

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:

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Xin Shi District,

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the PRC

Principal place of business in Hong Kong:

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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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- (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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- (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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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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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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- (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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- (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 ^{Note 1} | | 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 ^{Note 2} | – | – | 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”) ^{Note 3} | 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) ^{Note 4} | 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 |
| Total | 547,671,642 | 100 | 2,132,126,679 | 100 | 2,441,196,334 | 100 |

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:

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| | For the year ended 31 December 2022 RMB'000 (Audited) | For the year ended 31 December 2023 RMB'000 (Audited) | For the six months ended 30 June 2024 RMB'000 (Unaudited) |
|--|--|--|--|
| 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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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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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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- (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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- (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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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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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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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), the website of the National Equities Exchange and Quotations (www.neeq.com.cn) and the website of SFC (www.sfc.hk) by 7 p.m. on the date of the EGM.

LETTER FROM THE BOARD

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).

LETTER FROM THE BOARD

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

