



No. S197744
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985. C. C-36

BETWEEN:

MINISO INTERNATIONAL HONG KONG LIMITED, MINISO
INTERNATIONAL (GUANGZHOU) CO. LIMITED,
MINISO LIFESTYLE CANADA INC., MIHK MANAGEMENT INC.,
MINISO TRADING CANADA INC., MINISO CORPORATION and
GUANGDONG SAIMAN INVESTMENT CO. LIMITED

PETITIONERS

AND:

MIGU INVESTMENTS INC., MINISO CANADA INVESTMENTS INC., MINISO CANADA STORE INC.,
MINISO (CANADA) STORE ONE INC., MINISO (CANADA) STORE TWO INC., MINISO (CANADA)
STORE THREE INC., MINISO (CANADA) STORE FOUR INC., MINISO (CANADA) STORE FIVE INC.,
MINISO (CANADA) STORE SIX INC., MINISO (CANADA) STORE SEVEN INC., MINISO (CANADA)
STORE EIGHT INC., MINISO (CANADA) STORE NINE INC., MINISO (CANADA) STORE TEN INC.,
MINISO (CANADA) STORE ELEVEN INC., MINISO (CANADA) STORE TWELVE INC.,
MINISO (CANADA) STORE THIRTEEN INC., MINISO (CANADA) STORE FOURTEEN INC.,
MINISO (CANADA) STORE FIFTEEN INC., MINISO (CANADA) STORE SIXTEEN INC.,
MINISO (CANADA) STORE SEVENTEEN INC., MINISO (CANADA) STORE EIGHTEEN INC.,
MINISO (CANADA) STORE NINETEEN INC., MINISO (CANADA) STORE TWENTY INC.,
MINISO (CANADA) STORE TWENTY-ONE INC., and MINISO (CANADA) STORE TWENTY-TWO INC.

RESPONDENTS

APPLICATION RESPONSE

Application Response of: **The parties set forth in Schedule "A" attached hereto (the
"Application Respondents")**

THIS IS A RESPONSE TO the Notice of Application of Alvarez & Marsal Canada Inc., as Court
Appointed Monitor of the Respondents, filed August 20, 2019 (the "Application").

Part 1: ORDERS CONSENTED TO

The Application Respondents consent to the granting of the orders set out in the following
paragraphs of Part 1: Paragraphs 2 and 3

Part 2: ORDERS OPPOSED

The application Respondents oppose the granting of the following paragraphs of the Notice
of Application: Paragraphs 1 and 4

Part 3: ORDERS ON WHICH NO POSITION IS TAKEN

The Application Respondents take no position to the granting of the orders set out in the following paragraphs of Part 1: NIL

Part 4: FACTUAL BASIS

A. SERVICE

1. The Notice of Application was not served in accordance with the two day short leave provision contained in the Initial Order, nor was short leave sought.
2. A practice has developed in CCAA proceedings to include numbered paragraph 1 in applications as a matter of course. While CCAA litigation sometimes take place in the crucible of real time, there is no principle that the provisions of the Rules and of normal practice, dealing with service, should be automatically dispensed with and no basis is advanced on this application, other than the completion date of the Amended Agreement.
3. There is no evidence as to when that date was agreed, or what efforts have been made to extend it.
4. In addition, the material referred to in support, namely the Monitor's Second Report to the Court, has not even been served as of the time of the drafting of this Application Response.

B. DEFICIENCIES IN THE EVIDENCE

5. There is thus far no evidence of value of the assets being sold and no basis on which the court can determine it is a fair and reasonable price or, for that matter, a provident sale.
6. There is thus far no evidence that the purchaser is at arm's length and there is no evidence thus far of the purchaser's ability to pay the millions of dollars.

C. THE STRUCTURE OF THE TRANSACTION

7. The recital to both the Amended and Restated Asset Purchase Agreement ("ARAPA"), in subparagraph (b), and subparagraph (a) of the recitals to the First Payment Reimbursement Agreement ("FPRA") all indicate that Mr. Xu, a director of several of the Petitioners, acquired his direct or indirect equity ownership in the assets being sold through the Petitioners.

8. As stated in clause 4.10(c) and paragraph 25 of the Notice of Application the original transaction has partially completed. The sum of \$3.2 million was paid to 1153585 B.C. Ltd. ("115"), Mr. Xu's company and against whom the Monitor feels it may have claims. Only \$1 million of that sum was paid to the Chilean Entities. There are provisions to recoup the "Chilean Funds".

9. 115 has retained the \$2.2 million already paid to it and there is no provision in either the Agreement or the Order instructing or authorizing the Monitor to pursue claims against 115 for those funds, in addition to the funds to be paid in the future in accordance with the ARAPA.

10. Why the Monitor would preserve claims on future monies to be paid but release claims of past monies claimed, all to Mr. Xu's own companies, is not explained.

11. Numerous of the creditors say they have claims against Mr. Xu.

12. The ARAPA contemplates payments being made to Mr. Xu for certain "Non Competition Agreements". It is difficult to understand, unless Miniso China would assist him, how Mr. Xu could enter into competition in any event.

13. The creditors who have claims against Mr. Xu are stayed from prosecuting those claims.

14. Just as the Monitor is holding the funds from the Chilean Entities pending conclusion of these proceedings, any funds payable to Mr. Xu should be held by the Monitor pending the conclusion of these proceedings.

Part 5: LEGAL BASIS

1. The purpose of the CCAA is to permit a Proposal and a Plan to be put to the creditors of the company.

2. The function of the court is to preserve the status quo and move the process along until that Plan is either accepted or it becomes clear that the matter cannot succeed.

3. The Petitioners have potential claims against Mr. Xu, it seems, for breach of his duty as a director, theft of corporate opportunity, self dealing, or something similar.

4. The court should not approve a transaction that allows Mr. Xu, in the face of the

claims of the Petitioners and the claims of the creditors, while he is protected by the court's stay, to pocket any of the sales proceeds and retain them for the benefit of himself or of his wholly owned companies who participated in these events.

Part 6: MATERIAL TO BE RELIED ON

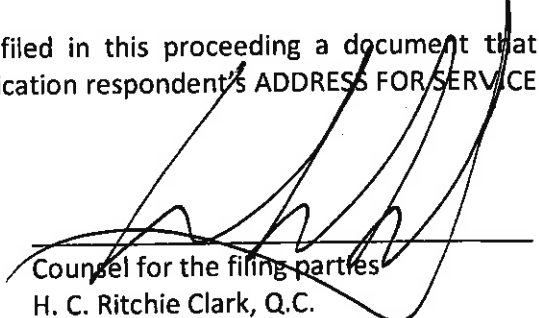
1. Notice of Application filed August 20, 2019.
2. Amended and Restated Asset Purchase Agreement.

The Application Respondents estimate that the application will take 15 minutes.

[Check whichever one of the following boxes is correct and complete any required information]

- ☒ The application respondent has filed in this proceeding a document that contains the application respondent's address for service.
- ☐ The Application Respondents have not filed in this proceeding a document that contains an address for service. The application respondent's ADDRESS FOR SERVICE is:

Dated: August 21, 2019


Counsel for the filing parties
H. C. Ritchie Clark, Q.C.

SCHEDULE "A"

1. 2130680 Alberta Ltd.;
2. JKW Canada Inc.;
3. 1072591 Canada Ltd.;
4. 10287881 Canada Inc.;
5. 10306541 Canada Inc.;
6. 2592256 Ontario Incorporated;
7. 9631-2208 Quebec Inc.;
8. 10287881 Canada Inc.;
9. 9376-6319 Quebec Inc.;
10. 9374-9828 Quebec Inc.;
11. 9375-1642 Quebec Inc.;
12. Morfly Investments Inc.;
13. 9374-8762 Quebec Inc.;
14. 9375-0883 Quebec Inc.;
15. A&J Ontario Corp.;
16. 10287865 Canada Inc.;
17. Unite YiHua Technology Canada Co., Ltd.;
18. Long Li;
19. Xiaochen Xu;
20. Dengfeng Lin on behalf of 1182193 BC Ltd.;
21. Jian Hu on behalf of 1162138 BC Ltd.;
22. JF Retail Business Company Limited;
23. Sunshine Creative Accessories Ltd.;
24. 2633134 Ontario Inc.;
25. 2623211 Ontario Inc.;
26. Enlight Max Enterprise Inc.;
27. 1122024 BC Ltd.;
28. Horon Enterprises Ltd.; and
29. 9360-3876 Quebec Inc.