with its bankruptcy reorganisation procedure and may be ruled bankrupt by the Court because of the debt claims of the Creditors.

We also noted that the Draft Reorganisation Scheme will be subject to approvals by (i) the Creditors; (ii) the Shareholders; and (iii) the Court. Upon approval by the Court (upon obtaining approvals by both the Creditors and the Shareholders) of the Draft Reorganisation Scheme, the Draft Reorganisation Scheme will become the Reorganisation Scheme of the Company, and the Company will then enter into an implementation period, where the transactions under the Reorganisation Scheme (including the Subscription pursuant to the Reorganisation Investment Arrangement) will then be carried out in accordance with the terms of the Reorganisation Scheme.

Having considered that (i) the Court has accepted the petition from a Creditor for liquidation of the Company and the Administrator of the Company has been designated by the Court; (ii) as required by law, a Draft Reorganisation Scheme (which sets out, among others, the Reorganisation Investment Arrangement of the Company) must be formulated based on the reorganisation investment proposal from the Investors and is required to be submitted to the Court and be put forward at a meeting of the Creditors within required time, and will eventually be subject to approval by the Creditors, the Shareholders and the Court before implementation; (iii) the Investors and the Reorganisation Investment Arrangement (which includes the Subscription) were selected after reviews by the Administrator, the professional selection committee and the Creditors according to the procedure supervised by the Court following the relevant rules and court-mandated procedures; (iv) the confirmation of reorganisation Investors and its reorganisation investment proposal and Draft Reorganisation Scheme were essential for the Company to proceed with its bankruptcy reorganisation procedure, without which the Company may be ruled bankrupt by the Court because of the debt claims of the Creditors; and (v) the Shareholders have the opportunity to express their opinion on the Investors and Draft Reorganisation Scheme by approving (or otherwise rejecting) the aforesaid, we were of the view that (i) the Reorganisation Investment Arrangement (which includes the Subscription), as an outcome of the aforesaid procedure supervised by the Court following the relevant rules and court-mandated

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procedures, is the only remedial measure available to the Company which is under bankruptcy reorganisation procedure; (ii) the Reorganisation Investment Arrangement (which includes the Subscription), though being the only remedial measure available to the Company, has been selected under a careful procedure consisting of objective review process in accordance with the rules of selection as prepared by the Administrator and subjective review process by a professional selection committee and the Creditors; (iii) the Draft Reorganisation Scheme will be subject to approvals by the Creditors, the Shareholders and the Court, and so that the Shareholders can still express their opinion on the Draft Reorganisation Scheme which contains, among other things, the Reorganisation Investment Arrangement (which includes the Subscription); (iv) the Reorganisation Investment Arrangement (which includes the Subscription), if approved and implemented, could improve the Company's financial positions and might help the Company improve its businesses and operations as well; (v) without the Reorganisation Scheme which contains, among other things, the Reorganisation Investment Arrangement (which includes the Subscription), the Company may be ruled bankrupt by the Court because of the debt claims of the Creditors such that the Shareholders' investments in the Company could be lost. Based on the above, we considered that the Subscription (being a part of the Reorganisation Investment Arrangement) is the best available option to the Company and is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

***(ii) The poor performance and net liabilities position of the Company***

As discussed in the section headed "I. Background information of the Company and the Group" above in this letter, the Company (i) has been in continuous loss-making positions for the FY2021, FY2022, FY2023 and 6M2024; (ii) had net current liabilities of approximately RMB3,078.41 million, RMB2,997.73 million, RMB3,248.04 million and RMB3,256.48 million as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively; and (iii) had net liabilities of approximately RMB1,509.57 million, RMB2,573.21 million, RMB3,325.01 million and RMB3,365.41 million as at the same dates, respectively. Based on the above, we considered that (i) the Company is in need to alleviate its liabilities and turnaround its prolonged loss-making positions, which will require funds and resources; (ii) the Company, however, may not have the funds and resources required as mentioned above; (iii) notwithstanding that the Reorganisation Investment Arrangement (including the Subscription) is the only remedial measure available to the Company which is under bankruptcy reorganisation procedure, even if the Company could approach other financing means, it is unlikely that the Company would receive financing offers without harsh conditions taking into account the poor performance and financial positions of the Company; and (iv) the Reorganisation Investment Arrangement (including the Subscription) could provide the Group with the much needed funds and resources for alleviating its liabilities and improving its businesses and operations. Therefore, we were of the view that the successful implementation of the Reorganisation Investment Arrangement (including the Subscription) is essential for rescuing the Company, and that the Subscription is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.



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### *(iii) Financing alternatives considered by the Company*

As explained above, the selection of reorganisation investor and reorganisation proposal is a procedure supervised by the Court following the relevant rules and court-mandated procedures, and consisted of, in general, objective review process in accordance with the rules of selection as prepared by the Administrator and subjective review process by a professional selection committee and the Creditors. In this sense, the Investors and the Reorganisation Investment Arrangement (which includes the Subscription) were selected after reviews by the Administrator, the professional selection committee and the Creditors according to the procedure supervised by the Court following the relevant rules and court-mandated procedures.

Therefore, procedurally, the Company cannot consider nor decide financing alternatives other than the aforesaid procedure supervised by the Court and the resulting Reorganisation Investment Arrangement (which includes the Subscription).

Even without regard to the above, the Company may find it hard to approach other fund-raising exercise by means of equity or debt instruments given the current net liabilities position of the Group.

Therefore, we considered that the Reorganisation Investment Arrangement (which includes the Subscription) is the only option available to the Company, and is an appropriate one reviewed by the Administrator, the professional selection committee and the Creditors and to be eventually approved by the Shareholders if see fit.

### *(iv) The benefits of introducing Guangsui Gold and the Subscriber into the shareholder base of the Company*

The Subscriber is ultimately majority-controlled by Wang Guoliang. Guangsui Gold is owned as to 80% and 20% by Guangsui Gold Investment (Hainan) Enterprise Management Partnership (Limited Partnership)\* (廣穗金投(海南)企業管理合夥企業(有限合夥)) and Wang Guoliang (王國良). Guangsui Gold Investment (Hainan) Enterprise Management Partnership (Limited Partnership) is owned as to 99% by Wang Guoliang as the general partner and 1% by Wang Yanhong (王艷紅) as the limited partner.

We noted that Wang Guoliang founded Hangzhou Guangsui E-commerce Co., Ltd.\* (杭州廣穗電子商務有限公司) (“**Guangsui E-commerce**”) in 2012 and has served as its chief executive officer since its establishment. Wang Yanhong joined Guangsui E-commerce in 2012 and is currently the director of Data Analysis Department and Customer Service Department of Guangsui E-commerce. Guangsui E-commerce mainly focuses on providing brands with solutions, including product design, supply chain building, distributor recruitment and management, online store operation, IT data central control platform and customer service. As at the Latest Practicable Date, Guangsui Gold is a holding company and holds 100% equity interest in Guangsui E-commerce.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We believed that the experience and expertise of Wang Guoliang and Guangsui E-commerce in E-commerce, supply chain building, distributor recruitment and management, online store operation and customer service, among his other experience and knowledge, could contribute to the business and development of the Group considering these aspects are also important parts of the Group in its course of business of apparel design, marketing and sales.

We also believed that the intention of the Subscriber to become the controlling Shareholder under the Subscription would present a positive sign to the market and the customers, suppliers and business partners of the Group, which is conducive to its continuing operation and stability.

Considering all of the above, we considered the Subscription, being a part of the Reorganisation Investment Arrangement, to be the best available option to the Company and fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### **IV. Principal terms of the Subscription**

#### ***1. The Subscription Shares***

Pursuant to the Reorganisation Investment Agreement, subject to the Reorganisation Scheme and satisfaction of the conditions precedent as stipulated therein, the Company will implement the Conversion of Capital Reserve, converting its capital reserve into share capital on the basis of 57.50 new Domestic Shares for every 10 existing Domestic Shares, representing a total expected increase of 1,893,524,692 new Domestic Shares upon completion of the Conversion of Capital Reserve based on the 329,308,642 existing Domestic Shares (excluding the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws) in the Company's share capital as at the Latest Practicable Date, among which 1,584,455,037 new Domestic Shares will be used for the Subscription and 309,069,655 new Domestic Shares will be used for the Loan Conversion. Upon completion of the Conversion of Capital Reserve, the total issued share capital of the Company is expected to be increased to 2,437,623,134 Shares (excluding the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws), which is subject to the Reorganisation Scheme and registration with CSDC Beijing.

Pursuant to the Reorganisation Investment Agreement, subject to the satisfaction (or waiver, if applicable) of the conditions precedent, the Company has agreed to allot and issue by way of Conversion of Capital Reserve, and Guangsui Gold has agreed to subscribe for, 1,584,455,037 Subscription Shares with a par value of RMB1.00 each and an aggregate nominal value of RMB1,584,455,037, at the Subscription Consideration of RMB220 million, implying the Subscription Price of approximately RMB0.1388 per Subscription Share. The Subscription Shares will be registered under the name of the Subscriber, which is ultimately majority-controlled by Wang Guoliang.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In accordance with common registration method for bankruptcy and reorganisation of enterprises in the PRC, after the Court's approval of the Reorganisation Scheme, the Subscription Shares will be issued to the designated securities account of the Subscriber, which is ultimately majority-controlled by Wang Guoliang, while the Loan Conversion Shares will be issued to the Administrator before distribution to each of the Creditors individually upon calculation of each individual Creditor's Loan Conversion Shares entitlement pursuant to the settlement plan for the Creditors of the Reorganisation Scheme approved by the Court. For details of the Loan Conversion, please refer to the section headed "The Loan Conversion" in this letter from the Board.

As at the Latest Practicable Date, the Company has 547,671,642 Shares in issue, comprising 214,789,800 Foreign Shares and 332,881,842 Domestic Shares (including the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws), representing approximately 39.22% and 60.78% of the total issued share capital of the Company, respectively. The Subscription Shares represent:

- (i) approximately 475.98% of the existing issued Domestic Shares of the Company as at the Latest Practicable Date (including the Repurchased Shares);
- (ii) approximately 481.15% of the existing issued Domestic Shares of the Company as at the Latest Practicable Date (assuming the Repurchased Shares have been cancelled);
- (iii) approximately 289.31% of the total issued share capital of the Company as at the Latest Practicable Date (including the Repurchased Shares);
- (iv) approximately 291.21% of the total issued share capital of the Company as at the Latest Practicable Date (assuming the Repurchased Shares have been cancelled);
- (v) approximately 71.17% of the enlarged issued Domestic Shares of the Company upon completion of the Subscription and the Loan Conversion (including the Repurchased Shares and assuming there is no change to the number of issued Shares (other than the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares));
- (vi) approximately 71.28% of the enlarged issued Domestic Shares of the Company upon completion of the Subscription and the Loan Conversion (assuming the Repurchased Shares have been cancelled and there is no change to the number of issued Shares (other than the cancellation of the Repurchased Shares, the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares));

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (vii) approximately 64.90% of the total enlarged issued share capital of the Company upon completion of the Subscription and the Loan Conversion (including the Repurchased Shares and assuming there is no change to the number of issued Shares (other than the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares)); and
- (viii) approximately 65.00% of the total enlarged issued share capital of the Company upon completion of the Subscription and the Loan Conversion (assuming the Repurchased Shares have been cancelled and there is no change to the number of issued Shares (other than the cancellation of the Repurchased Shares, the issuance and allotment of the Subscription Shares and all the Loan Conversion Shares are issued together with the Subscription Shares)).

### **2. *The Subscription Consideration and Subscription Price***

The Subscription Consideration is RMB220 million, out of which RMB20 million has been paid in cash to the designated account of the Administrator by Guangsui Gold as the Deposit and the remaining RMB200 million shall be paid in cash by the Subscriber to the designated account of the Administrator within five (5) Business Days upon approval of the Reorganisation Scheme by the Court.

For the purpose of the Circular, all figures in HK\$ are calculated based on the exchange rate of HK\$1 to RMB0.86314 as quoted by the PBOC as at the Last Trading Day. The Subscription Price of approximately RMB0.1388 (equivalent to HK\$0.1608) per Subscription Share:

- (i) represents a discount of approximately 35.68% to the closing price of HK\$0.25 per Foreign Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) represents a discount of approximately 35.88% to the average closing price of HK\$0.2508 per Foreign Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) represents a premium of RMB6.2100 per Share over the audited net assets per Share of approximately RMB-6.0712 of the Group as at 31 December 2023 based on the Company's annual results announcement for the financial year ended 31 December 2023 and the number of Shares in issue as at the Latest Practicable Date; and
- (iv) represents a premium of RMB5.9847 per Share over the unaudited net assets per Share of approximately RMB-5.8459 of the Group as at 30 June 2024 based on the Company's interim results announcement for the six months ended 30 June 2024 and the number of Shares in issue as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### V. Our analysis on the Subscription Consideration and Subscription Price

As set out in the Letter from the Board, considering that (i) the Company is currently in bankruptcy reorganisation procedure, and if it is unable to introduce investors and complete the bankruptcy reorganisation, the reorganisation procedure of the Company will be terminated by the Court and the Company will be declared bankrupt by the Court, which will further damage the interests of the Creditors and other stakeholders of the Company and result in existing Shareholders' equity interests being zeroed out; (ii) the Group has recorded consecutive large losses for several years, and its net assets and net assets per share attributable to Shareholders (excluding the Repurchased Shares, which are subject to cancellation procedures in accordance with PRC laws) as of 31 December 2023 amounted to approximately RMB-3.325 billion and RMB-5.96, respectively; (iii) the Subscription Consideration translates to the total number of issued Shares being valued at approximately RMB340 million, which is higher than the market capitalization of the Shares being approximately RMB118 million before suspension as at the Last Trading Day; (iv) as part of the reorganisation investment proposal submitted by the Investors, Orient Securities Innovation has agreed to provide through a designated investment entity to be set up by Orient Securities Innovation a non-interest-bearing Liquidity Support of RMB199 million to the Company to supplement its working capital; and (v) it is expected that Guangsui Gold, as an industrial investor, can bring various benefits such as development resources and business cooperation opportunities to the Company, the reorganisation investment proposal (including the Subscription Consideration) submitted by the Investors is in the interests of the Company, the Shareholders and the Creditors as a whole, and the substantial discount of the Subscription Price to the market price of the Foreign Shares would be necessary to attract the Investors to participate in the Subscription for the rescue of the Company.

#### *(i) Historical price performance of the Foreign Shares*

At the request of the Company, following the designation of the Administrator, trading in the Foreign Shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 7 February 2023. The Company received a letter from the Stock Exchange respectively dated 2 March 2023 and 19 April 2023 in relation to the resumption guidance for the Company. The Company received a letter from the Stock Exchange dated 23 August 2024 stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A(1) of the Listing Rules as the Company had failed to fulfil all the resumption guidance. On 3 September 2024, the Company submitted an application requesting the decision be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules.

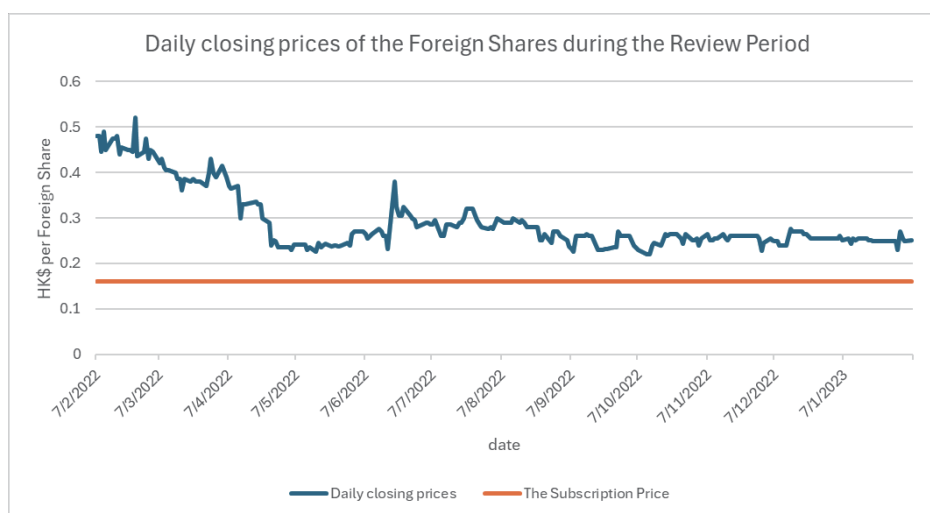
The Company received a letter from the Stock Exchange dated 1 November 2024 stating that the Listing Review Committee has decided to uphold the Listing Committee's decision to cancel the listing of the Company's Foreign Shares pursuant to Rule 6.01A(1) of the Listing Rules. On 4 November 2024, the Company was further informed by the Stock Exchange that the last day of listing of the Company's Foreign Shares is 13 November 2024 and the listing of the Company's Foreign Shares has been cancelled with effect from 9:00 a.m. on 14 November 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Despite that trading in the Foreign Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 7 February 2023 and the listing of the Foreign Shares has been cancelled with effect from 9:00 a.m. on 14 November 2024, for the purpose of assessing the fairness and reasonableness of the Subscription Price around the time it has been determined, we have reviewed the daily closing prices of the Foreign Shares for the period from 7 February 2022 (being 12 months prior to the Last Trading Day) and up to 6 February 2023, the Last Trading Day (the “**Review Period**”). We considered the Review Period to be (i) already the nearest period to the Last Trading Day and the subsequent date of the 24 July Announcement which set out, among other things, details of the Reorganisation Investment Arrangement including the Subscription Price; (ii) adequate to illustrate the price movement of the Foreign Shares prior to the announcement of the Subscription Price for conducting a reasonable comparison between the historical closing prices of the Foreign Shares prior to the Last Trading Day and the Subscription Price; (iii) and that such comparison is relevant for assessing the fairness and reasonableness of the Subscription Price, as the Foreign Share price before the Last Trading Day represents a fair market value of the Company which the Shareholders expected. The following chart sets out the daily closing prices of the Foreign Shares on the Stock Exchange during the Review Period:



The daily closing prices of the Foreign Shares ranged from HK\$0.22 to HK\$0.52 per Foreign Share during the Review Period. We noted that the daily closing prices of the Foreign Shares were generally decreasing during the Review Period. After reaching its peak during the Review Period of HK\$0.52 per Foreign Share on 24 February 2022, the daily closing prices of the Foreign Shares started to drop significantly, reaching HK\$0.232 per Foreign Share on 17 June 2022. After bouncing back to HK\$0.325 per Foreign Share on 24 June 2022, the daily closing prices of the Foreign Shares dropped again, reaching its bottom during the Review Period of HK\$0.22 per Foreign Share on 11 October 2022, and remained below HK\$0.275 per Foreign Share thereafter.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that the Subscription Price of approximately HK\$0.1608 (equivalent of approximately RMB0.1388) was below the daily closing prices of the Foreign Shares during the Review Period. However, it should be taken into account that (i) liquidation petition has been presented against the Company to the Court, and the Administrator has been designated and the Company has entered into bankruptcy reorganisation procedure subsequent to the Last Trading Day; (ii) the Company had poor performance and been in net current liabilities and net liabilities positions for / as at the end of the FY2021, FY2022, FY2023 and 6M2024; and (iii) trading in the Foreign Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 7 February 2023 and, at the material time, it was uncertain if trading in the Foreign Shares on the Stock Exchange can resume, such that we considered it fair and reasonable for the Subscriber to propose the Subscription Price at a discount of the daily closing prices of the Foreign Shares during the Review Period.

We have further considered that (i) the Investors and the Reorganisation Investment Arrangement (which includes the Subscription) were selected after reviews by the Administrator, the professional selection committee and the Creditors according to the procedure supervised by the Court following the relevant rules and court-mandated procedures; (ii) the Reorganisation Investment Arrangement, including the Subscription, is the best available option to the Company; (iii) the confirmation of reorganisation Investors and formulation of Draft Reorganisation Scheme were essential for the Company to obtain approval of and implement its final Reorganisation Scheme and avoid being bankrupt which, if materialize, could mean a total loss of the Shareholders' investments in the Foreign Shares; and (iv) the listing of the Company's Foreign Shares has been cancelled with effect from 9:00 a.m. on 14 November 2024, which will inevitably further lower the market value of the Foreign Shares when compared with its daily closing prices during the Review Period where it was still listed.

Based on the above, although the Subscription Price was below the daily closing prices of the Foreign Shares during the Review Period, we considered it to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) Historical trading liquidity of the Shares*

We have also reviewed the trading liquidity of the Foreign Shares during the Review Period, which is set out in the following table:

Month/period	Number of trading days	Average number of Foreign Shares traded daily (Approximately)	% of average number of Foreign Shares traded daily to the total number of Foreign Shares in issue as at the end of the month/period (Note)
<b>2022</b>			
February (since and including 7 February 2022)	16	359,263	0.1673%
March	23	248,417	0.1157%
April	18	126,922	0.0591%
May	20	31,810	0.0148%
June	21	92,276	0.0430%
July	20	46,550	0.0217%
August	23	53,878	0.0251%
September	21	51,543	0.0240%
October	20	17,760	0.0083%
November	22	17,491	0.0081%
December	20	16,340	0.0076%
<b>2023</b>			
January	18	21,711	0.0101%
February (up to and including 6 February 2023)	4	43,700	0.0203%
<b>Average</b>		86,743	0.0404%
<b>Maximum</b>		359,263	0.1673%
<b>Minimum</b>		16,340	0.0076%

*Note: Based on 214,789,800 Foreign Shares in issue during 7 February 2022 up to 6 February 2023.*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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From the table above, it is observed that the percentage of average number of Foreign Shares traded daily to the total number of Foreign Shares in issue as at the end of the month/period during the Review Period ranged from 0.0076% to 0.1673% only, with an average of 0.0404% only. We considered such liquidity to be low, and that it may reflect the lack of market interest in trading the Foreign Shares. The low liquidity of the Foreign Shares could make it difficult for the Company to conduct equity financing activities, as potential investors could be hindered by the lack of market interest in the Foreign Shares and hesitate in participating in equity financing activities of the Company. Therefore, we considered the Subscription, being a part of the Reorganisation Investment Arrangement, to be a good equity financing opportunity for the Company to settle its liabilities, reorganize its assets and improve its businesses.

### *(iii) Comparable transactions*

Although listing of the Company's Foreign Shares has been cancelled with effect from 9:00 a.m. on 14 November 2024, the Foreign Shares were still listed as at the date of the 24 July Announcement. Therefore, in assessing the fairness and reasonableness of the Subscription Price, we identified an exhaustive list of comparable transactions that fulfill the following criteria: (i) it involved an issuer listed on the Main Board of the Stock Exchange; (ii) it involved subscription / issue of new shares of the issuer with whitewash waiver application; (iii) the issuer was involved in winding-up petitions / creditors' scheme and with administrator / liquidator appointed at the time the subscription is carried out, and the subscription is a part of the restructuring scheme or proposal of the issuer; and (iv) the subscription is published by way of circular by the issuer during the period from 25 July 2022 to 24 July 2024, being the two year period immediately prior to the 24 July Announcement. Based on these criteria, we identified four comparable transactions (the "**Comparable Transactions**") as below and they are an exhaustive list of comparable transactions that fulfill the criteria above. We considered the selection criteria above fair and reasonable, and the Comparable Transactions appropriate, for the purpose of comparison with the Reorganisation Investment Arrangement (including the Subscription) because (i) the issuers of the Comparable Transactions were in similar conditions with the Company; (ii) the Comparable Transactions involved issue or subscription of new shares of the issuers for fund / resources / capital to be used for restructuring of the issuers, which is similar in principle to the Subscription under the Reorganisation Investment Arrangement; and (iii) the Comparable Transactions were published by circular within the two years immediately prior to the 24 July Announcement, a period we considered sufficient and close enough to reflect the then prevailing market conditions, such that we considered the Comparable Transactions to be appropriate comparisons with the Reorganisation Investment Arrangement (including the Subscription).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the circular	Company name	Stock code	Principal business	(Discount) of conversion price/ subscription price/issue price to closing share price/theoretical closing share price on/over	Last trading day	Last five trading days	Dilution effect of the relevant restructuring scheme or proposal (Note)
30 November 2023	SoftMedx Healthcare Limited	648	(i) The distribution of medical equipment and products in Hong Kong involving dental equipment and products; (ii) the provision of obstetric and gynecological services and in-vitro fertilization treatment in Hong Kong; (iii) the operation of eyecare and optical retail shops in Hong Kong; and (iv) the operation of sports and healthcare clubhouses in the PRC.		(97.4%)	(97.4%)	84.8%
23 June 2023	Fullsun International Holdings Group Co., Limited	627	Development and sale of residential and commercial properties in the PRC including Hong Kong.		(93.6%)	(92.4%)	92.0%
3 March 2023	China Bozza Development Holdings Limited	1069	Forestry management (i.e. plantation, logging and sale of timber related products), ginseng-related business (i.e. plantation and sale of ginseng) and investment holding.		(87.1%)	(87.6%)	84.6%
5 August 2022	China Wood International Holding Co., Limited	1822	(i) Sale and distribution of furniture wood, manufacturing and sales of antique style wood furniture and imported timber flooring processing businesses; and (ii) car rental business in the PRC.		(32.3%)	(29.5%)	90.1%

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the circular	Company name	Stock code	Principal business	(Discount) of conversion price/ subscription price/issue price to closing share price/theoretical closing share price on/over	Last trading day	Last five trading days	Dilution effect of the relevant restructuring scheme or proposal (Note)
14 April 2025	The Company	–	Apparel design, marketing and sales.				
				Maximum	(97.4%)	(97.4%)	92.0%
				Minimum	(32.3%)	(29.5%)	84.6%
				Average	(77.6%)	(76.7%)	87.9%
				Median	(90.4%)	(90.0%)	84.7%
					(35.68%)	(35.88%)	77.57%

*Note:* Calculated by (shareholding percentage of the respective public shareholders upon completion of the relevant restructuring scheme or proposal – shareholding percentage of the respective public shareholders immediately prior to the relevant restructuring scheme or proposal) then divided by the shareholding percentage of the respective public shareholders immediately prior to the relevant restructuring scheme or proposal. Any subsequent place down action is not considered.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the table above, the discount of conversion price/subscription price/issue price to closing share price/theoretical closing share price of the Comparable Transactions (i) on the last trading day ranged from 32.3% to 97.4%, with an average of approximately 77.6% and a median of approximately 90.4%; and (ii) over the five trading days immediately prior to the last trading day ranged from 29.5% to 97.4%, with an average of approximately 76.7% and a median of approximately 90.0%. The discount represented by the Subscription Price over the closing price of the Foreign Shares on the Last Trading Day and the average closing price of the Foreign Share for the five (5) consecutive trading days up to and including the Last Trading Day of 35.68% and 35.88%, respectively, are within the respective range of the Comparable Transactions, lower than their respective average and median, and are at the lower ends in terms of discount rate. Taken into account the above, and that (i) the low liquidity of the Foreign Shares during the Review Period which may reflect the lack of market interest in trading the Foreign Shares; (ii) that the Reorganisation Investment Arrangement, including the Subscription, is currently the best available option to the Company as discussed in the section headed “(iii) Financing alternatives considered by the Company” in this letter, we were of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

### **VI. Potential dilution effect of the Subscription**

As illustrated in the table in the section headed “Effects on the shareholding structure of the Company” in the Letter from the Board, the shareholding in the Company held by existing public Shareholders would be reduced from approximately 65.89% as at the Latest Practicable Date to approximately 16.93% immediately after the Subscription and approximately 14.78% immediately after the Subscription together with Loan Conversion, which represented a dilution effect of approximately 74.31% and 77.57% to the public Shareholders. Moreover, the Subscription will enable the Subscriber to acquire a controlling stake in the Company immediately upon Completion.

Nonetheless, we noted that the Company is in imminent need of funding to facilitate the bankruptcy reorganisation and support the capital requirements of the Group. We also noted that the Reorganisation Investment Arrangement (including the Subscription) is the best available option to the Company. We further noted that the dilution effects of the Comparable Transactions were all higher than the dilution effect of the Reorganisation Investment Arrangement (including the Subscription).

Therefore, we are of the view that the benefits of the Subscription outweigh the deep dilution effect of the Subscription and is acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### VII. Whitewash Waiver

As at the Latest Practicable Date, neither (i) Guangsui Gold and the Subscriber; (ii) any parties acting in concert with any of Guangsui Gold and the Subscriber; nor (iii) Orient Securities Innovation holds or is interested in any Shares. Immediately upon completion of the Subscription, Guangsui Gold and the Subscriber and parties acting in concert with any of them will hold 1,584,455,037 Domestic Shares, representing (i) 82.64% of the total number of Domestic Shares and 74.31% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares (assuming there is no change to the number of issued Shares other than the issuance and allotment of the Subscription Shares); and (ii) 71.17% of the total number of Domestic Shares and 64.90% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares and the Loan Conversion Shares (assuming there is no change to the number of issued Shares other than the issuance and allotment of the Subscription Shares and the Loan Conversion Shares). Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Guangsui Gold and the Subscriber and parties acting in concert with any of them unless the Whitewash Waiver is granted by the Executive. An application has been made by the Subscriber to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares. The Executive has indicated that it is minded to grant the Whitewash Waiver, subject to approval by Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver will be subject to, among other things, the approval of at least 75% of the votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% of the votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Subscription at the EGM by way of poll. As required by the Bankruptcy Law of the PRC, the “Adjustment Plan of the Capital Contributors’ Rights and Interests in the Draft Reorganisation Scheme”, which includes the Subscription, shall be approved by more than two-thirds of the votes of the Independent Shareholders.

Shareholders and potential investors should be aware that if the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, upon completion of the Subscription, Guangsui Gold and the Subscriber and parties acting in concert with any of them will hold more than 50% of the issued share capital of the Company. Hence, Guangsui Gold and the Subscriber and parties acting in concert with any of them may increase their shareholding of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

In view of that (i) the Subscription, being a part of the Reorganisation Investment Agreement, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole, due to the reasons set out in the section headed “III. Reasons for and benefits of the Subscription” in this letter; (ii) the Reorganisation Investment Arrangement, including the Subscription, is currently the best available option to the Company as discussed in the section headed “(iii) Financing alternatives considered by the Company” in this letter; and (iii) the terms of the Subscription are fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver is in the interests of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Company and the Independent Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned for the purpose of proceeding with the Subscription, being a part of the Reorganisation Investment Arrangement.

### RECOMMENDATION

Based on the above principal factors and reasons, we are of the opinion that, despite the Subscription, being a part of the Reorganisation Investment Arrangement, not being in the ordinary and usual course of business of the Group, (i) the terms of the Subscription are on normal commercial terms and (ii) the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription and the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**RED SOLAR CAPITAL LIMITED**  
**Leo Chan** **Ernest Lam**  
*Managing Director* *Managing Director*

*Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in corporate finance industry.*

*Mr. Ernest Lam is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.*

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## **APPENDIX I THE ADJUSTMENT PLAN OF THE CAPITAL CONTRIBUTORS' RIGHTS AND INTERESTS IN THE DRAFT REORGANISATION SCHEME**

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### **THE ADJUSTMENT PLAN OF CAPITAL CONTRIBUTORS' RIGHTS AND INTERESTS**

#### **I. NECESSITY OF THE ADJUSTMENT OF THE CAPITAL CONTRIBUTORS' RIGHTS AND INTERESTS**

1. La Chapelle has been severely insolvent. In the event of bankruptcy liquidation, the existing properties would not be able to settle all the debts, and the capital contributors' rights and interests will be zero. To avoid bankruptcy liquidation, with the support of reorganisation investors, capital contributors should share the reorganisation costs of La Chapelle with Creditors. Hence, the capital contributors' rights and interests were adjusted under the reorganisation scheme.

#### **II. Scope of the Adjustment of the Capital Contributors' Rights and Interests**

2. The capital contributors group of La Chapelle consists of all shareholders registered with the CSDC Beijing, the Central Clearing and Settlement System, and the Computershare Hong Kong Investor Services Limited by the record date specified in the announcement of the capital contributors group meeting. If the above shareholding status changes due to trading or non-trading reasons between the record date at the capital contributors group meeting and the completion of the adjustment plan of the capital contributors' rights and interests, the effect of the adjustment plan of the capital contributors' rights and interests shall apply to the transferee and/or successor of their shares. Among the domestic shares, 3,573,200 shares are pending cancellation and repurchase, with no voting rights.

#### **III. Contents of the Adjustment of the Capital Contributors' Rights and Interests**

##### **(1) Conversion of Capital Reserve**

3. Based on La Chapelle's existing total domestic share capital of 329,308,642 shares (excluding shares pending cancellation due to share repurchases), the conversion of capital reserve into share capital shall be implemented by way of issuance of 57.50 shares for every 10.00 shares, resulting in a total of 1,893,524,692 shares will be issued. Upon completion of the conversion of capital reserve, the domestic shares of La Chapelle will increase to 2,222,833,334 shares (the exact number of shares will be subject to the actual registration and confirmation with CSDC Beijing), and the total share capital will increase to 2,437,623,134 shares.

##### **(2) Use of the Converted Shares**

4. The increased domestic shares created by the aforementioned conversion will not be distributed to the original shareholders but will be used entirely to settle debts and introduce reorganisation investors. Among them, 309,069,655 shares will be allocated to creditors according to the



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## APPENDIX I THE ADJUSTMENT PLAN OF THE CAPITAL CONTRIBUTORS' RIGHTS AND INTERESTS IN THE DRAFT REORGANISATION SCHEME

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reorganization scheme to settle corresponding debts, mitigate La Chapelle's debt risks, preserve operating assets, and reduce the debt-to-asset ratio; 1,584,455,037 shares will be used to introduce reorganisation investors.

5. Among the converted shares, 1,584,455,037 shares will be conditionally transferred to Guangsui Gold in accordance with the Reorganisation Investment Agreement. The cash consideration of RMB 220 million to be paid by Guangsui Gold, the cash in the administrator's account, and the debt repayment resources determined by the reorganisation scheme will be used to cover bankruptcy expenses (including various costs incurred for implementing the reorganisation scheme that should be borne by La Chapelle), common interest debts, and debts to be settled in cash as stipulated by the reorganisation scheme.

### (3) Compliance and Regulatory Requirements

6. According to securities regulatory requirements and the Reorganisation Investment Agreement, the conversion of capital reserve by La Chapelle under the reorganisation scheme and the transfer of the converted shares to Guangsui Gold or its designated entity under the reorganisation scheme are subject to the satisfaction or waiver (as the case may be) of the following conditions precedent:
  - (i) the independent shareholders having passed the necessary resolutions at La Chapelle's general meeting to approve the acquisition of the converted shares, the specific mandate and the whitewash waiver by Guangsui Gold and/or its designated entity's.
  - (ii) the Hong Kong Securities and Futures Commission has granted the whitewash waiver, which has not been revoked or withdrawn, and any other necessary conditions (if any) attached to the whitewash waiver have been satisfied.
  - (iii) the reorganisation scheme has been approved by the Shanghai Third Intermediate People's Court.

Condition (i) (other than the whitewash waiver) and condition (iii) are non-waivable conditions precedent. Condition (i) (in respect of the whitewash waiver) and condition (ii) may be waived in whole or in part by Guangsui Gold. Once the relevant conditions precedent are satisfied or waived by Guangsui Gold, Guangsui Gold or its designated entity may proceed with the transaction to acquire the converted shares of La Chapelle under the reorganisation scheme, subject to the compliance with the Codes on Takeovers and Mergers and Share Buy-backs.

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## **APPENDIX I THE ADJUSTMENT PLAN OF THE CAPITAL CONTRIBUTORS' RIGHTS AND INTERESTS IN THE DRAFT REORGANISATION SCHEME**

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In addition, if the Codes on Takeovers and Mergers and Share Buy-backs no longer applies to La Chapelle before the completion of the conversion of capital reserve, condition (i) and (ii) will no longer constitute the conditions precedent for completion.

### **IV. Method of Convening the Capital Contributors Group Meeting and Voting**

7. La Chapelle will convene a capital contributors group meeting and an extraordinary general meeting to vote on the adjustment of the capital contributors' rights and interests, including the subscription and the specific mandate, with respect to the conversion of capital reserve and the use of converted shares to introduce reorganisation investors, and share repurchase against debts.
8. Given that La Chapelle may still be considered as a public company by the Hong Kong Securities and Futures Commission, and the conversion of capital reserve involved in the reorganisation will involve a resolution on whitewash waiver, a general meeting may be required to convene to vote on the resolution on whitewash waiver, regarding whether Guangsui Gold should be waived from the mandatory general offer obligation. Meanwhile, La Chapelle intends to dispose of low-efficiency assets that are less related to the main business, through legal means such as public auction, public sale, and transfer by agreement.
9. If the Codes on Takeovers and Mergers and Share Buy-backs no longer applies to La Chapelle before the shareholders group meeting or the extraordinary general meeting, the resolution on whitewash waiver and other resolutions required under Hong Kong regulatory rules will also no longer apply, subject to the requirements of the relevant regulatory rules.

### **V. EXPECTED OUTCOMES AFTER IMPLEMENTING THE ADJUSTMENT PLAN OF THE CAPITAL CONTRIBUTORS' RIGHTS AND INTERESTS**

10. According to the above adjustment plan of the capital contributors' rights and interests, the absolute number of shares of the company held by existing shareholders will not decrease due to the implementation of the reorganisation scheme. Separately, upon the completion of the reorganisation, with the resolution of the debt crisis, the alleviation of operational difficulties, and the support of reorganisation investors for the company's business development, La Chapelle is expected to restore its continuous operation and return to a healthy development track. The shares of La Chapelle held by all shareholders will also become a more valuable asset.

**1. FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Group for each of the years ended 31 December 2021, 2022 and 2023 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024 are disclosed in the following documents which have been published on the websites of Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.lachapelle.cn](http://www.lachapelle.cn)):

- (a) the audited consolidated financial statements of the Group for the year ended 31 December 2021 are disclosed in the annual report of the Company for the year ended 31 December 2021, from pages 72 to 260:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700477.pdf>
- (b) the audited consolidated financial statements of the Group for the year ended 31 December 2022 are disclosed in the annual report of the Company for the year ended 31 December 2022, from pages 67 to 248:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701049.pdf>
- (c) the audited consolidated financial statements of the Group for the year ended 31 December 2023 are disclosed in the annual report of the Company for the year ended 31 December 2023, from pages 59 to 234:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042904969.pdf>
- (d) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024 are disclosed in the interim report of the Company for the six months ended 30 June 2024, from pages 27 to 188:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0927/2024092700589.pdf>

## Summary of financial information of the Group

The following is a summary of the financial information of the Group for each of three years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2024 as extracted from the relevant annual reports and interim report of the Company:

	For the year ended 31 December 2021 <i>RMB'000</i> (Audited)	For the year ended 31 December 2022 <i>RMB'000</i> (Audited)	For the year ended 31 December 2023 <i>RMB'000</i> (Audited)	For the six months ended 30 June 2024 <i>RMB'000</i> (Unaudited)
Revenue	430,128	197,841	170,233	69,354
Profit before tax	(835,686)	(1,074,224)	(750,831)	(68,428)
Income tax expenses	<u>(12,924)</u>	<u>(450)</u>	<u>2,479</u>	<u>(28,026)</u>
Net profit attributable to:				
owners of the Company	(821,280)	(1,071,973)	(737,450)	(13,341)
non-controlling interests	<u>(1,482)</u>	<u>(1,801)</u>	<u>(15,860)</u>	<u>(27,061)</u>
	<u><u>(822,762)</u></u>	<u><u>(1,073,774)</u></u>	<u><u>(753,310)</u></u>	<u><u>(40,402)</u></u>
Total comprehensive income attributable to:				
owners of the Company	(823,440)	(1,074,553)	(737,450)	(13,341)
non-controlling interests	<u>(1,482)</u>	<u>(1,801)</u>	<u>(15,860)</u>	<u>(27,061)</u>
	<u><u>(824,922)</u></u>	<u><u>(1,076,354)</u></u>	<u><u>(753,310)</u></u>	<u><u>(40,402)</u></u>
Earnings per share (expressed in RMB per share)	(1.51)	(1.97)	(1.36)	(0.02)
Dividend distributed to owners of the Company	Nil	Nil	Nil	Nil

**Extracts from Audit Report**

The auditors of the Company for the three years ended 31 December 2023 is Da Hua Certified Public Accountants (Special General Partnership). Relevant extracts of the audit report in respect of the audit opinions for the consolidated financial statements of the Group for each of the three years ended 31 December 2021, 2022 and 2023 are reproduced below:

**For the year ended 31 December 2021****“BASIS FOR QUALIFIED OPINION***Effect of comparative figures on financial statement as a result of losing control over foreign subsidiaries*

On 25 February 2020, FASHION I, a subsidiary of La Chapelle, was taken over by HTI Advisory Company Limited due to overdue of loan payments, La Chapelle lost control of FASHION I and its subsidiaries APPAREL I, APPAREL II and Naf Naf SAS. Naf Naf SAS was transferred to judicial liquidation on 19 June 2020 (local time in France) and this liquidation progress has not been settled as of the reporting date. The consolidated statements of La Chapelle for fiscal year 2020 recognized a loss based on the net assets of the above company.

As a result of the above, we were unable to obtain the relevant financial information of the foreign subsidiary as of the date of the audit report, and we were unable to audit the accounting statements of FASHION I and its subsidiaries for fiscal year 2020, so we are unable to judge the impact of this matter on the comparability of the corresponding data for the current period.

*Litigation*

As described in Note XII/(II)/1 “Litigation Matters” section of the financial statements, the amount of unadjudicated litigation and arbitration was RMB465,588 thousand as of 31 December 2021, due to the debt default of La Chapelle, of which the amount of the litigation and arbitration for which judgment was handed down as of the audit report date was RMB17,124 thousand. As described in Note XIII/(I)/1 “Effects of New Litigation or Arbitration” section of the financial statements, from 1 January 2022 to the report date, lawsuits involving a total amount of RMB23,625 thousand were filed against La Chapelle. Because the number of cases and amounts of lawsuit continue to increase, we are unable to obtain sufficient and appropriate audit evidence to determine the potential loss arising from the litigation matters, and the accuracy and completeness of the estimated liabilities related.

We conducted our audit in accordance with CRAAS (China Registered Accountants Auditing Standards). Our responsibilities under these standards are further described in the “Responsibilities of Certified Public Accountants for the Audit of Financial Statements” section of our audit report. We are independent of La Chapelle and have fulfilled our other responsibilities in accordance with the Code of Ethics for Certified Public Accountants in China. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw the attention of the users of the financial statements to the fact that, as described in Note III/(II) “Going concern” of the financial statements, La Chapelle incurred a net loss of RMB822,762 thousand in fiscal year 2021 and had recorded loss for three consecutive years; as of 31 December 2021, La Chapelle’s total liabilities were higher than its total assets of RMB1,509,570 thousand. La Chapelle is facing litigation matters, its major bank accounts and equity interests in subsidiaries have been frozen and real estate has been seized due to large outstanding debts; La Chapelle has also been listed as a defaulter. These matters or circumstances, together with the contingencies listed in Note XII/(II) “The Significant Contingencies Existing at the Balance Sheet Date” of the financial statements, indicate that a material uncertainty that may cast significant doubt on the ability of La Chapelle to continue as a going concern. This matter does not affect the issued audit opinion.”

**For the year ended 31 December 2022****“BASIS FOR DISCLAIMER OF OPINION***Significant uncertainty of going concern*

La Chapelle has incurred a net loss of RMB1,073,774 thousand in 2022 and has sustained losses for five consecutive years. As of December 31, 2022, La Chapelle’s total liabilities exceeded its total assets by RMB2,573,209 thousand. Due to failure to repay overdue debts, La Chapelle is facing multiple litigations with its main bank accounts and equity interests in its subsidiaries being frozen and real estate being seized, and La Chapelle is listed as a discredited debtor. As mentioned in “Other important matter – Other important matters to be disclosed” in Note 14 to the financial statements, On 2 February 2023, the court has accepted the bankruptcy liquidation application filed against La Chapelle by Shanghai Qihui Enterprise Management Co., Ltd. and appointed administrator, and La Chapelle has entered into bankruptcy liquidation proceedings. As of the date of our report, La Chapelle is still under bankruptcy liquidation status.

As disclosed in “Basis for preparation of the financial statements” note 2 to the financial statements, at present, the main business of La Chapelle is running normally, and its operation and management are in good order. The board of directors and management are also actively planning to promote the bankruptcy liquidation into reorganization procedure in order to completely solve the historical debt burden of the Company. Therefore, La Chapelle’s management has prepared its financial statements on going concern basis and plans to take measures to improve La Chapelle’s financial position.

However, La Chapelle has not yet completed its reorganization plan, and it is uncertain whether such plan will be approved by its creditors, whether the necessary pre-approval procedures for the bankruptcy reorganization can be completed, whether the subsequent application for bankruptcy reorganization will be accepted by the court or whether the court will rule for it to enter into the reorganization procedures. The circumstances of the above indicate that there is significant uncertainty regarding the Company’s continued operation.

We were unable to obtain sufficient and appropriate audit evidence to determine whether it is appropriate for La Chapelle to prepare its 2022 financial statements on going concern basis.

*Litigation matters*

As disclosed in “Litigation Matters” in note 11-2-1 in the financial statements, due to La Chapelle’s default in repaying debt, the amount of unadjudicated litigation was RMB741,821 thousand as of 31 December 2022, and the amount of the adjudicated litigation was RMB465 thousand as of the date of audit report. Also as disclosed in “Effects of New Litigation or Arbitration” in note 12-1-1 of the financial statements, from 1 January 2023 to the report date, new litigations cases involving a total amount of RMB76,576 thousand were filed against La Chapelle.

Wholly owned subsidiaries of La Chapelle, Shanghai Weile Apparel Co., Ltd. and Shanghai Leou Apparel Co., Ltd. entered into bankruptcy and liquidation progress in July 2022, and their financial data was no longer included in the consolidated financial statements of La Chapelle after it lost control over them. As of December 31, 2022, among the outstanding lawsuits of La Chapelle, there are cases where the above two companies have assumed guarantee obligations for or received guarantee from La Chapelle and other subsidiaries within the scope of consolidation. Some of these creditors have declared their claims to the above two companies, and if they cannot be fully repaid, the outstanding portion will be recovered from La Chapelle and its subsidiaries.

Although La Chapelle has made the necessary presentation of the effects of certain litigation matters in the financial statements, we were unable to obtain sufficient and appropriate audit evidence to determine the potential loss from such litigation matters and the accuracy and completeness of the estimated liabilities related to such litigation and arbitration due to the complexity of litigation matters and the uncertainty of their outcome; such as the amount involved in these litigation matter, amount of default payment and the completeness of the litigation matters.”

**For the year ended 31 December 2023**

**“BASIS FOR DISCLAIMER OF OPINION**

*Going Concern*

On February 2, 2023, the Shanghai Third Intermediate People’s Court accepted the bankruptcy liquidation application filed against La Chapelle by its creditors and appointed administrator, and La Chapelle has entered into bankruptcy liquidation proceedings. On September 12, 2023, the Shanghai Third Intermediate People’s Court ruled that La Chapelle has entered into bankruptcy reorganisation proceedings, and as at the date of this report, La Chapelle is still under bankruptcy reorganisation status.

As stated in note 2 to the financial statements “Basis of Preparation of Financial Statements”, at present, the main business of La Chapelle is running normally, and its operation and management are in good order. The board of directors and management are



actively cooperating with the administrator to expedite the bankruptcy reorganisation procedures in order to completely resolve the historical debt burden of the Company. Therefore, La Chapelle's management has prepared its financial statements on a going concern basis. However, as at the date of this report, it is uncertain whether La Chapelle's reorganisation proposal will be approved by the creditors, whether the corresponding reorganisation plan will be approved by the court and whether the bankruptcy reorganisation proceedings will be successfully terminated. In view of the impact of the above circumstances, it indicates that there is a material uncertainty in the continuing operation of the Company.

We were unable to obtain sufficient and appropriate audit evidence to determine whether it is appropriate for La Chapelle to prepare its 2023 financial statements on going concern basis.

*Recognition of the amount of claims and debts related to the litigation*

La Chapelle Company has been in judicial proceedings since February 2, 2023. Its wholly-owned subsidiary Shanghai Weile Fashion Co., Ltd.\* (上海微樂服飾有限公司) has entered into bankruptcy liquidation procedures in 2022, and its wholly-owned subsidiaries Nuoxing (Shanghai) Clothing Co., Ltd.\* (諾杏(上海)服飾有限公司), Shanghai La Chapelle Casual Fashion Co., Ltd.\* (上海拉夏貝爾休閒服飾有限公司) and La Chapelle Fashion (Taicang) Co., Ltd.\* (拉夏貝爾服飾(太倉)有限公司) and its subsidiaries have entered into bankruptcy liquidation procedures or bankruptcy reorganisation procedures in 2023 respectively. La Chapelle and its other subsidiaries within the scope of consolidation have assumed mutual guarantee obligations or undertake joint and several liability obligations, and the creditors have declared their claims to the aforementioned companies. If debts cannot be fully repaid, the outstanding portion will be recovered from La Chapelle and its other subsidiaries.

Due to the complexity of litigation matters, the uncertainty of the outcome of litigation matters, the difficulty to confirm the amount of liquidated damages and the penalty interests for delays, and the length of the judicial process, we were unable to perform the external confirmations procedures in full or obtain a satisfactory response to the external confirmations procedures that were performed.

We were unable to obtain sufficient and appropriate audit evidence to determine whether the estimated liabilities related to litigation was correct.”

## 2. INDEBTEDNESS STATEMENT

Prior to the publication date of this circular, the latest practicable date of this statement of indebtedness was 28 February 2025. The total debt of the Group amounted to approximately RMB4.01 billion. Save as otherwise disclosed herein, as of 28 February 2025, apart from intra-group liabilities, the Group did not have any of the followings of significance:

- (1) debt securities that have been issued and outstanding, authorized, or otherwise incurred but not yet issued;

- (2) term loans;
- (3) material borrowings or liabilities of the Group categorised as borrowings, including bank overdrafts and acceptance liabilities (other than normal trade notes), acceptance credits, instalment payment commitments (other than those arising in the ordinary course of business) or lease liabilities;
- (4) mortgages or pledges; or
- (5) contingent liabilities or guarantees.

### Breakdowns of Material Debts

Items	Amounts
	<i>(Unit: RMB thousand)</i>
Guaranteed borrowings (note 1)	54,000
Secured and guaranteed borrowings (note 2)	473,598
Secured, pledged, and guaranteed borrowings (note 3)	550,000
Other guaranteed borrowings (note 4)	502,812
Lease liabilities (note 5)	3,262
Estimated liabilities	827
Debts payable (note 6)	2,427,014
Contingent liabilities (note 7)	
Total	4,011,513

#### Notes:

- (1) Guaranteed borrowings of RMB54,000 thousand were short-term borrowings between the Company and Bank of Communications Co., Ltd. Shanghai Zhabei Sub-branch. Subsequently, Bank of Communications Co., Ltd. Shanghai Zhabei Sub-branch transferred all principal debts, secured debts, guaranteed debts and related costs involved in the borrowings to China Huarong Asset Management Co., Ltd.
- (2) Mortgage and guaranteed borrowings of RMB11,198 thousand represented short-term borrowings between the Company and CITIC Bank Co., Ltd. Taifu Plaza Sub-branch. The borrowings amounted to RMB81,348 thousand at the beginning of the period, of which RMB70,150 thousand was reimbursed by auction of the collateral under the name of Chengdu Lewei Fashion Co., Ltd. (成都樂微服飾有限公司), with the balance of the borrowings remaining guaranteed by other subsidiaries. Secured and guaranteed loans of RMB184,000 thousand represented the short-term borrowings between the Company and China Everbright Bank Co., Ltd. Shanghai Caohejing Development Zone Sub-branch, secured and guaranteed by the property assets of La Chapelle Fashion (Tianjin) Co., Ltd., a subsidiary of the Company. Secured and guaranteed borrowings amounting to RMB278,400 thousand represented the short-term borrowings between the Company and Bank of Communications Co., Ltd. Shanghai Zhabei Sub-branch and Jing'an Sub-branch, secured and guaranteed by the property assets of Shanghai Weile Fashion Co., Ltd. (上海微樂服飾有限公司), a former subsidiary of the Company.
- (3) Secured, pledged, and guaranteed borrowings of RMB550,000 thousand were entrusted loans obtained by Xinjiang Tongrong Fashion Co., Ltd. (新疆通融服飾有限公司), a subsidiary of the Company, from Bank of Urumqi Co., Ltd. Urumqi Siping Road Technology Branch (烏魯木齊銀行股份有限公司烏魯木齊四平路科技支行) with the entrusting party being Urumqi High-tech Investment Development Group Co., Ltd. (烏魯木齊高新投資發展集團有限公司). The Company acted as the guarantor for the borrowings, while La Chapelle Fashion (Taicang) Co., Ltd. (拉夏貝爾服飾(太倉)有限公司), a former subsidiary of

the Company, provided the property assets under its name as collaterals, and Taicang Jiachang Storage Co., Ltd. (太倉嘉裳倉儲有限公司), a former subsidiary of the Company, provided the pledge on its 100% equity interests.

- (4) Other guaranteed borrowings of RMB502,812 thousand incurred from the principal, interest, and other fees related to the guaranteed borrowings from LaCha Fashion I Limited, a former subsidiary of the Company, to Gemstone Advantage Limited.
- (5) Unsettled lease payments related to the Group's usage of stores and warehouses amounted to approximately RMB988 thousand and RMB2,274 thousand, respectively.
- (6) Debts payable of RMB2,427,014 thousand mainly consisted of unpaid debts arising from daily operating activities, interest payable to financial institutions, taxes payable, tax overdue payments, etc.
- (7) Shanghai Weile Fashion Co., Ltd. (上海微樂服飾有限公司), a former subsidiary of the Company, pledged the property assets under its name to secure the borrowings of RMB347,776 thousand from China Huarong Asset Management Co., Ltd., for which the Company provided a guarantee. As the Company is currently undergoing bankruptcy reorganization, China Huarong Asset Management Co., Ltd., the creditor, has filed a claim against the Company for the guaranteed debt, including the principal of RMB347,776 thousand and the interest of RMB68,636 thousand. To date, as the draft of the Company's reorganization scheme has not obtained the court approval, such guaranteed liabilities are likely to result in contingent liabilities.

### **3. MATERIAL CHANGE**

Save as the Reorganisation Investment Arrangement and the delisting of Foreign Shares, further details of which are set out in this circular, as at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information in relation to the Subscriber and Guangsui Gold) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the sole director of Guangsui Gold) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

As of the Latest Practicable Date, the Subscriber does not have any directors and the sole director of Guangsui Gold is Wang Guoliang.

The information in relation to the Subscriber and Guangsui Gold contained in this circular has been supplied by the sole director of Guangsui Gold. The sole director of Guangsui Gold jointly and severally accepts full responsibility for the accuracy of the information contained in this circular (other than the information in relation to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed (other than those expressed by the Directors) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

**2. MARKET PRICES**

Trading in the Foreign Shares on the Stock Exchange was suspended since 7 February 2023 and the Foreign Shares have been delisted with effect from 14 November 2024. The closing price of the Foreign Shares as quoted on the Stock Exchange on the Last Trading Day was HK\$0.25.

Trading in the Domestic Shares on the National Equities Exchange and Quotations has been suspended since 6 February 2023 and has remain suspended as at the Latest Practicable Date. The closing price of the Domestic Shares as quoted on the National Equities Exchange and Quotations on the last business day before 6 February 2023 was RMB0.60.

### 3. SHARE CAPITAL

The registered and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Subscription and Loan Conversion are set out below:

	As at the Latest Practicable Date		Immediately after completion of the Subscription and Loan Conversion	
	Registered capital	Issued and fully paid or credited as fully paid	Registered capital	Issued and fully paid or credited as fully paid
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Domestic Shares	332,881,842	332,881,842	2,226,406,534	2,226,406,534
Foreign Shares	214,789,800	214,789,800	214,789,800	214,789,800
Total	547,671,642	547,671,642	2,441,196,334	2,441,196,334

The Subscription Shares and Loan Conversion Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with all other existing Domestic Shares and Foreign Shares in issue, and together with the right to receive the dividends and other distributions the record date for which is on or after the date of completion of the Subscription.

Since 31 December 2024 (being the end of the last financial year of the Company) and up to and including the Latest Practicable Date, the Company has not issued any Shares. As at the Latest Practicable Date, the Company had no outstanding convertible securities, options, warrants, derivatives or conversion rights in issue which are convertible or exchangeable into Shares or which affect the Shares.

### 4. DISCLOSURE OF INTERESTS

#### (i) Directors, Supervisors and Chief Executive' Interests

As at the Latest Practicable Date, none of the Directors, Supervisors and the chief executive of the Company have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such positions of the SFO); (ii) recorded in the register required to be kept under section 352 of the SFO; or (iii) required to be disclosed under the Takeovers Code.

## (ii) Substantial Shareholders' Interests

As at the Latest Practicable Date, the following persons had interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest and capacity	Number of Shares interested <sup>(6)</sup>	Approximate percentage shareholding in the relevant class of Shares as at the Latest Practicable Date	Approximate percentage shareholding in the total issued Shares as at the Latest Practicable Date
Shanghai Qijin Enterprise Management Partnership LLP* (上海其錦企業管理合夥企業(有限合夥)) <sup>(1)</sup>	Beneficial owner	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Lijin Asset Management Co., Ltd.* (杭州文盛勵錦資產管理有限公司) <sup>(1)</sup>	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Xiangwen Asset Management Co., Ltd.* (杭州文盛祥文資產管理有限公司) <sup>(1)</sup>	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Shanghai Wensheng Asset Management Co., Ltd.* (上海文盛資產管理股份有限公司) <sup>(1)</sup>	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
	Beneficial owner	21,600,000 Domestic Shares (L)	6.49%	3.94%
Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry* (證券行業支持民企系列之海通證券資管1號FOF單一資產管理計劃) <sup>(2)</sup>	Beneficial owner	80,000,000 Domestic Shares (L)	24.03%	14.61%
China Merchants Asset Management, Construction and Investment Overseas No. 1 Overseas Single Asset Management Plan* (招商資管建投海外1號海外單一資產管理計劃)	Others	11,400,000 Foreign Shares (L)	5.31%	2.08%
China Cinda Asset Management Co., Ltd. <sup>(3)</sup>	Interest in controlled corporation	49,597,132 Foreign Shares (L)	23.09%	9.06%
Ningbo Meishan Free Trade Zone Jinxin Changtai Investment Partnership (Limited Partnership)* (寧波梅山保稅港區金信昌泰投資(有限合夥)) <sup>(4)</sup>	Beneficiary of a trust	22,150,000 Foreign Shares (L)	10.31%	4.04%
Zhejiang Longsheng Group Co., Ltd.* (浙江龍盛集團股份有限公司) <sup>(5)</sup>	Interest in controlled corporation	22,236,800 Foreign Shares (L)	10.35%	4.06%
Senda International Capital Limited (盛達國際資本有限公司) <sup>(5)</sup>	Beneficial owner	16,630,800 Foreign Shares (L)	7.74%	3.04%

*Notes:*

- (1) Shanghai Wensheng directly holds 21,600,000 Domestic Shares and is deemed to be interested in 85,200,000 Domestic Shares held by Shanghai Qijin Enterprise Management Partnership LLP\* (上海其錦企業管理合夥企業(有限合夥)) (“**Shanghai Qijin**”). Shanghai Wensheng is deemed to be interested in the Domestic Shares held by Shanghai Qijin because Hangzhou Wensheng Xiangwen Asset Management Co., Ltd.\* (杭州文盛祥文資產管理有限公司), a subsidiary of Shanghai Wensheng is the limited partner of Shanghai Qijin, and Hangzhou Wensheng Lijin Asset Management Co., Ltd.\* (杭州文盛勵錦資產管理有限公司), a wholly-owned subsidiary of Shanghai Wensheng is the general partner of Shanghai Qijin.
- (2) Shanghai Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry\* (證券行業支持民企系列之海通證券資管1號FOF單一資產管理計劃) managed by Haitong Securities Asset Management Co., Ltd.\* (上海海通證券資產管理有限公司) directly holds 80,000,000 Domestic Shares.
- (3) China Cinda Asset Management Co., Ltd. was deemed to be interested in an aggregate of 49,597,132 Foreign Shares of the Company by virtue of the SFO. Those interests are held through Cinda Investment Co., Ltd., Hainan Jianxin Investment Management Co., Ltd. and Jinxin Changtai Investment Partnership in Meishan Bonded Port Area, Ningbo (Limited Partnership).
- (4) Ningbo Meishan Free Trade Zone Jinxin Changtai Investment Partnership (Limited Partnership)\* (寧波梅山保稅港區金信昌泰投資(有限合夥)) invested in Foreign Shares of the Company as an asset principal through China Merchants Asset Management, Construction and Investment Overseas No. 1 Single Asset Management Plan.
- (5) These Foreign Shares were held by Senda International Capital Limited and Well Prospering Limited, being wholly-owned subsidiaries of Zhejiang Longsheng Group Co., Ltd.\* (浙江龍盛集團股份有限公司), which held 16,630,800 Foreign Shares and 5,606,000 Foreign Shares respectively.
- (6) The letter “L” denotes the person’s or entity’s long position in Shares.

As at the Latest Practicable Date, saved as disclosed above, so far as was known to the Company, no person other than a Director, Supervisor or the chief executive of the Company had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the Company had entered into the following service contracts with the Directors:

Name	Position	Term	Amount of remuneration per annum (RMB)
Mr. Zhao Jinwen	Executive Director	From 17 April 2023 to the	600,000
Ms. Zhang Ying	Executive Director	expiry date of the term	0 <i>Note (1)</i>
Mr. Zhu Fengwei	Executive Director	of the fifth session of	0 <i>Note (2)</i>
Ms. Wang Yan	Non-executive Director	the Board (being 16	200,000
Mr. Xing Jiangze	Independent non-executive Director	April 2026)	200,000
Ms. Chow Yue Hwa Jade	Independent non-executive Director		200,000
Ms. Yang Linyan	Independent non-executive Director		200,000

*Notes:*

- (1) Ms. Zhang Ying concurrently serves as the executive Director and the president of the Company. She will not receive any remuneration for serving as the executive Director. Her remuneration for serving as the president of the Company amounts to RMB1,440,000 per annum (before tax and excluding social insurance and housing funds).
- (2) Mr. Zhu Fengwei concurrently serves as the executive Director and the secretary to the Board of the Company. He will not receive any remuneration for serving as the executive Director. His remuneration for serving as secretary to the Board of the Company amounts to RMB780,000 per annum (before tax and excluding social insurance and housing funds).

Saved as disclosed above, there is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the date of the 24 July Announcement; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

## 6. MATERIAL LITIGATION

As at Latest Practicable Date, the material litigation or arbitration that the Company or its subsidiaries involved in sets out as follows:

- a) As a result of disputes over financial loan agreements, China CITIC Bank Corporation Limited Shanghai Branch\* (中信银行股份有限公司上海分行) sued the Company and its subsidiaries. The enforcement of the case has been completed and the case is closed by the court. For details, please refer to the announcements

of the Company dated 5 March 2021, 6 August 2021 and 25 April 2022 and the announcements of the administrator of the Company dated 16 June 2023, 18 July 2023, 21 July 2023, 8 August 2023 and 19 December 2023.

- b) As a result of disputes over financial borrowing agreements, Shanghai Caohejing Hi-tech Park Subbranch of China Everbright Bank Co., Ltd.\* (中國光大銀行股份有限公司上海漕河涇開發區支行) (“**China Everbright Caohejing**”) sued the Company and its subsidiaries. China Everbright Caohejing has applied to the court for compulsory enforcement, and the court held that the real estate located at No. 24, Xinghua Fourth Branch Road, Dasi Town, Xiqing District, Tianjin, the PRC\* (天津市西青區大寺鎮興華四支路24號) under the name of La Chapelle (Tianjin) Co., Ltd.\* (拉夏貝爾服飾(天津)有限公司), shall be accessed and auctioned. The above-mentioned real estate was put up for the first and second online judicial auction and judicial sale respectively, which all failed to find any buyers. For details, please refer to the announcements of the Company dated 25 January 2021, 29 April 2021, 25 June 2021, 31 December 2021 and 28 December 2022 and the announcements of the administrator of the Company dated 17 February 2023, 22 March 2023, 12 May 2023, 3 July 2023 and 9 October 2023.
- c) As a result of disputes over financial loan agreements, China Huarong Asset Management Co., Ltd.\* (中國華融資產管理股份有限公司) (currently re-named as China CITIC Financial Asset Management Co., Ltd. (中國中信金融資產管理股份有限公司)) sued the Company and its wholly-owned subsidiaries, and the Company received the first instance judgements and enforcement notice. For details, please refer to the overseas regulatory announcement of the Company dated 22 June 2018, the announcements of the Company dated 8 February 2021, 16 December 2022 and 1 February 2023 and the announcements of the administrator of the Company dated 1 March 2023, 7 July 2023, 1 August 2023 and 11 September 2024.
- d) As a result of disputes over guarantee agreement, China Huarong Asset Management Co., Ltd.\* (中國華融資產管理股份有限公司) sued the Company, and the Company received a first instance judgement. For details, please refer to the overseas regulatory announcement of the Company dated 22 June 2018, the announcements of the Company dated 8 February 2021, 16 December 2022 and 16 January 2023 and the announcement of the administrator of the Company dated 1 August 2023.
- e) As a result of a dispute over a property lease agreement, Nanbu County Mei Hao Jia Yuan Real Estate Development Co., Ltd.\* (南部縣美好家園房地產開發有限公司) applied for reopening retrial of its claim against the subsidiaries of the Company, and the subsidiaries of the Company received the reopening retrial judgement. For details, please refer to the announcements of the Company dated 17 June 2019, 15 October 2019, 7 November 2019, 10 March 2020, 12 January 2021, 18 March 2021, 27 May 2021, 22 October 2021 and 24 June 2022 and the announcement of the administrator of the Company dated 28 July 2023.

- f) In May 2019, the Company pledged 100% of its equity interest in a former wholly-owned subsidiary LaCha Fashion I Limited (“**LaCha Fashion I**”), 100% of its equity interest in LaCha Apparel II Sarl (“**LaCha Apparel II**”), and 100% of its equity interest in Naf Naf SAS to Gemstone Advantage Limited (previously under the name of HTI ADVISORY COMPANY LIMITED) (“**Gemstone Advantage**”) for a loan of EUR37.4 million to fund the consideration for acquiring 60% equity interest in Naf Naf SAS. The Company accepted joint and several liability for the loan. For details, please refer to the Company’s announcement dated 22 May 2019. Subsequently, due to the Company’s liquidity difficulties and the deterioration of Naf Naf SAS’s operating conditions, the Company failed to repay the loan on time.

On 25 February 2020, Gemstone Advantage took over LaCha Fashion I. As a result, the Company was unable to control or exert any influence on it, and therefore lost actual control of it, thereby also losing control over LaCha Fashion I’s subsidiaries, i.e. APPAREL I, APPAREL II and Naf Naf SAS. Gemstone Advantage has commenced proceedings requesting that the Company and its subsidiaries be ordered to be jointly and severally liable for the repayment of the loan. Afterwards, Gemstone Advantage withdrew the case and then filed a new case, which was later withdrawn again. For details, please refer to the Company’s announcements or the announcements of the administrator of the Company dated 25 September 2020, 31 August 2022, 16 January 2023, 17 January 2023 and 16 May 2023.

- g) As a result of a dispute over an entrusted loan agreement, Urumqi High-tech Investment Development Group Co., Ltd.\* (烏魯木齊高新投資發展集團有限公司) sued the Company and its subsidiaries, and the first instance judgement, Enforcement Notice\* (《執行裁定書》), and “Notice of Assessment and Auction”\* (《評估拍賣通知書》) were received in 2021. In February 2023, the Company received the Enforcement Notice\* (《執行裁定書》), which ruled to auction the real estate under the name of La Chapelle Taicang, the Company’s former wholly-owned subsidiary, which is located at No. 116 Guangzhou East Road, Taicang\* (太倉市廣州東路116號) and the structures thereon. As La Chapelle Taicang has entered into a bankruptcy reorganisation procedure, and the above-mentioned auction has been withdrawn.

For details, please refer to the announcements of the Company dated 27 November 2019, 7 December 2020, 12 January 2021, 19 January 2021, 23 April 2021, 16 August 2021, 20 December 2021 and 2 February 2023, and the announcements of the administrator of the Company dated 15 February 2023 and 8 March 2023.

- h) As a result of a dispute over a construction agreement, Shanghai Construction No. 2 (Group) Co., Ltd.\* (上海建工二建集團有限公司) (“**Shanghai Construction**”) claimed against the Company and its subsidiary. Since the Company’s wholly owned subsidiary, Shanghai Weile did not pay the first instalment of the construction price of RMB5 million to Shanghai Construction, Shanghai Construction has applied to Shanghai No. 1 Intermediate People’s Court for

compulsory enforcement, and the said case has entered into the stage of application for compulsory enforcement. For details, please refer to the announcements of the Company dated 9 December 2020, 29 April 2021, 17 May 2021, 9 June 2021, 30 June 2021, 3 July 2022 and 22 July 2022.

- i) As a result of a dispute over a clothing sale and purchase agreement, Xinjiang Hengding International Supply Chain Technology Co., Ltd.\* (新疆恒鼎國際供應鏈科技有限公司) sued the Company and its subsidiaries. On 7 December 2021, the first instance judgement from the court was received. For details, please refer to the announcements of the Company dated 27 November 2019, 7 December 2020, 12 January 2021, 19 January 2021, 28 January 2021, 9 March 2021, 28 January 2021, 23 February 2021, 24 February 2021, and 7 December 2021.

## 7. MATERIAL CONTRACTS OF THE GROUP

During the two years immediately preceding 24 July 2024 (being the date of the 24 July Announcement) and up to and including the Latest Practicable Date, save for the Reorganisation Investment Agreement, the Group has not entered into any other material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group).

## 8. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

Name	Qualifications
Red Solar Capital Limited	Licensed 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, Red Solar Capital Limited did not have any direct or indirect shareholdings in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, nor any interests, directly or indirectly, in any assets which had been acquired, disposed of or leased to or to which were proposed to be acquired, disposed of or leased to the Group or any of their respective subsidiaries, respectively, since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Group were made up.

Red Solar Capital Limited has given its written consent and has not withdrawn its written consent to the issue of this circular with all inclusion therein of its letter and references to its name in the form and context in which it appears.

**9. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE**

As at the Latest Practicable Date, the Subscriber has confirmed that:

- (a) There was no agreement, arrangement or understanding pursuant to which the Subscription Shares to be issued to the Subscriber under the Reorganisation Investment Agreement would be transferred, charged or pledged to any other persons.
- (b) None of the Subscriber, Guangsui Gold or parties acting in concert with either of them had any interest in, owned, controlled or directed any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (c) Save for the Reorganisation Investment Agreement, none of the Subscriber, Guangsui Gold and parties acting in concert with either of them had arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.
- (d) None of the Subscriber, Guangsui Gold and parties acting in concert with either of them had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (e) No agreement, arrangement or understanding (including any compensation arrangement) existed between the Subscriber, Guangsui Gold and parties acting in concert with either of them on one hand, and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Subscription and/or the Whitewash Waiver.
- (f) During the Relevant Period, none of the Subscriber, Guangsui Gold and parties acting in concert with either of them had acquired voting rights in the Company or dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (g) There was no material contract entered into by the Subscriber in which any Director had a material personal interest.
- (h) there is no other understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders on one hand; and the Subscriber, Guangsui Gold or any party acting in concert with either of them on the other hand.

As at the Latest Practicable Date, the Directors have confirmed that:

- (a) The Company did not have any interests in any shares of the Subscriber or any convertible securities, warrants, options or derivatives in respect of any shares of the Subscriber.

- (b) None of the Directors had any interests in any Shares or convertible securities, warrants, options or derivatives in respect of the Shares.
- (c) None of the Directors held any voting rights in the Company and therefore none of the executive Directors will be entitled to vote for or against the resolutions to be proposed at the EGM to approve the Subscription and the Whitewash Waiver.
- (d) None of the Directors had any interests in any share or any convertible securities, warranties, options or derivatives in respect of any shares of the Subscriber.
- (e) No person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Subscription and the Whitewash Waiver.
- (f) Neither the Company nor the Directors had dealt for value in any share or any convertible securities, warrants, options or derivatives in respect of any shares of the Subscriber.
- (g) During the Relevant Period, save for the entering into of the Reorganisation Investment Agreement, none of the Directors had acquired voting rights in the Company or dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (h) None of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate in the Takeovers Code but excluding exempt principal traders and exempt fund manager, owned or controlled any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (i) Save for the parties to the Reorganisation Investment Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code.
- (j) There was no Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares which were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.
- (k) Neither the Company nor any of the Directors had borrowed or lent any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares.

- (l) No benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Subscription and/or the Whitewash Waiver.
- (m) There was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription and/or the Whitewash Waiver or otherwise connected with the Subscription and/or the Whitewash Waiver.
- (n) There is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholders on one hand; (ii) and the Company, its subsidiaries or associated companies on the other hand.

#### **10. DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection (i) on the website of the Company ([www.lachapelle.cn](http://www.lachapelle.cn)); and (ii) the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) each of the annual reports of the Company for each of the three years ended 31 December 2021, 2022 and 2023;
- (c) the letter from the Board, the text of which is set out on pages 9 to 35 of this circular;
- (d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 36 to 37 of this circular;
- (e) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 38 to 90 of this circular;
- (f) the written consent referred to in the paragraph headed “Expert’s Qualifications and Consent” in this Appendix III;
- (g) the material contract referred to in the paragraph headed “Material Contracts of the Group” in this Appendix III;
- (h) each of the service contracts referred to in the paragraph headed “Directors’ Service Contracts” in this Appendix III; and
- (i) this circular.



**11. MISCELLANEOUS**

- (a) The registered office of the Company is located at Room 2008, 20/F, Tower D, Chuangxin Square, Si Ping Road, Xin Shi District, Urumqi, Xinjiang, the PRC.
- (b) The principal place of business in Hong Kong of the Company is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (c) The registered office of the Subscriber is located at Room 1511, Building 1, Taikoo Plaza, 451 Jincheng Road, Xiaoshan District, Hangzhou, the PRC.
- (d) The registered office of Guangsui Gold is located at Room 518, Building 5, No. 606 Qiuyi Road, Changhe Street, Binjiang District, Hangzhou, Zhejiang Free Trade Zone, the PRC.
- (e) The registered office of Orient Securities Innovation is located at 8th Floor, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC.
- (f) The registered address of the Independent Financial Adviser is located at Unit 402B, 4/F, China Insurance Group Building, No. 141 Des Voeux Road Central, Central, Hong Kong.
- (g) The English text of this circular shall prevail over the Chinese text, except for the "Adjustment Plan of the Capital Contributors' Rights and Interests in the Draft Reorganisation Scheme" set out in Appendix I to this circular, of which the Chinese version shall prevail.

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## NOTICE OF EGM

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# La Chapelle

新疆拉夏貝爾服飾股份有限公司

**Xinjiang La Chapelle Fashion Co., Ltd.**

(IN REORGANISATION)

(formerly known as “Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司)”  
(a joint stock company incorporated in the People’s Republic of China with limited liability))

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Xinjiang La Chapelle Fashion Co., Ltd. (the “**Company**”) will be held at 2 p.m. on Wednesday, 30 April 2025 at the Conference Room, 3F, the Conference Center, Building 3 (Tower C), No. 50, Lane 2700, South Lianhua Road, Minhang District, Shanghai, the PRC for the purposes of considering and, if thought fit, passing the following resolutions. Terms and expressions that are not expressly defined in this notice of EGM shall have the same meanings as those defined in the circular (the “**Circular**”) to the shareholders of the Company dated 14 April 2025.

### SPECIAL RESOLUTIONS

**1. TO CONSIDER AND APPROVE THE ADJUSTMENT PLAN OF THE CAPITAL CONTRIBUTORS’ RIGHTS AND INTERESTS IN THE DRAFT REORGANISATION SCHEME**

“**THAT:**

- (a) the issuance of a total of 1,893,524,692 Domestic Shares by way of conversion of capital reserve into share capital on the basis of 57.50 Domestic Shares for every 10 Domestic Shares, among which (i) 1,584,455,037 Domestic Shares to be allotted and issued to the Subscriber; and (ii) approximately 309,069,655 Domestic Shares to be allotted and issued to the Creditors be and are hereby approved, ratified and confirmed in all respects;
- (b) the Administrator be and are hereby granted to exercise the powers of the Company to allot and issue the Subscription Shares and Loan Conversion Shares pursuant to the terms and conditions of the Reorganisation Investment Agreement; and
- (c) the Administrator be authorised to complete and do all such acts and things or to sign or execute such other documents or supplemental agreements or to sign or execute such other documents or supplemental agreements or amendments for the Company, which the Administrator may consider necessary, desirable or expedient or in the interest of the Company to implement and/or to give effect to the terms of the matters contemplated under the Reorganisation Investment Agreement, all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith.

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## NOTICE OF EGM

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### 2. TO CONSIDER AND APPROVE THE RESOLUTION IN RELATION TO THE WHITEWASH WAIVER

“**THAT** subject to and conditional upon the passing of the ordinary resolution numbered 1 above, and subject to the Executive granting the Whitewash Waiver and the satisfaction of any conditions attached to the Whitewash Waiver granted:

- (a) the Whitewash Waiver and the Subscription be and are hereby approved; and
- (b) any of the Directors be authorised to complete and do all such acts and things or to sign or execute such other documents or supplemental agreements or to sign or execute such other documents or supplemental agreements or amendments for the Company, which such Director or, as the case may be, the Board may consider necessary, desirable or expedient or in the interest of the Company to implement and/or to give effect to the terms of the matters contemplated under the Whitewash Waiver, the Subscription, all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith.

On behalf of the Board  
**Xinjiang La Chapelle Fashion Co., Ltd.**  
**Mr. Zhao Jinwen**  
*Chairman*

Shanghai, the PRC, 14 April 2025

*Notes:*

- 1. Resolution 2 will be proposed by way of resolution to be passed by at least 75% of the independent vote that are cast either in person or by proxy at the EGM for approval by the Independent Shareholders.
- 2. In order to determine the holders of Foreign Share(s) who are entitled to attend the EGM, the register of members for Foreign Shares of the Company will be closed from Friday, 25 April 2025 to Wednesday, 30 April 2025 (both days inclusive), during which period no transfer of Foreign Shares can be registered. In order to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 24 April 2025.
- 3. Holders of Foreign Share(s) whose names appear on the register of members of the Company at the close of business on Thursday, 24 April 2025 are entitled to attend and vote at the EGM. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and, in the event of a poll, vote on their behalf. A proxy needs not be a shareholder of the Company.
- 4. In order to be valid, the proxy form must be deposited by hand or by post, to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours (i.e. 2 p.m. on Tuesday, 29 April 2025) before the time for holding the EGM or not less than 24 hours before the time appointed for the holding of any adjournment thereof. If the proxy form is signed by a person under a power of attorney or other authority, a notorially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish.
- 5. Shareholders or their proxies shall produce their identity documents when attending the EGM.

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## NOTICE OF EGM

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6. Any vote of shareholders at a general meeting shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, pursuant to Article 75 and Article 76 of the Articles of Association, the chairman of the EGM will demand a poll for the purpose of voting on all the resolutions set out in the notice of the EGM.

On a poll conducted at such meetings, Shareholders (including proxies) entitled to two or more votes are not required to cast all their votes for or against a resolution or to abstain from voting on a resolution by not casting any of their votes.

7. The EGM is expected to last for half a day. Shareholders or their proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.
8. The Company's registered office in the PRC is situated at:

Room 2008, 20/F, Tower D, Chuangxin Square,  
Si Ping Road, Xin Shi District,  
Urumqi, Xinjiang, the PRC

The contact information of the Company is set out below:  
12/F, Building 4  
No. 50, Lane 2700, South Lianhua Road  
Minhang District  
Shanghai, the PRC

Contact: Mr. Zhu Fengwei of Office of the Board  
Tel No.: 86-21-54607196  
Fax No.: 86-21-54607197

The address of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, is:

Shops 1712-1716 17th Floor, Hopewell Centre  
183 Queen's Road East Wanchai, Hong Kong  
Tel No.: (852) 2862 8628  
Fax No.: (852) 2865 0990

*As of the date of this notice, the executive Directors of the Company are Mr. Zhao Jinwen, Ms. Zhang Ying and Mr. Zhu Fengwei, the non-executive Director of the Company is Ms. Wang Yan, and the independent non-executive Directors of the Company are Mr. Xing Jiangze, Ms. Chow Yue Hwa Jade and Ms. Yang Linyan.*