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HOSA INTERNATIONAL LIMITED

浩沙國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02200)

**(i) CLARIFICATION ANNOUNCEMENT AND
(ii) APPOINTMENT OF INDEPENDENT INVESTIGATOR**

The Company denies all the allegations made against the Company in the Report issued by Bonitas.

In view of the allegations made, the Company has established a Special Committee comprising all independent non-executive directors of the Company. The Special Committee has reviewed all the entities mentioned in the Report and nothing has come to the Special Committee's attention that any Focused Entities are undisclosed connected parties of the Company or that any transactions (if any) between the Group and the Focused Entities were made on non-arm's length terms.

Having reviewed (i) the Report issued by Bonitas, (ii) the internal review conducted by the Company; and (iii) the findings of the Special Committee, the Board is of the opinion that the allegations made against the Company in the Report are groundless, false or misleading.

The Company believes that Bonitas, serving its own purpose:

1. has unjustifiably and without basis made use of the trading data and attempt to misinterpret part of the data out of the entire trading records to confuse the shareholders and potential investors.
2. did not conduct thorough and proper research to its allegations, that the Company has already disclosed the relationship between the Group and the Three Distributors in the Prospectus.

3. has made allegations based on (a) third parties sharing the same surname as the chairman, or (b) alleged co-located at the same address as that of the Company, to make false allegations that certain suppliers are related parties of the Company.
4. intentionally used outdated and incorrect information from various websites to create confusions of alleged related parties, while the Company has already disclosed in its annual reports and prospectus of such relationship with the related parties.

The Board is assured of the integrity of the Company's financial reporting system.

The Board is of the view that Bonitas has a complete lack of professional understanding of the operating business model and background of the Company.

The Company strongly denies the allegations and urges Shareholders and potential investors of the Company to treat the Report and the allegations with caution and reserves the rights to take all appropriate actions, including commencement of legal proceedings, to protect its legitimate interest from any unfounded allegation against the Group.

Reference is made to the announcement of the Company dated 12 March 2019 regarding the appointment of the independent investigator. As at the date of this Announcement, the Independent Investigation is in progress and is expected to be completed on or before 30 June 2019. The Company will keep shareholders and public informed of the latest developments by making further announcement(s) as and when appropriate.

This announcement is made by Hosa International Limited. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Law of Hong Kong) (the “**SFO**”) and Rule 13.09 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement (the “**Announcement**”) of the Company dated 11 July 2018 on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) relating to the 11 July Report (the “**Report**”) issued by Bonitas Research (“**Bonitas**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement of the Company.

Further to the Announcement, this announcement is to deny and refute the allegations made against the Company in the Report issued by Bonitas.

Bonitas has disclosed that they are short sellers and long investors with bias in the Report and therefore may realize significant gains if the price of the Shares declines. The Board would like to emphasize that shareholders of the Company (the “Shareholders”) and potential investors should exercise extreme caution in reading the Report and, if any, future reports that Bonitas may distribute.

The Board and the senior management of the Company had not been contacted nor interviewed by Bonitas to verify any information mentioned in the Report.

In view of the allegations made, the Company has established a special committee (“**Special Committee**”) comprising all the independent non-executive directors of the Company. The Special Committee reviewed all the official records of the existing distributors together with the distribution agreements between them and the Company, and also all the suspected parties mentioned in the Report (the “**Focused Entities**”) and nothing has come to Special Committee’s attention that any Focused Entities are undisclosed connected parties of the Company or that any transactions between the Group and the Focused Entities (if any) were made on non-arm’s length terms.

Having reviewed (i) the Report, (ii) the internal review conducted by the Company; and (iii) the findings of the Special Committee, the Board is of the opinion that the allegations made against the Company in the Report are groundless, false or misleading.

CLARIFICATIONS

1. Allegations relating to Intraday Trading Data Patterns Indicate Stock Manipulation

The Report alleged that the price appreciation and volume increase in the Company's stock since December 2017 is due to unusual gains posted in the final hour of trading and thought that the management of the Company has purposely executed a last hour manipulation scheme to prop up the Company's daily closing price to secure additional short-term financing and avoid margin calls on previously pledged shares which about 35.37% of the Company shares were pledged as collateral for financing agreements.

The Company believes that Bonitas, serving its own purpose, has unjustifiably and without basis made use of the trading data and attempt to misinterpret part of the data out of the entire trading records to confuse the shareholders and potential investors.

Having reviewed the change of the price of the Company's Shares described in the Report and made such enquiry as is reasonable in the circumstances, the Board strongly disagrees and denies such allegations and hereby clarifies that (1) all members of the Board confirmed that neither the Company nor any member of the Board has adopted any "last hour manipulation scheme" in relation to the Shares of the Company; (2) the Board is not aware of any reason for the share price movement of the Company or any information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong); and (3) the controlling shareholders of the Company including Mr. Shi Hongliu (chairman), Mr. Shi Hongyan (executive director) (collectively the "**Shi brothers**"), Ho Born Investment Holdings Limited ("**Ho Born**") and Well Born Investment Holdings Limited ("**Well Born**") also confirmed that they did not and have no intention to attempt to affect the price of the Company's Shares to secure any financing or avoid any margin calls on previously pledged shares. Save and except the information disclosed in the announcement dated 10 July 2018 in relation to disposal of Shares by Ho Born and Well Born, it is not aware of any further information that needs to be disclosed.

The Board is of the view that the allegations made in the Report are based on artificial assumptions without supporting evidence and objective analysis.

2. Allegations relating to revenue fabrication using undisclosed related party distributors

The Report alleged that the Shi brothers have used the following undisclosed related parties to fabricate revenues and artificially inflate the Company's financial performance:

No.	Name of undisclosed related party distributors	Chinese name of the undisclosed related party distributors	Place of Incorporation	Shareholder and Beneficial Owner
1.	Shanghai Xingchi Apparel Co, Ltd (“ Shanghai Xingchi ”)	上海興馳服飾有限公司	People's Republic of China	Hong Meiqin (洪美勤) with 20% equity interest and Xu Tianshi(許天室) with 80% equity interest
2.	Guangzhou Yingchang Apparel Co., Ltd (“ Guangzhou Yingchang ”)	廣州穎昌服飾有限公司	People's Republic of China	Xu Liangang(許煉鋼) with 99% equity interest and Shi Qingli(施清麗) with 1% equity interest
3.	Beijing Yasha Apparel Co., Ltd (“ Beijing Yasha ”)	北京雅莎服飾有限公司	People's Republic of China	Shi Fenglian (施鳳連) with 100% equity interest

(collectively the “**Three Distributors**”)

The Company believes that Bonitas, serving its own purpose, did not conduct thorough and proper research to draw its allegation that the Company has disclosed the relationship between the Group and the Three Distributors in the prospectus of the Company dated 6 December 2011 (the “**Prospectus**”) which was issued 7 years ago.

As disclosed in the Prospectus, the Three Distributors were connected parties of the Group prior to the listing of the Company. In order to focus on the product development and production, the Group had underwent a corporate reorganization during its Pre IPO stage, the Company decided to streamline their management and sales network with the view to minimize the administration costs and to focusing on developing the distributorship business model. According to the Prospectus, Haosha Industry, a subsidiary of the Group, disposed of its equity interests in Beijing Yasha to Shi Fenglian in July 2010 and Guangzhou Yingchang to Mr. Xu Liangang and Shi Qingli in July 2010. Moreover, Mr. Shi Hongliu (chairman) and Mr. Shi Hongyan (executive director) and/or Mr. Xu Jinfeng also disposed of their equity interests in Shanghai Xingchi to independent third parties in July 2010. The Board also have investigated the background of the Three

Distributors by checking the record from the State Administration For Industry & Commerce of the People's Republic of China (the "SAIC") and the transfer records with the Three Distributors to ensure the transferees are independent third parties, the Board confirms that the Three Distributors are independent third parties and their ultimate beneficial owners, their respective associates has no any relationship with the Company, its connected persons and their respective associates. After reviewing the distributors agreement of the Three Distributors and making enquiries with the senior management of the Company, the Board confirms that save and except the transactions with Three Distributors as set out in this Announcement, there is no other undisclosed transaction entered between the Three Distributors and the Company, its connected persons and their respective associates.

Allegation in relation to Shanghai Xingchi

The Report alleged that based on SAIC filings, both Haosha China and Haosha Shanghai were found having the same address (4/F, No.150 Nanjiang West Road) and phone numbers as Shanghai Xingchi in 2014 and 2015. The Report also alleged that in 2016, Haosha China, Haosha Shanghai and Shanghai Xingchi coincidentally updated their addresses and phone numbers to match exactly.

As explained by our chairman, Mr. Shi Hongliu, who is the ultimate beneficial owner of Haosha China and Haosha Shanghai, both companies do not have any substantial business and no employees or staffs have been employed. When Shanghai Xingchi was disposed to third party as disclosed in the Prospectus, the said disposal also included the transfer of the rights to use the office at the Shanghai Address (the "Office"), as there was a lease between Shanghai Xingchi and the landlord of the Office (the "Lease"). Upon the said disposal, the third party owner of Shanghai Xingchi has allowed Mr. Shi Hongliu (chairman) to continue to use the Shanghai Address as the registered address of Haosha China and Haosha Shanghai, as well as the phone number of the Office. Upon the expiration of the Lease in 2016, considering that Haosha China and Haosha Shanghai do not have any substantial business and no employees and staffs are required to operate the companies, Mr. Shi Hongliu (chairman) negotiated with Shanghai Xingchi which both Haosha China and Haosha Shanghai are allowed to use the new registered address of the Shanghai Xingchi as their registered address. By checking the updated SAIC filings of Haosha Shanghai, Haosha China and Shanghai Xingchi, the Board confirms that the registered address and phone number of Haosha China and Haosha Shanghai has been changed and are not the same address and phone numbers as Shanghai Xingchi as at the date of this announcement.

Hence, there is no unlawful relationship between Mr. Shi Hongliu (chairman) and the third party owner of Shanghai Xingchi.

Allegation in relation to Guangzhou Yingchang

Shi brothers disposed their interest in Guangzhou Yingchang to Mr. Xu Liangang (“**Mr. Xu**”) and Ms. Shi Qingli during the pre-IPO reorganization process. However, the Report alleged that Mr. Xu is not an independent third party due to the fact that both Mr. Xu and Mr. Xu Zehui, who was a substantial shareholder of the Company as disclosed in the Prospectus, appoint the same person, namely, Mr. Shi Songbai, as the supervisor of their companies owned by them in the PRC.

According to the Report, Mr. Shi Songbai is registered as a supervisor in Shenzhen Weishi Fashion Apparel (which owns by Mr. Xu Zehui) (“**Shenzhen Weishi**”) and Shenzhen Fuxin Apparel Co. (which owns by Mr. Xu) (“**Shenzhen Fuxin**”) which Bonitas believes that the two companies which share the same supervisor may have undisclosed relationship with the Company.

In respect of the above allegation, the Company has conducted an interview with Mr. Xu, Mr. Xu Zehui and Mr. Shi Songbai in respect of their relationship between the Company and Shi brothers, the Company confirms that (i) Mr. Xu and Mr. Xu Zehui has appointed the same person, Mr. Shi Songbai, as the supervisor of their private entities (i.e. Shenzhen Weishi and Shenzhen Fuxin), (ii) Mr. Xu, Mr. Xu Zehui and Mr. Shi Songbai have no relationship with the Group, Shi brothers and their family members. They are independent third parties; In addition, the Company did not enter into any transaction with Mr. Xu Zehui and Mr. Shi Songbai. (iii) Shenzhen Fuxin is one of the distributors of the Company, as disclosed in the Prospectus, Mr. Xu is an independent third party with no relationship with the Group, the transaction entered between the Company and Shenzhen Fuxin should not be regarded as related party transaction or connected transaction; and (iv) the Company did not enter into any transaction with Shenzhen Weishi by reviewing the transaction record of the Company. Furthermore, Mr. Xu Zehui is no longer a substantial shareholder of the Group since September 2016.

Therefore, there is no existence of undisclosed connected transaction or related party transaction as Mr. Shi Songbai and Mr. Xu are independent third party and has no relationship with the Company, its connected persons and their respective associates.

Allegation in relation to Beijing Yasha

The Report alleged that Beijing Yasha is one of the Hosa’s largest customers as its cost of goods sold in 2015 was greater than the reported average revenues the Company generated from its top three customers.

Besides, by using several civil court judgements and online advertisements involving Beijing Yasha, Bonitas alleged that Beijing Yasha (i) managed official Hosa stores in Tianjian and Beijing, (ii) operates the Hosa brand in Tianjin and (iii) operates online flagship store for Water Cube, brand of Company on both Tmall.com and JD.com.

The Board would like to clarify that Beijing Yasha is not the largest customer of the Company. Based on the financial record of the Company, the revenue contribution of Beijing Yasha to the Company in 2015 was 5%. Nevertheless, the Board considered that the cost of goods sold of Beijing Yasha may not be consistent with the revenue generated from Beijing Yasha recorded in the Company's financial statements as Beijing Yasha is not obliged to sell all the goods purchased from the Company in the same financial year. Also, by reviewing the distribution agreement, Beijing Yasha, being a distributor of the Company, is authorized to operate online or offline stores and sell the products purchased from the Company according to the terms stipulated in the distribution agreement entered between the Company and Beijing Yasha.

Allegation in relation to Shanghai Bangbu E-commerce Co. Ltd. (“Shanghai Bangbu”)

The Report alleged that Shanghai Bangbu, one of the distributors of the Company, is an undisclosed connected party to the Company by referencing the SAIC filings of Shanghai Bangbu and disclosed that (i) Shanghai Bangbu was established in 2009 as Shanghai Hoasha E-commerce Co. Ltd and (ii) the supervisor of Shanghai Bangbu, Mr. Xu Wenzhen is a majority shareholder of Jinjiang Haobang E-commerce Co. Ltd. (“**Jinjiang Haobang**”), which appoints Mr. Hong Chunxiao as a supervisor. While Mr. Hong Chunxiao is also appointed as the supervisor for Haosha Shanghai, a company owned by Mr. Shi Hongliu (chairman) via Haosha International (H.K.) Limited (“**Haosha (H.K)**”).

After conducting an interview with Mr. Shi Hongliu (chairman), he confirms that Shanghai Bangbu was a customer of the Company prior to its IPO and Mr. Xu Wenzhen was the supervisor at that time. After the Company's IPO, Mr. Xu Wenzhen approached Mr. Shi Hongliu (chairman) for assistance in setting up a company. Mr. Shi Hongliu (chairman) then personally instructed Mr. Hong Chunxiao to assist Mr. Xu Wenzhen regarding the procedural matters for setting up Jinjiang Haobang. The Board also conducted an interview with Mr. Hong Chunxiao, who is an employee of Haosha Shanghai, he confirms that he has assisted Mr. Xu Wenzhen regarding the procedural matters for setting up Jinjiang Haobang as instructed by Mr. Shi Hongliu (chairman) but he did not have any substantial role or being employed by Jinjiang Haobang after it has been set up. The Board confirms that Mr. Hong Chunxiao is not a connected person of the Group and has no relationship with the Group, its connected persons and their respective associates.

By conducting an interview with Mr. Xu Wenzhen and checking the updated SAIC record of Jinjiang Haobang, Jinjiang Haobang has updated the SAIC record which the name of Mr. Hong Chunxiao has been removed from the SAIC record of Jinjiang Haobang from March 2019. The Board confirms that Mr. Xu Wenzhen does not have any relationship with Company, its connected persons and their respective associates. Hence, Mr. Xu Wenzhen should be considered as an independent third party. The Board further confirms that the Company has not entered into any transaction with Jinjiang Haobang.

The ultimate beneficial owner and legal representative of Shanghai Bangbu is Ms. Shi Liangliang. The Company further confirms that she is an independent third party who has no family relationship and other relationship with the Group, its connected persons and their respective associates. By reviewing the SAIC record, the Board confirms both Shanghai Bangbu and Jinjiang Haobang are independent third parties, therefore, the transaction between the Company and Shanghai Bangbu should not be regarded as related party transaction or connected transaction as it is not a related party nor a connected party to the Company.

The Report also alleged that Jinjiang Haobang's 2015 SAIC filing revealed that Jinjiang Haobang has the same registered phone number as Fujian Province Jinjiang City Haosha Garments Co. Ltd, a company incorporated under the laws of PRC and wholly owned by Mr. Shi Hongliu (chairman) and Mr. Shi Hongyan (executive director) ("**Haosha Garments**"). According to the Annual Reports, the Company has entered into related party transaction with Haosha Garments as disclosed in the Annual Reports.

As mentioned before, Mr. Shi Hongliu has personally instructed Mr. Hong Chunxiao to assist Mr. Xu Wenzhen in relation to the procedural matter of incorporating Jinjiang Haobang, since Jinjiang Haobang was not set up for any substantial business and was not in operation, Mr. Shi Hongliu (chairman) has allowed Jinjiang Haobang to use the phone number of Haosha Garments as their registered phone number. As of the date of this Announcement, Jinjinag Haobang has changed the registered phone number.

The Board would like to further clarify that the assistance provided from Mr. Hong Chunxiao to Mr. Xu Wenzhen in procedural matter was solely based on previous business relationship between the Company and Mr. Xu Wenzhen as the contact person of Shanghai Bangbu. No other assistance was and has been rendered by Mr. Shi Hongliu and Mr. Hong Chunxiao, and Mr. Hong Chunxiao has never been employed by Jinjiang Haobang.

Allegation in relation to Jiashi Youpin (Xiamen) Industry Co., Ltd (“Jiashi Youpin”)

The SAIC filings reveals that Mr. Zeng Wenyan (“**Mr. Zeng**”) is a shareholder and supervisor of Jiashi Youpin. At the same time, Mr. Zeng is also listed as a supervisor at Xiamen Yuyasha Trade Co. Ltd (“**Xiamen Yuyasha**”), a private company owned by Mr. Xu Wenzhen, the same Mr. Xu Wenzhen listed as a supervisor of Shanghai Bangbu.

The Report further alleged that Mr. Shi Shaoteng, the previous shareholder of Jiashi Youpin, has been a long time employee of the Group and most recently was promoted to an executive president position at the Group. The Board confirms that Mr. Shi Shaoteng is not an employee of any member of the Group. Having made such enquiries as is reasonable in the circumstances, Mr. Shi Shaoteng is currently working as a senior management in Haosha Garments. According to the Annual Reports, the Company has entered into related party transaction with Haosha Garments as disclosed in the Annual Reports.

After conducting an interview with Mr. Shi Hongyan (executive director and controlling shareholder of the Company), Mr. Xu Wenzhen, Mr. Zeng and Mr. Shi Shaoteng, the Board confirms that save and except Mr. Shi Hongyan, all of them has no relationship with the Group, its connected persons and their associates, they are independent third parties, despite Mr. Zeng is a supervisor of Xiamen Yuyasha. The current ultimate beneficial owner and legal representative of Jiashi Youpin is Mr. Shi Nengchi, after checking the SAIC filing of Jiashi Youpin and conducting interview with Mr. Shi Hongyan, the Board confirms that Mr. Shi Nengchi and Jiashi Youpin have no relationship with the Group, its connected persons and their respective associates.

The Company further noted from the Report that Mr. Shi Shaoteng may operate a textile business in Fujian. Having made such enquiries as is reasonable in the circumstances, Mr. Shi Shaoteng confirms that he was an owner and senior management of Jiashi Youpin from September 2015 to March 2018. Jiashi Youpin was a distributor of the Company from August 2012 to April 2018. In March 2018, Mr. Shi Shaoteng sold his equity interests in Jiashi Youpin. He left Jiashi Youpin and joined Haosha Garments in June 2018.

The Report alleged that, based on the credit reports of the Three Distributors, the cost of goods sold of the Three Distributors in 2016 and 2017 were significantly lower than the Company's revenue, which indicated that the Company has fabricated its revenue in 2016 and 2017. The figures of the cost of goods sold in Report are different from the Company's financial record. As the Three Distributors are independent from the Group, the Company has never reviewed their credit reports and has no right to request them to provide their credit reports. Therefore, the Company is not able to compare or determine whether there is any discrepancy of cost of goods sold between the credit reports of the Three Distributors and the Company's financial statements. The cost of goods sold may not be consistent with the revenue generated from the Three Distributors recorded on the Company's financial statements for the two years ended 31 December 2016 and 2017 as the Three Distributors are not obliged to sell out all the goods purchased from the Company in the same financial year. The Company has no right to intervene their business activities and business plan unless they have violated the distribution agreement.

Based on the figures shown in the financial records of the Company, the Board wishes to clarify that, none of the Three Distributors were top 5 customers of the Group in 2016 and 2017 which shown as below:

Distributor	Year 2016			Year 2017		
	Sales (RMB'000)	Rank	Respective Revenue Contribution (%)	Sales (RMB'000)	Rank	Respective Revenue Contribution (%)
Beijing Yasha	55,648.7	7	5%	17,217.3	17	1.4%
Shanghai Xingchi	51,260.5	8	4.6%	13,862.9	21	1.2%
Guangzhou Yingchang	35,510.3	11	3.2%	28,528.2	9	2.4%

Hence, the performance of the Three Distributors did not materially influence the total revenue of the Company in 2016 and 2017. Having review the financial record and transaction record of the Company, the Board confirms that the Company did not fabricate any part of its revenue in 2016 and 2017 and the reported revenue and profits of the Group in its financial statement for the year ended 31 December 2016 and 31 December 2017 were true and fair.

In arriving the above view, the Board has reviewed the Group's accounting record:

- (1) to confirm the amount of sales made to Guangzhou Yingchang, Beijing Yasha and Shanghai Xingchi;

- (2) to confirm that there has been no overstatement of revenue and all the reported revenue and profits of the Group in its financial statement were true and fair;
- (3) to ascertain the identities of the Company's top five customer;

The Board has further:

- (4) reviewed the relevant disclosure in the Prospectus;
- (5) the terms of the distribution agreements between the Company and the distributors;
- (6) discussed with the management of the Group regarding the relationship and the background of the Group's distributors.

The Board confirms that the distribution agreements between the Company and the distributors are on arm's length and normal commercial terms as the Company deal with all the distributors (including the Three Distributors) on the same standard terms of template and same pricing policy. The Board also considers that the such work performed is sufficient and reasonable for addressing the allegation.

The Report further held that the revenue overstatement practices are not isolated to only the Three Distributors considering additional undisclosed related party transactions exist between the Company and other distributors.

By conducting SAIC search on all the distributors of the Company and reviewing the information of their beneficial owners, legal representatives and directors, the Board further confirms that all the distributors of the Company are independent third party and have no relationship with the Group, its connected persons and their respective associates. The Company confirms that the Group's financial statements have been properly prepared by the Company in compliance with (i) international accounting standard and (ii) the disclosure requirements of the Company Ordinance (Cap.622); and (iii) the Listing Rules, all reported revenue and profits of the Group in its financial statement were true and fair. The Board would like to reiterate that the Group's revenue were not overstated and there is no undisclosed related party transaction.

3. Allegations relating to undisclosed related party suppliers

The Report alleges that (i) Fujian Haote Textile Technology Co. Ltd (“**Haote Textile**”) is an undisclosed related party supplier where Shi Yiran, the son of Mr. Shi Hongyan (executive director) is suspected to fail to disclose his shareholding in Chengwu International (HK) Co., Limited (“**Chengwu**”) and Haote Textile, (ii) The Company has failed to mention the construction project of the sports culture industry park in Datian (the “**Datian Project**”) in its public filings and suspected that the confusion is because the Shi brothers have intermingled their private business with the Company, (iii) Shi Shaoteng is the connected person of the Company as he operates an apparel manufacturing company, Fujian Jiate Apparel Weaving Co., Ltd (“**Fujian Jiate**”) along with another undisclosed related party Mr. Shi Qinghuang as his superior and (iv) Mr. Shi Yiran and Mr. Shi Chengwu are connected parties and there were undisclosed connected transactions between the Group and their private entities.

Bonitas, serving its own purpose, has made allegations based on (a) third parties sharing the same surname as the chairman, or (b) alleged co-located at the same address as that of the Company, to make false allegation that certain suppliers are related parties of the Company.

In relation to the allegation (i) Mr. Shi Yiran, the son of Mr. Shi Hongyan (executive director), he was a registered shareholder and a director of Chengwu, which is the sole shareholder of Haote Textile, one of the Group’s suppliers. He then disposed all the shares of Chengwu held by him to an independent third party on 20 April 2015. Furthermore, he has also resigned as a director of Chengwu on 9 April 2015.

Mr. Shi Yiran also further clarified to the Board that he originally agreed to resign as the authorized representative of Haote Textile at the time when he disposed of his interests in Chengwu. However, the management of Haote Textile did not aware about his position until 27 September 2016. Therefore, Mr. Shi Yiran was remained as authorized representative of Haote Textile, but neither shareholder nor director, until 27 September 2016. Notwithstanding, Mr. Shi Yiran did not exercise any rights and duties as authorized representative of Haote Textile during such period. By reviewing (i) the stamped instrument of transfer and bought and sold notes of Chengwu provided by Mr. Shi Yiran, (ii) relevant sale and purchase agreement and (iii) the company registry record of Chengwu, the current ultimate beneficial owners of Chengwu are Mr. Zeng Guoqiang and Mr. Lin Xianxi, the Board confirms that they have no relationship with the Group, its connected persons and their respective associates. The Board further confirms that the Company has not entered into any transaction with Chengwu and Mr. Shi Yiran.

The Company began to have business relationship with Haote Textile in December 2015 and since then Haote Textile continued to be one of the Company’s suppliers and the transaction entered between Haote Textile and the Group were conducted

on arm's length basis and on normal commercial terms. As Mr. Shi Yiran has no control over Chengwu and Haote Textile at all material times, the transactions between Haote Textile and the Company should not be considered as related party transaction and connected transactions. Upon checking the SAIC Record of Haote Textile, the ultimate beneficial owner and legal representative of Haote Textile is Chengwu and the supervisors are Ms. Meidai and Mr. Lin Xianzhen. The Company further confirms that Chengwu, Ms. Lin Meidai and Mr. Lin Xianzhen and Haote Textile are independent third parties, they have no family relationship and other relationship with the Group, its connected persons and their respective associates.

The Board confirms that the Company has not breached the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules in respect of the (i) the relationship between Mr. Shi Yiran, Chengwu and Haote Textile and (ii) the above transaction between the Group and Haote Textile.

The Company has adopted the following internal control measures in order to identify the connected transactions and related party transaction and ensure it has complied with the relevant Listing Rules requirements:

1. Upon receipt of the draft agreement and reported potential transaction from the commercial team, background search and due diligence work of the potential transaction will be performed by the finance department of the Company (the "FD").
2. Based on the information provided by the commercial team and the result of the background search, the FD will refer to list of connected parties/related parties of the Company and advise whether or not the reported transaction will be exempted from all or any of the compliance requirements under the Listing Rules. If it is not an exempted transaction, the FD will notify the commercial team not to sign any agreement in relation to the contemplated connected transaction until a formal announcement is ready for publication.
3. The FD will report the details of the connected transaction and/or related party transaction to the Board and then arrange publication of formal announcement/circular/extraordinary general meeting in accordance with the Listing Rules.
4. If the connected transaction or related party transaction has been disapproved by the Board or shareholders of the Company, the FD will inform the relevant commercial officer to call off the transaction.

5. If the connected transaction or related party transaction has been approved by the Board or shareholders of the Company, the FD will inform the relevant commercial officer to proceed with the signing of the relevant agreement. The FD is also responsible to monitor whether the actual amount of the reported transaction will exceed the announced annual cap amount and consider whether further announcement is required. The legal and compliance department of the Company will be responsible on reviewing the contract terms of these connected transactions and/or related party transactions in order to ensure the agreements enter between the Company and connected parties or related parties are on arm's length and normal commercial terms.

For purchase of products from suppliers, the Group had adopted the following internal controls:

- (i) regular contacts by the procurement department of the Group with the suppliers to keep abreast of the market development and the price trend of the products and services;
- (ii) invited three to five suppliers with similar specifications, skill-set level, technology and quality requirements in the market to submit quotations or proposals; and
- (iii) reviewed and compared quotations or proposals received (if the number of quotations or proposals received was less than three, the Company would compare quotations or proposals received during a period of 12 months prior to placing an individual purchase order) and assess various factors such as price, after sales services, policy on defected goods, delivery time, credit period, etc.

In relation to allegation (ii), the Board has conducted interview and made enquires of Shi brothers and about the relationship between the Datian Project and Haosha (H.K), a company incorporated in Hong Kong and which is privately owned by Mr. Shi Hongliu (chairman). They indicated that neither Haosha (H.K), Shi brothers, their connected persons and their respective associates have involvement in the Datian Project.

Besides, the Board also noted that Haote Textile has occasionally used the brand name of "Hosa" for marketing purposes. The Board has requested Mr. Shi Hongliu and Mr. Shi Hongyan to express the Company's concern about the infringement of the Company's brand name and has reserved its legal rights against the wrongdoers. The Company has sent verbal and written warnings to Haote textile on 7 April 2018 and 14 July 2018 and Haote Textile has stopped the infringement of the Company's brand name since the receipt of the written warnings from the Company. Furthermore, Shi brothers have provided all the financial records and commercial agreements to the Board upon the request of the

Board. After reviewing the financial information and contracts, the Board would like to confirm that, as of the date of this Announcement, (i) the Group has no involvement in the Datian Project and any property construction project in Datian City, (ii) the Company has no intention to grant the right to use its brand name to other third party and (iii) Shi brothers have not intermingled their private business with the Company and the business of their private companies are completely independent to the Group save and except those which have been disclosed earlier in the Annual Reports. The Board believes that all directors have fulfilled their fiduciary duties and duties of skill, care and diligence and exercised proper oversight in safeguarding the company's assets.

In respect of allegation (iii), the Board confirms that Mr. Shi Shaoteng is not an employee of the Group. Having made such enquiries as is reasonable in the circumstances, Mr. Shi Hongliu confirms that Mr. Shi Shaoteng currently is working as a senior management in Haosha Garments. According to the Annual Reports, the Company has entered into related party transactions with Haosha Garments as disclosed in the Annual Reports.

The Report also disclosed that Mr. Shi Shaoteng has equity interest in Fujian Jiatae along with another undisclosed related person, Mr. Shi Qinghuang as his supervisor. By checking the Company's transaction record, the Board confirms that the Company did not have any transaction with Fujian Jiatae and Mr. Shi Qinghuang is an independent third party, and has no relationship with the Group, its connected persons and their respective associates.

At all material times and having clarified earlier in this Announcement, Mr. Shi Shaoteng did not hold any position in the Group and he has clarified that he has no family relationship with neither Mr. Shi Hongliu and Mr. Shi Hongyan, therefore Mr. Shi Shaoteng is not a connected person to the Group and is an independent third party. The Board further confirms that Company has no transaction, dealings or arrangement with Mr. Shi Shaoteng and Fujian Jiatae.

In respect of allegation (iv) regarding the relationship between the Group and the two alleged undisclosed persons, namely Mr. Shi Chengwu and Mr. Shi Yiran, upon checking with Shi brothers and employment record of the Company, the Board would like to clarify (i) Mr. Shi Chengwu is the father of Mr. Shi Hongliu (chairman) and Mr. Shi Hongyan (executive director) and Mr. Shi Yiran is the son of Mr. Shi Hongyan (executive director), (ii) Mr. Shi Chengwu and Mr. Shi Yiran are not employed by the Group, (iii) as of the date of this Announcement, none of them owns a private company and (iv) the Group does not have any transaction dealings or arrangements with Mr. Shi Chengwu and Mr. Shi Yiran.

In arriving the above view, the Board has:

- (1) made specific enquiry with Mr. Shi Hongliu, Mr. Shi Hongyan, Mr. Shi Yiran, Mr. Shi Chengwu, Mr. Shi Shaoteng and Mr. Shi Qinghuang;

- (2) investigated and reviewed the background of Haote Textile, Chengwu, Haosha Garments, Jashi Youpin and Fujian Jiate;
- (3) reviewed the transaction records of the Company;
- (4) reviewed the accounting records of the Group to confirm no transaction with Chengwu and Fujian Jiate; and
- (5) reviewed the employment record of the Group to confirm Mr. Shi Chengwu and Mr. Shi Yiran do not hold any position in the Group.

The Board considers that the such work performed is sufficient and reasonable for addressing the allegation.

The Report also alleged that the fabricated profits were hidden in the Company's fixed deposits. The Board seriously denies such allegation about the financial records of the Company, as all financial statements are properly prepared by the management of the Company in compliance with (1) the International Accounting Standard; (2) the disclosure requirements of the Companies Ordinance (Cap.622); and (3) the Listing Rules. Also, the fixed deposits of the Company is generated by true revenue and profits. All members of the Board have reviewed the financial records and bank statements of the Company and the Board confirms that all bank balances recorded in the Company's financial statements can be confirmed with the balances on the bank statements of the Company. All figures shown in the financial reports and statements of the Company are true and fair. The allegations made in the Report were groundless, false or misleading.

4. Valuation

The Report alleged that the trading in the Company's stock is manipulated and that the Company's reported financial statement are fabricated. The Shi brothers have used specific mechanism mentioned to raise money from the capital market and siphon off funds through cash dividends, stock pledges and undisclosed related party transaction to insiders. The valuation of the Company should ultimately worth zero.

The Company confirms that the Group's financial statements for the 2016 and 2017 financial year as disclosed in the our annual reports have been properly prepared by the Company in compliance with (i) international accounting standard and (ii) the disclosure requirements of the Company Ordinance (Cap.622); and (iii) the Listing Rules.

Both Mr. Shi Hongliu (chairman), Mr. Shi Hongyan (executive director) deny that they have used any unlawful ways to raise money and siphon off funds through cash dividends and stock pledges. The Company is under proper management by the Board including independent non-executive directors which major decisions must need to be approved by the Board. The Board hereby confirms that the Company did not enter into any undisclosed related party transaction with insiders.

Based on the clarification on the above allegations, the Board strongly disagrees with such allegation and found no evidence that the intrinsic value of Company is HKD 0.00. The allegations made in the Report were groundless, false or misleading.

CONCLUSION

The Company considers the conclusions drawn in the Report are groundless, incorrect and misleading that Bonitas:

1. serving its own purpose, alleged the Company was highly dubious and self-serving based on outdated and incorrect information from various websites, which were not operated or authorized by the Company or by the distributors of the Company; and
2. created confusions of alleged related parties against the Company, while the Company has already disclosed in its annual reports and prospectus of such relationship with the related parties.

These observation illustrate that these allegations made in the Report were not true or accurate and were made intentionally to mislead the readers.

The Company believes that the incomplete analyses and the irrelevant comparisons demonstrated Bonitas' complete lack of professional understanding of the operating business model and background of the Company.

The Company strongly denies the allegations and urges Shareholders and potential investors of the Company to treat the Report and the allegations with caution. As the Company indicated in this announcement, the Company reserves the rights to take all appropriate actions, including commencement of legal proceedings, to protect its legitimate interest from any unfounded allegation against the Group.

CHAPTER 14 AND CHAPTER 14A IMPLICATIONS

The alleged transaction mentioned in the Report, to the extent they indeed exist, do not have any implications under (i) Chapter 14A of the Listing Rules since the counter-parties are not connected persons of the Company and (ii) Chapter 14 of the Listing Rules as the transactions are of revenue nature in the ordinary and usual course of business of the Group.

SPECIAL COMMITTEE'S VIEW

The Special Committee of the Company has reviewed the Report, the Announcement and this announcement, and agrees with the response to each of the allegations set out above in this announcement.

APPOINTMENT OF INDEPENDENT INVESTIGATOR

Reference is made to the announcement of the Company dated 12 March 2019 regarding the appointment of the independent investigator. As at the date of this Announcement, the Independent Investigation is in progress and is expected to be completed on or before 30 June 2019. The Company will keep shareholders and public informed of the latest developments by making further announcement(s) as and when appropriate.

On 17 December 2018, the Company's former auditor, KPMG has indicated that it is not in a position to provide any comments whether it would withdraw or amend their audit opinions in the Company's previous financial statements pending the results of independent investigation.

PROTECTING THE INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS

In view of the potential damage to the Company, the Company will report the matter to the relevant law enforcement authorities in the PRC for investigation and consider to take legal actions against any potential wrongdoers and is in progress of taking all necessary actions, including without limitations, instituting such legal proceedings against such entity(ies) or associated individual(s) responsible for the Report.

The Company would adopt all reasonable measures to protect the interests of its shareholders.

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

By order of the Board
Hosa International Limited
Shi Hongliu
Chairman

Hong Kong, 4 April 2019

As at the date of this announcement, the executive directors are Mr. Shi Hongliu, Mr. Shi Hongyan and Mr. Shi Zhixiong, and the independent non-executive directors are Mr. Yao Ge and Mr. He Wenyi.