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波司登國際控股有限公司

**Bosideng International Holdings Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3998)**

## **CLARIFICATION ANNOUNCEMENT AND RESUMPTION OF TRADING**

This announcement is made by Bosideng International Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) further to the announcement of the Company dated June 24, 2019 with respect to a report (the “**Report**”) recently issued by an entity which contains allegations against the Company’s business operations and financial results, and is published by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) to refute and/or clarify certain allegations made in the Report.

Save as disclosed in this announcement, after having made enquiries with respect to the Company as is reasonable in the circumstances, the Company confirms that it is not aware of any information which must be announced to avoid a false market in the Company’s securities or any inside information that needs to be disclosed under the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

### **SUMMARY**

**The Report disclosed that Bonitas Research LLC (“Bonitas”) recommended a short interest in the shares of the Company (the “Shares”) and that Bonitas may have an investment position in the stocks of the Company and therefore stands to realize significant gains in the event that the price of the Shares changes in conjunction with its opinion. Furthermore, the Company notes that the individual author(s) of the Report have chosen to remain anonymous. As such, the board (the “Board”) of directors of the Company (the “Directors”) would like to emphasize that shareholders and potential investors of the Company should exercise extreme caution in reading the Report and that its allegations, which the Company emphatically denies and considers to be false and misleading for the reasons set out in this announcement, should be read in light of (i) the significant gains Bonitas and parties associated with it stand to realize and (ii) the fact that the individual author(s) behind the Report are not prepared to identify themselves.**

The Company denies all of the allegations against the Company in the Report. The Report comprises statements which are misleading, biased, selective, inaccurate and incomplete as well as groundless allegations and irresponsible speculations.

Neither the Company nor the Directors have been contacted by Bonitas before or after publication of the Report. The Company has no information regarding the identities of the parties associated with Bonitas, which the Company also notes from the website of the Securities and Futures Commission of Hong Kong is not licensed to conduct any regulated activities in Hong Kong, including the provision of investment advice.

It is the Company's shareholders communication policy to maintain an open and on-going dialogue with its shareholders and potential investors. In light of the defects of the Report as set out above, the Company would like to invite Bonitas and its director of research to visit the Company to have a better understanding of our corporate strategy, business layout and operations.

## **CLARIFICATION**

The Company has grouped and summarised the major allegations in the Report as follows to which clarifications by the Company are also made.

### **1. Fabrication of net profits in reported financial statements**

#### ***Bonitas allegation***

*“While revenues matched, consolidated PRC Credit Reports show that Bosideng significantly overstated Bosideng’s net profits reported in its HKEx filings. Although HKEx filings disclosed that Bosideng generated cumulative 3-year net profits of RMB1.3 billion, the consolidated PRC Credit Reports revealed that Bosideng’s subsidiaries only generated RMB463 million in net profits.*

*To us, the evidence shows that Bosideng fabricated RMB807 million of net profits since 2015, an overstatement of 174%!*

*Our work has led us to believe that in order to facilitate its profit fabrication scheme, Bosideng insiders conducted fake inter-company transactions through a maze of direct and indirect subsidiaries whose balance sheets harbor fake profits as inexplicable receivables.”*

#### ***Company’s response***

This allegation is completely malicious and baseless. The Company refutes this allegation and makes the following statements in relation to this allegation.

In making this claim, the Report is not comparing like with like and the references made to the PRC's subsidiaries' credit reports caused confusion to the public, as

- (i) the accounting standards adopted by the said credit reports (China Accounting Standards, applicable to private company) and the annual report of the Company (International Financial Reporting Standards (“IFRS”)) are different;
- (ii) the reporting periods adopted by the said credit reports (year ended December 31) and the annual report of the Company (year ended March 31) are different; and
- (iii) the number of subsidiaries said to be covered by the Report are substantially less than those covered in the annual report of the Company (at least 80 or more), which did not reflect the overall operations of the Group.

Also, the allegation set out in the Report demonstrated a lack of understanding of the internal business operation of the Group. Subsidiaries of the Company are used for different purpose, i.e. purchasing raw materials, for design and for sale and such subsidiaries would inevitably transact with other subsidiaries of the Group, hence creating intra-group trades between them which are genuine transactions. These intra-company trades and the related balance sheet items such as trade receivables and trade payables are eliminated on group level consolidation and do not distort or inflate the overall financial positions of the Group.

The Company considers the claims in the Report to be untrue and misleading, and that the conclusions drawn in the Report about the Company and its financial results are incorrect. The Company's consolidated financial statements are prepared in accordance with applicable laws and IFRS, and they are audited by the statutory auditor of the Company.

## **2. Overpayment for multiple acquisitions to undisclosed insiders**

### ***Bonitas allegation***

*“We believe Chairman Gao used three primary sham transactions to siphon out Bosideng's cash and stock into the hands of undisclosed related parties: Jessie, Buoubuou and Tianjin Ladieswear.*

*In 2008, Mr. Chow bought and built Jessie for RMB16.5 million only to sell the brand in 2011 to Bosideng for RMB664 million, generating Mr. Chow a whopping 3,924% return in 3 years.*

*In 2013 Mr. Chow purchased Buoubuou for RMB17.5 million only to sell the brand in 2016 to Bosideng for RMB715 million, generating Mr. Chow a whopping 3,986% return in 3 years.*

*In August 2015, Mr. Chow purchased Joy Smile Group for RMB530 million only to sell the brand in 2017 to Bosideng for RMB660 million, an impressive 25% return in 2 years.*

*Central to Chairman Gao's scheme are undisclosed related party conspirators, Mr. Chow Mei Wo (周美和) (“Mr. Chow”) and Dr. Kong Shengyuan (孔聖元) (“Dr. Kong”). Evidence shows that Mr. Chow was an undisclosed insider involved in the Buoubuou transaction and a vendor in all three primary acquisitions. Dr. Kong, a former Executive Director of Bosideng who left to become a patsy signatory lieutenant facilitating Chairman Gao's profiteering efforts, was also an undisclosed insider involved in the Buoubuou transaction.”*

### ***Company's response:***

The allegations are factually incorrect. The Company refutes this allegation and makes the following statements in relation to this allegation.

Since 2011, during the course of expanding its non-down apparel business, the Group had the opportunities to build up a portfolio of ladies fashion wear brands through various mergers and acquisitions of brands with strong development potential and synergy with the Group, laying the foundation for the development of ladies fashion wear business of the Group.

The ladies fashion wear brand “JESSIE” was founded by Mr. Chow Mei Wo (“**Mr. Chow**”) since 1998, instead of through acquisition by Mr. Chow in 2008 as alleged. Mr. Chow has over 20 years of experience in the ladies fashion wear industry and is one of the key personnel in assisting the Group to further expand its ladies fashion wear business by identifying suitable brands for acquisition by the Group. The brand “BUOU BUOU” and the brand “KOREANO” also have a long development history. The two brands were founded in 2004 and 1992, respectively, and have accumulated a large number of consumers in their respective segment.

The considerations for the the three acquisitions of the ladies fashion wear brands, namely “JESSIE”, “BUOU BUOU”, “KOREANO” and “KLOVA”. were determined with reference to various factors, inter alia, the future earning capacity by referencing to the price-to-earning of industry peers, the then financial performance at the material time of the acquisition the profit guarantee provided as well as the payment method (i.e. just cash or a combination of cash and consideration shares), instead of merely referencing to the net asset value of those targeted companies.

Further, prior to the three acquisitions of the ladies fashion wear brands, the Group had engaged internationally renowned and professional auditors, legal advisers, valuers and/or other advisers to carry out the due diligence as well as the valuation, which help provide the Board with all the necessary required information to consider if the terms and conditions of the relevant acquisitions are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. The Company has held separate board meetings (attended by both executive Directors and independent non-executive Directors) to approve each of the relevant acquisitions, such decision was not made by just one Director but by the whole Board on a collective basis.

The acquisition of ladies fashion wear brands is a core strategic plan of the Company. Through the synergy of the three companies and the different positioning in the ladies fashion wear’s market, the Company strives to create a ladies fashion wear platform that penetrates the North and South markets.

The Board would like to reiterate that all the required information and/or relationship has been properly disclosed by the Company in the respective acquisition announcements as well as by Dr. Kong in those disclosure of interests forms filed by Dr Kong and his controlled entities in accordance with the Listing Rules and the SFO. To the best of the Company’s and its Directors’ knowledge, the Company has not violated any applicable Listing Rules or legal requirements with respect to the said three acquisition.

### **3. Disposal of assets without receipt of payment**

#### ***Bonitas allegation***

*“Bosideng’s subsidiary, Shandong Bingfei Fashion Co., Ltd. (山東冰飛服飾有限公司) (“Shandong Bingfei”), was the seller of the Shandong Property to Chairman Gao. At the time of purchase, Chairman Gao paid 10% of the initial consideration (RMB5.4 million) to Bosideng, while the remaining RMB52 million owed to Bosideng by Shandong Kangbo was disclosed as an “other receivable*

*The disappearance of the monies owed to Bosideng by Chairman Gao’s Shandong Kangbo suggests that the Shandong Property was paid for at some point during FY’18.”*

#### ***Company’s response:***

This allegation is factually incorrect and misinformed. The Company refutes this allegation and makes the following statements in relation to this allegation.

As disclosed in the announcement of the Company dated February 17, 2017, the consideration for the disposal of the property (the “Consideration”) of approximately RMB54 million has been determined after arm’s length negotiations between the parties after taking into account the valuation of the market price of the Property as at December 31, 2016 made by Jiangsu Donghua Land Real Estate Assets Appraisal Co., Ltd., an independent firm of valuers.

The Consideration has been settled in accordance with the stipulated timetable as specified in the disposal agreement. Shandong Bingfei as the vendor has collected the proceeds from the disposal of the property from the purchaser in March (RMB5 million) and May 2017 (RMB 49 million), respectively. After receipt of the said proceeds, the same was then transferred by Shandong Bingfei to the fund pool managed by Bosideng International Fashion (China) Company Limited (a wholly-owned subsidiary of the Company). This was then recorded as an intra group receivable, which was eliminated on group consolidation level.

The Company has documentary support for all the payments received. The Company considers the allegation for the disposal of assets at bargained price and the lack of payment from the purchaser completely incorrect.

### **4. Significant historical dividends paid to Bosideng insiders**

#### ***Bonitas allegation***

*“Significant historical dividends paid to Bosideng insiders who own 65%+ of Bosideng’s shares outstanding”*

#### ***Company’s response:***

This allegation is malicious and baseless. The Company refutes this allegation and makes the following statements in relation to this allegation.

The Company has been distributing cash dividends to the shareholders on a pro rata basis nearly annually since its listing on the Stock Exchange. The Company considers such practice on dividend payment provides a stable and satisfactory return to its shareholders and is an indirect proof of the strong financial position of the Company.

## CONCLUSION

The Company has been listed on the Stock Exchange since 2007. The Company strives to adhere to all relevant Listing Rules and legal requirements and to manage and operate its business to maximize value to its shareholders.

We welcome the supervision from shareholders, investors, and regulators over the Company's business operations and financial results. At the same time, we will not tolerate what seems to be an outright malicious attack on the Company for personal gains which harms the Company's reputation and business prospects. In the event that any substantial loss is incurred by the Company and/or its shareholders and investors, the Company reserves absolutely all its rights to safeguard such interests by legal means or any other means as appropriate or necessary.

To this end, we will continue to strengthen the Company's corporate governance and endeavor to increase the transparency of the Company. The independent non-executive Directors and the audit committee of the Company have reviewed and approved this announcement. We are full of confidence for the Group's future. We will continue to leverage our core competence and brand to strengthen the leading position in the branded down apparel industry and expanding market share.

As informed by Mr. Gao Dekang (the controlling shareholders of the Company), he has full confidence in the overall development, prospects and growth potentials of the Company and intends to further increase his shareholdings in the Company in future as and when appropriate.

In addition, the Company might further conduct on-market repurchase of the Shares as and when appropriate in accordance with the Listing Rules.

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

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was halted with effect from 11:16 a.m. on June 24, 2019, pending the release of this clarification announcement. The Company has applied to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on June 25, 2019.

The Company reserves absolutely its rights to take legal action for damages or other relief against the entity and/or associated individual(s) that published the Report.

By order of the Board  
**Bosideng International Holdings Limited**  
**Gao Dekang**  
*Chairman*

Hong Kong, June 24, 2019

*As at the date of this announcement, the executive Directors are Mr. Gao Dekang, Ms. Mei Dong, Ms. Huang Qiaolian, Mr. Rui Jinsong and Mr. Gao Xiaodong; and the independent non-executive Directors are Mr. Dong Binggen, Mr. Wang Yao, and Dr. Ngai Wai Fung.*