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**hosa**

**HOSA INTERNATIONAL LIMITED**

**浩沙國際有限公司**

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

**(Stock Code: 02200)**

**CONTINUING CONNECTED TRANSACTIONS  
(1) NEW PROCUREMENT AGREEMENT  
(2) NEW PROCESSING AGREEMENT  
AND  
(3) SALES AGREEMENT**

Reference is made to the announcement made by the Company dated 19 December 2013 with respect to the continuing connected transactions between Haosha Industry, an indirectly wholly-owned subsidiary of the Company, and Haosha Garments under the Old Procurement Agreement and the Old Processing Agreement, each dated 19 December 2013. Such agreements will expire on 31 December 2016.

**NEW PROCUREMENT AGREEMENT**

The Board is pleased to announce that on 22 November 2016, Haosha Industry entered into the New Procurement Agreement with Haosha Garments, whereby Haosha Industry agreed to purchase from Haosha Garments, and Haosha Garments agreed to sell to Haosha Industry, fabric products from time to time. The New Procurement Agreement is for a term of three years, from 1 January 2017 to 31 December 2019. The annual caps for the transactions under the New Procurement Agreement for each of the three years ending 31 December 2019 are RMB9,000,000, RMB12,000,000 and RMB15,000,000.

## **NEW PROCESSING AGREEMENT**

The Board announces that on 22 November 2016, Haosha Industry also entered into the New Processing Agreement with Haosha Garments, whereby Haosha Industry agreed to purchase from Haosha Garments, and Haosha Garments agreed to supply to Haosha Industry, dyeing and printing services from time to time. The New Processing Agreement is for a term of three years, from 1 January 2017 to 31 December 2019. The annual caps for the transactions under the New Processing Agreement for each of the three years ending 31 December 2019 are RMB66,000,000, RMB72,000,000 and RMB80,000,000.

## **SALES AGREEMENT**

The Board announces that on 22 November 2016, Haosha Industry also entered into the Sales Agreement with Haosha Fitness Centre, whereby Haosha Fitness Centre agreed to purchase from Haosha Industry, and Haosha Industry agreed to supply to Haosha Fitness Centre, health products from time to time. The Sale Agreement is for a term of three years, from 1 January 2017 to 31 December 2019. The annual caps for the transactions under the Sales Agreement for each of the three years ending 31 December 2019 are RMB20,000,000, RMB30,000,000 and RMB50,000,000.

## **CONNECTED RELATIONSHIP BETWEEN THE PARTIES**

Haosha Garments is currently owned as to 75% by Mr. Shi Hongliu and 25% by Mr. Shi Hongyan. Mr. Shi Hongliu and Mr. Shi Hongyan are executive Directors of the Company, therefore connected persons of the Company. Mr. Shi Hongliu is also entitled to exercise 75% (more than 30%) of the voting power at general meetings of Haosha Garments. Accordingly, Haosha Garments is an associate of Mr. Shi Hongliu and Mr. Shi Hongyan and therefore a connected person of the Company under the Listing Rules.

Haosha Fitness Centre is currently owned as to 60% by Mr. Shi Hongliu and 40% by Mr. Shi Hongyan. Mr. Shi Hongliu and Mr. Shi Hongyan are executive Directors of the Company, therefore connected persons of the Company. Accordingly, Haosha Fitness Centre is an associate of Mr. Shi Hongliu and Mr. Shi Hongyan and therefore a connected person of the Company under the Listing Rules.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Rule 14A.81 of the Listing Rules, the New Procurement Agreement and the New Processing Agreement would have to be aggregated for the purpose of considering the Company's compliance obligations under the Listing Rules. The highest applicable ratio of the aggregate annual caps under the New Procurement Agreement and the New Processing Agreement for each of the three years ending 31 December 2019 is greater than 5% but less than 25%, and each of the aggregate annual consideration is expected to be greater than HK\$10 million. Accordingly, the New Procurement Agreement, New Processing Agreement, the transactions contemplated thereunder, and the relevant annual caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of the applicable ratios (other than the profits ratio) of the annual caps under the Sales Agreement for each of the three years ending 31 December 2019 is less than 5%. Accordingly, pursuant to Rule 14A.76 of the Listing Rules, the Sales Agreement and the transactions contemplated thereunder are exempt from the Independent Shareholders' approval requirements but subject to the reporting, announcement and annual review requirements set out in Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to announcement made by the Company dated 19 December 2013 with respect to the continuing connected transactions between Haosha Industry, an indirectly wholly-owned subsidiary of the Company, and Haosha Garments under the Old Procurement Agreement and the Old Processing Agreement, each dated 19 December 2013. Such agreements will expire on 31 December 2016. In order to continue the relevant transactions with Haosha Garments, the Board is pleased to announce that Haosha Industry and Haosha Garments have entered into the New Procurement Agreement and the New Processing Agreement. Details of such agreements are set out below.

## **NEW PROCUREMENT AGREEMENT**

- Parties:                    1)    Haosha Industry; and
- 2)    Haosha Garments
- Date:                        22 November 2016
- Subject matter:        Pursuant to the New Procurement Agreement, Haosha Industry agreed to purchase from Haosha Garments, and Haosha Garments agreed to sell to Haosha Industry, fabric products from time to time, at fair market prices to be agreed between the parties from time to time after arm’s length negotiations and on normal commercial terms.
- Annual caps:            The annual caps for the transactions under the New Procurement Agreement for each of the three years ending 31 December 2019 are RMB9,000,000, RMB12,000,000 and RMB15,000,000. Such annual caps are determined based on (i) the historical transaction value of the fabric products purchased by Haosha Industry from Haosha Garments; (ii) the prevailing market price of similar products; and (iii) the expected increase in demand for such products by Haosha Industry in the coming three years.
- Term:                      The New Procurement Agreement is for a term of three years, from 1 January 2017 to 31 December 2019, and is renewable for another three years at the option of Haosha Industry subject to compliance with applicable requirements of Listing Rules.
- Pricing and  
payment terms:        Pursuant to the New Procurement Agreement, the transactions will be conducted at fair market prices to be agreed between the parties from time to time after arm’s length negotiations and on normal commercial terms.

In determining the price of the fabric products, the Group has adopted the following measures:

- to have regular contacts with the suppliers of the Group (including Haosha Garments) to keep abreast of the market development and the price trend of the fabric products;
- to invite several suppliers (including Haosha Garments) with similar specifications, skill-set level, technology and quality requirements in the market to submit quotations or proposals; and
- to review and compare the quotations or proposals received during a period of 12 months prior to placing an individual purchase order and assess the same based on various factors such as price, product size flexibility, shipment schedule, and after sales services.

In any event, the price should be no less favourable to the Group than those offered by independent third party suppliers to the Group.

Haosha Industry shall pay for the products procured from Haosha Garments within 90 days upon receiving the invoice.

- Termination: Haosha Industry has the right to terminate the New Procurement Agreement before its expiration by serving a written notice to Haosha Garments 30 days in advance.
- Other terms: For each transaction to be conducted pursuant to the New Procurement Agreement, the parties shall enter into a separate agreement which shall include transaction details, such as product price, volume and payment method.

## **NEW PROCESSING AGREEMENT**

- Parties:                   1)   Haosha Industry; and
- 2)   Haosha Garments
- Date:                       22 November 2016
- Subject matter:         Pursuant to the New Processing Agreement, Haosha Industry agreed to purchase from Haosha Garments, and Haosha Garments agreed to supply to Haosha Industry, dyeing and printing services from time to time, at fair market prices to be agreed between the parties from time to time after arm’s length negotiations and on normal commercial terms.
- Annual caps:             The annual caps for the transactions under the New Processing Agreement for each of the three years ending 31 December 2019 are RMB66,000,000, RMB72,000,000 and RMB80,000,000. Such annual caps are determined based on (i) the historical transaction value of the dyeing and printing services provided by Haosha Garments to Haosha Industry; (ii) the prevailing market price of similar processing services; and (iii) the expected increase in demand for such services by Haosha Industry in the coming three years.
- Term:                      The New Processing Agreement is for a term of three years, from 1 January 2017 to 31 December 2019, and is renewable for another three years at the option of Haosha Industry subject to compliance with applicable requirements of Listing Rules.
- Pricing and  
payment terms:         Pursuant to the New Processing Agreement, the transactions will be conducted at fair market prices to be agreed between the parties from time to time after arm’s length negotiations and on normal commercial terms.

In determining the price of the printing and dyeing services, the Group has adopted the following measures:

- to have regular contacts with the suppliers of the Group (including Haosha Garments) to keep abreast of the market development and the price trend of the dyeing and printing services;
- to invite several suppliers (including Haosha Garments) with similar specifications, skill-set level, technology and quality requirements in the market to submit quotations or proposals; and
- to review and compare the quotations or proposals received during a period of 12 months prior to placing an individual purchase order and assess the same based on various factors such as price, product size flexibility, shipment schedule, and after sales services.

In any event, the price should be no less favourable to the Group than those offered by independent third party suppliers to the Group.

Haosha Industry shall pay for the services provided by Haosha Garments within 90 days upon receiving the invoice.

Termination: Haosha Industry has the right to terminate the New Processing Agreement before its expiration by serving a written notice to Haosha Garments 30 days in advance.

Other terms: For each transaction to be conducted pursuant to the New Processing Agreement, the parties shall enter into a separate agreement which shall include transaction details, such as product price, volume and payment method.

## SALES AGREEMENT

The Board announces that on 22 November 2016, Haosha Industry also entered into the Sales Agreement with Haosha Fitness Centre. Details of such agreement are set out below.

- Parties:                   1) Haosha Industry; and
- 2) Haosha Fitness Centre
- Date:                       22 November 2016
- Subject matter:       Pursuant to the Sales Agreement, Haosha Fitness Centre agreed to purchase from Haosha Industry, and Haosha Industry agreed to supply to Haosha Fitness Centre, health products from time to time, at fair market prices to be agreed between the parties from time to time after arm's length negotiations and on normal commercial terms.
- Annual caps:           The annual caps for the transactions under the Sales Agreement for each of the three years ending 31 December 2019 are RMB20,000,000, RMB30,000,000 and RMB50,000,000. Such annual caps are determined based on (i) the number of centres and members of Haosha Fitness Centre; (ii) the prevailing market price of similar health products; and (iii) the expected increase in the demand of health products by Haosha Fitness Centre in the coming three years.
- Term:                     The Sales Agreement is for a term of three years, from 1 January 2017 to 31 December 2019, and is renewable for another three years at the option of Haosha Industry subject to compliance with applicable requirements of Listing Rules.
- Pricing and  
payment terms:       The price and terms of the individual orders in respect of the Sales Agreement will be conducted on normal commercial terms and negotiated on an arm's length basis, on similar basis with other independent third party customers, and shall be on terms which are no less favourable to the Group than those provided to independent third party customers.



The Group will also take into account the following factors when determining the selling price under the individual order in respect of the Sales Agreement: (i) the prevailing market prices and retail prices of the products to be sold by the Group; (ii) the expected cost to be incurred by the Group in providing such products; and (iii) the reasonable profit margin for the products provided.

Haosha Fitness Centre shall pay for the products provided by Haosha Industry within 90 days upon receiving the invoice.

**Termination:** Haosha Industry has the right to terminate the Sales Agreement before its expiration by serving a written notice to Haosha Fitness Centre 30 days in advance.

**Other terms:** For each transaction to be conducted pursuant to the Sales Agreement, the parties shall enter into a separate agreement which shall include transaction details, such as product price, volume and payment method.

#### **REASONS FOR AND BENEFITS OF THE NEW PROCUREMENT AGREEMENT, THE NEW PROCESSING AGREEMENT AND THE SALES AGREEMENT**

Haosha Garments has been the fabric products provider and dyeing and printing services provider of the Group, and the Company would like to maintain such business relationship with Haosha Garments, as Haosha Garments responds to the Group's order requests in a more prompt and efficient manner as compared with other independent suppliers of similar products and services available in the market. In addition, the close geographic proximity between Haosha Garments and Haosha Industry also enables the parties to reduce transportation costs.

The Directors, including the independent non-executive Directors, consider that the New Procurement Agreement and the New Processing Agreement are entered into on normal commercial terms and in the ordinary course of business of the Company, and their terms are fair and reasonable. Therefore, it is in the interests of the shareholders of the Company as a whole to enter into such agreements. Since Mr. Shi Hongliu and Mr. Shi Hongyan, both executive Directors, also hold 75% and 25% equity interest in Haosha Garments, respectively, to avoid any potential conflict of interest, each of Mr. Shi Hongliu and Mr. Shi Hongyan has abstained from voting on the board resolutions approving the New Procurement Agreement and the New Processing Agreement and the transactions thereunder.

Haosha Fitness Centre is a leading fitness centre chain and has 70 fitness centres all over the PRC's major cities, which is a sizable distribution channel. The Sales Agreement enables the Group to make use of the distribution channel to develop the health product market.

The Directors, including the independent non-executive Directors, consider that the Sales Agreement is entered into on normal commercial terms and in the ordinary course of business of the Company, and its terms are fair and reasonable. Therefore, it is in the interests of the shareholders of the Company as a whole to enter into such agreement. Since Mr. Shi Hongliu and Mr. Shi Hongyan, both executive Directors, also hold 60% and 40% equity interest in Haosha Fitness Centre, respectively, to avoid any potential conflict of interest, each of Mr. Shi Hongliu and Mr. Shi Hongyan has abstained from voting on the board resolutions approving the Sales Agreement and the transactions thereunder.

## **CONNECTED RELATIONSHIP BETWEEN THE PARTIES**

Haosha Garments is currently owned as to 75% by Mr. Shi Hongliu and 25% by Mr. Shi Hongyan. Mr. Shi Hongliu and Mr. Shi Hongyan are executive Directors of the Company, therefore connected persons of the Company. Mr. Shi Hongliu is also entitled to exercise 75% (more than 30%) of the voting power at general meetings of Haosha Garments. Accordingly, Haosha Garments is an associate of Mr. Shi Hongliu and Mr. Shi Hongyan and therefore a connected person of the Company under the Listing Rules.

Haosha Fitness Centre is currently owned as to 60% by Mr. Shi Hongliu and 40% by Mr. Shi Hongyan. Mr. Shi Hongliu and Mr. Shi Hongyan are executive Directors of the Company, therefore connected persons of the Company. Accordingly, Haosha Fitness Centre is an associate of Mr. Shi Hongliu and Mr. Shi Hongyan and therefore a connected person of the Company under the Listing Rules.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Rule 14A.81 of the Listing Rules, the New Procurement Agreement and the New Processing Agreement would have to be aggregated for the purpose of considering the Company's compliance obligations under the Listing Rules. The highest applicable ratio of the aggregate annual caps under the New Procurement Agreement and the New Processing Agreement for each of the three years ending 31 December 2019 is greater than 5% but less than 25% and each of the aggregate annual consideration is expected to be greater than HK\$10 million. Accordingly, the New Procurement Agreement, New Processing Agreement, the transactions contemplated thereunder, and the relevant annual caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of the applicable ratios (other than the profits ratio) of the annual caps under the Sales Agreement for each of the three years ending 31 December 2019 is less than 5%. Accordingly, pursuant to Rule 14A.76 of the Listing Rules, the Sales Agreement and the transactions contemplated thereunder are exempt from the Independent Shareholders' approval requirements but subject to the reporting, announcement and annual review requirements set out in Chapter 14A of the Listing Rules.

As the transactions under the New Procurement Agreement, the New Processing Agreement and the Sales Agreement are transactions of a revenue nature in the ordinary and usual course of business of the Company, these transactions do not constitute transactions under Chapter 14 of the Listing Rules.

## **EGM**

The New Procurement Agreement and the New Processing Agreement will be tabled at the EGM at which ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, approve the New Procurement Agreement and the New Processing Agreement, the transactions contemplated thereunder, and the relevant annual caps.

As Haosha Garments is currently owned as to 75% by Mr. Shi Hongliu and 25% by Mr. Shi Hongyan, Mr. Shi Hongliu, Mr. Shi Hongyan and their associates (i.e. including Ho Born Investment Holdings Limited and Well Born Industrial Group Limited) will abstain from voting at the EGM on the resolutions to approve the New Procurement Agreement and the New Processing Agreement, the transactions contemplated thereunder, and the relevant annual caps.

In the event that the Independent Shareholders do not approve the New Procurement Agreement and the New Processing Agreement and the relevant annual cap(s) at the EGM, the Company will ensure that the aggregate annual transactions amounts under the New Procurement Agreement and the New Processing Agreement fall within 5% threshold, and will make announcement to inform the shareholders of the Company and the investor public as and when necessary.

An independent board committee comprising all independent non-executive Directors, has been established to advise the Independent Shareholders and an independent financial adviser, Alliance Capital Partners Limited, a corporation licensed to carry out Type 1 and Type 6 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed to advise both the independent board committee and the Independent Shareholders in respect of the New Procurement Agreement and the New Processing Agreement, and the transactions contemplated thereunder.

A circular containing, *inter alia*, (1) further information on the New Procurement Agreement and the New Processing Agreement; (2) the notice of the EGM; (3) the letter from an independent financial adviser to both the independent board committee and the Independent Shareholders; and (4) the recommendation of the independent board committee to the Independent Shareholders, is expected to be dispatched to the shareholders of the Company no later than 13 December 2016.

## **GENERAL INFORMATION ABOUT THE GROUP, HAOSHA GARMENTS AND HAOSHA FITNESS CENTRE**

The Group is primarily engaged in design and production of a wide range of mid-to-high end sportswear products, including swimwear, fitness wear, sports underwear and accessories.

Haosha Garments is primarily engaged in manufacture and sale of fabric products, and provision of fabric dyeing and printing services.

Haosha Fitness Centre is primarily engaged in the operation of fitness centres.

## DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Hosa International Limited (浩沙國際有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 2 September 2010, the shares of which are listed on The Stock Exchange of Hong Kong Limited
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to, among others, consider and if thought fit, approve the New Procurement Agreement and the New Processing Agreement, and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Haosha Fitness Centre”	Quanzhou Haosha Fitness Centre Co., Ltd.* (泉州浩沙健身俱樂部有限公司), a limited liability company established under the laws of the PRC on 18 December 2013
“Haosha Garments”	Fujian Province Jinjiang City Haosha Garments Co., Ltd.* (福建省晉江市浩沙製衣有限公司), a limited liability company established under the laws of the PRC on 24 October 1996
“Haosha Industry”	Haosha Industry (Fujian) Co., Ltd.* (浩沙實業(福建)有限公司), a limited liability company established under the laws of the PRC on 25 October 2005, an indirectly wholly-owned subsidiary of the Company
“Independent Shareholders”	the shareholders of the Company other than the shareholders who are deemed to have material interests in the transactions contemplated under the respective New Procurement Agreement and New Processing Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Processing Agreement”	the New Processing Agreement entered into by Haosha Industry and Haosha Garments dated 22 November 2016, in relation to the provision of dyeing and printing service by Haosha Garments to Haosha Industry
“New Procurement Agreement”	the New Procurement Agreement entered into by Haosha Industry and Haosha Garments dated 22 November 2016, in relation to the purchase of fabric products by Haosha Industry from Haosha Garments
“Old Processing Agreement”	the Old Processing Agreement entered into by Haosha Industry and Haosha Garments dated 19 December 2013, in relation to the provision of dyeing and printing service by Haosha Garments to Haosha Industry
“Old Procurement Agreement”	the Old Procurement Agreement entered into by Haosha Industry and Haosha Garments dated 19 December 2013, in relation to the purchase of fabric products by Haosha Industry from Haosha Garments
“PRC”	the People’s Republic of China
“RMB”	the lawful currency of the PRC
“Sales Agreement”	the Sales Agreement entered into by Haosha Industry and Haosha Fitness Centre dated 22 November 2016, in relation to the purchase of health products by Haosha Fitness Centre from Haosha Industry
“%”	per cent

*The English translation of company names in Chinese which are marked with “\*” are for identification purpose only.*

By Order of the Board of  
**Hosa International Limited**  
**Shi Hongliu**  
*Chairman*

Hong Kong, 22 November 2016

*As at the date of this announcement, the executive directors are Mr. Shi Hongliu, Mr. Shi Hongyan, Mr. Shi Zhixiong and Mr. Lui Wai Ming, and the independent non-executive directors are Ms. Ko Yuk Lan, Mr. Yao Ge and Mr. He Wenyi.*