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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)**

### **2014 ANNUAL RESULTS ANNOUNCEMENT**

#### **ANNUAL RESULTS**

The board (the “Board”) of directors (“Directors”) of Hosa International Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013. These results have been reviewed by the Company’s audit committee (the “Audit Committee”), comprising three independent non-executive Directors, namely, Ms. Ko Yuk Lan, Mr. Yao Ge and Mr. Wang Yao. Ms. Ko Yuk Lan is the chairwoman of the Audit Committee.

#### **HIGHLIGHTS**

- Turnover and gross profit for the year ended 31 December 2014 reached RMB1,216.5 million and RMB640.3 million, respectively, representing an increase of 19.1% and 8.5%, respectively.
- Gross profit margin for the year ended 31 December 2014 was 52.6% (2013: 57.8%).
- Total profit attributable to equity shareholders of the Company for the year ended 31 December 2014 was RMB405.2 million, representing an increase of 11.7%.
- Basic earnings per share for the year ended 31 December 2014 was RMB24 cents per share.
- The Board proposed to declare a final dividend of HK6.9 cents (equivalent to approximately RMB5.4 cents) per share and a special dividend of HK2.0 cents (equivalent to approximately RMB1.6 cents) per share for the year ended 31 December 2014.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
<b>Turnover</b>	3	<b>1,216,546</b>	1,021,520
Cost of sales		<u>(576,273)</u>	<u>(431,209)</u>
<b>Gross profit</b>		<b>640,273</b>	590,311
Other revenue	4	<b>73,142</b>	25,505
Other net (loss)/income	4	<b>(2,675)</b>	2,775
Selling and distribution expenses		<b>(133,494)</b>	(104,537)
Administrative and other operating expenses		<u><b>(88,281)</b></u>	<u>(75,223)</u>
<b>Profit from operations</b>		<b>488,965</b>	438,831
Finance costs	5(a)	<u>—</u>	<u>(398)</u>
<b>Profit before taxation</b>	5	<b>488,965</b>	438,433
Income tax	6	<u><b>(85,803)</b></u>	<u>(68,074)</u>
<b>Profit for the year attributable to equity shareholders of the Company</b>		<b>403,162</b>	370,359
<b>Other comprehensive income for the year</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the mainland China		<u><b>1,996</b></u>	<u>(7,513)</u>
<b>Total comprehensive income for the year attributable to equity shareholders of the Company</b>		<u><b>405,158</b></u>	<u>362,846</u>
<b>Earnings per share (RMB)</b>	7		
— Basic		<u><b>0.24</b></u>	<u>0.23</u>
— Diluted		<u><b>0.24</b></u>	<u>0.23</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		83,808	59,126
Lease prepayments		18,149	18,564
Intangible assets		522	499
Deferred tax assets		<u>3,422</u>	<u>3,514</u>
<b>Total non-current assets</b>		<u>105,901</u>	<u>81,703</u>
<b>Current assets</b>			
Inventories		169,096	151,409
Trade and other receivables	9	320,972	268,958
Pledged deposits		15,832	17,684
Fixed deposits held at banks with maturity over three months		1,222,298	723,950
Cash and cash equivalents		<u>37,439</u>	<u>335,199</u>
<b>Total current assets</b>		<u>1,765,637</u>	<u>1,497,200</u>
<b>Current liabilities</b>			
Trade and other payables	10	208,034	174,137
Current taxation		<u>15,161</u>	<u>8,710</u>
<b>Total current liabilities</b>		<u>223,195</u>	<u>182,847</u>
<b>Net current assets</b>		<u>1,542,442</u>	<u>1,314,353</u>
<b>Total assets less current liabilities</b>		<u>1,648,343</u>	<u>1,396,056</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>7,197</u>	<u>—</u>
<b>Total non-current liabilities</b>		<u>7,197</u>	<u>—</u>
<b>Net assets</b>		<u>1,641,146</u>	<u>1,396,056</u>
<b>Capital and reserves</b>			
Share capital		13,465	13,485
Reserves		<u>1,627,681</u>	<u>1,382,571</u>
<b>Total equity</b>		<u>1,641,146</u>	<u>1,396,056</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

*(Expressed in Renminbi unless otherwise indicated)*

### **1 GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands on 2 September 2010. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 December 2011.

These consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by International Accounting Standards Board (“IASB”). These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), “Accounts and Audit”, which are set out in section 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

### **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis, except that the derivative financial instruments are stated at their fair value.

### **3 TURNOVER AND SEGMENT REPORTING**

The principal activities of the Group are design, manufacture and wholesale of swimwear, fitness wear and sports underwear.

Turnover represents the sales value of goods sold less returns, discounts and value added tax.

Segment information is presented in respect of the Group’s business segments. The primary format, business segments, is based on the Group’s management and internal reporting structure. No geographical segment analysis is presented as substantially all assets, liabilities, turnover and gross profit of the Group are attributable to the operation in the PRC.

In 2014, the Group has four separate segments within the continuing operations as follows:

- Design, manufacture and wholesale of swimwear under the brand name of “Hosa” (“Swimwear — Hosa”);
- Design, manufacture and wholesale of swimwear under the brand name of “Water Cube” (“Swimwear — Water Cube”);
- Design, manufacture and wholesale of fitness wear under the brand name of “Hosa” (“Fitness wear — Hosa”);  
and
- Design, manufacture and wholesale of sports underwear under the brand name of “Hosa” (“Sports underwear — Hosa”).

Before 2014, there was another segment-wholesale of swim and indoor sports accessories under the brand name of “Hosa” (“Accessories — Hosa”) apart from the above segments within the Group. In 2014, the Group restructures this segment — “Accessories — Hosa” into other four segments to streamline the internal reporting structure. The comparative figures have been reclassified to conform to current year’s presentation.

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2014 and 2013 is set out below:

	<b>Swimwear</b>	<b>Swimwear</b>	<b>Fitness wear</b>	<b>Sports</b>	<b>Total</b>
	<b>— Hosa</b>	<b>— Water</b>	<b>— Hosa</b>	<b>underwear</b>	
	<i>RMB’000</i>	<b>Cube</b>	<i>RMB’000</i>	<b>— Hosa</b>	<i>RMB’000</i>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Year ended</b>					
<b>31 December 2014</b>					
Turnover	374,387	141,101	392,295	308,763	1,216,546
Cost of sales	<u>(156,531)</u>	<u>(85,856)</u>	<u>(154,509)</u>	<u>(179,377)</u>	<u>(576,273)</u>
Gross profit	<u><u>217,856</u></u>	<u><u>55,245</u></u>	<u><u>237,786</u></u>	<u><u>129,386</u></u>	<u><u>640,273</u></u>
<b>Year ended</b>					
<b>31 December 2013</b>					
Turnover	376,508	41,674	293,752	309,586	1,021,520
Cost of sales	<u>(134,499)</u>	<u>(24,013)</u>	<u>(100,314)</u>	<u>(172,383)</u>	<u>(431,209)</u>
Gross profit	<u><u>242,009</u></u>	<u><u>17,661</u></u>	<u><u>193,438</u></u>	<u><u>137,203</u></u>	<u><u>590,311</u></u>

The Group’s turnover by geographical locations is determined by the destination where the goods are delivered.

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Domestic	1,183,115	966,118
Overseas	<u>33,431</u>	<u>55,402</u>
	<u><u>1,216,546</u></u>	<u><u>1,021,520</u></u>

The Group has three customers (2013: two customers) with whom transactions have exceeded 10% of the Group’s turnover for the years ended 31 December 2014. The amount of sales to those customers amounted to approximately RMB439,616,000 for the year ended 31 December 2014 (2013: RMB286,154,000).

#### 4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
<b>Other revenue</b>		
Interest income — financial institutions	43,560	11,735
Government grants	29,259	12,999
Others	323	771
	<u>73,142</u>	<u>25,505</u>
<b>Other net (loss)/income</b>		
Exchange (loss)/gain	(2,428)	5,457
Net loss on forward foreign exchange contracts	—	(2,673)
Gain on disposal of property, plant and equipment	10	—
Others	(257)	(9)
	<u>(2,675)</u>	<u>2,775</u>

Government grants of the Group were unconditional and were therefore recognised as income when received.

#### 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
(a) Finance costs:		
Interest on bank borrowings	—	398
(b) Staff costs:		
Contributions to defined contribution retirement plans	1,675	1,164
Equity-settled share-based payment expenses	1,161	2,584
Salaries, wages and other benefits	97,624	76,515
	<u>100,460</u>	<u>80,263</u>
(c) Other items:		
Amortisation of intangible assets and lease prepayments	648	368
Auditors' remuneration	2,350	2,280
Depreciation	9,391	5,906
(Written back)/Recognition of impairment losses for trade receivables	(615)	615
Written back of inventory provision	—	(1,040)
Operating lease charges in respect of properties	6,906	6,548
Research and development costs (note (i))	43,393	40,455
Cost of inventories (note (ii))	576,273	431,209
	<u>576,273</u>	<u>431,209</u>

Notes:

- (i) Research and development costs for the year ended 31 December 2014 include staff costs of employees in the design, research and development department of RMB13,574,000 (2013: RMB11,002,000), which are also included in the staff costs as disclosed in note 5(b).
- (ii) Cost of inventories for the year ended 31 December 2014 includes RMB54,590,000 (2013: RMB44,344,000) relating to staff costs, depreciation and amortisation expenses, which amount is included in the respective total amounts disclosed separately above in notes 5(b) and (c) for each of these types of expenses.

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
<b>Current tax — PRC income tax</b>		
Provision for the year	78,514	64,719
<b>Deferred tax</b>		
Reversal of temporary differences	92	3,355
Provision of dividends withholding tax	7,197	—
	<u>85,803</u>	<u>68,074</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before taxation	<u>488,965</u>	<u>438,433</u>
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions (i)	122,777	109,608
Tax effect of PRC preferential tax treatments (ii)	(44,811)	(43,904)
Tax effect of non-deductible expenses	640	89
Withholding tax on profit retained by PRC subsidiaries (iii)	7,197	—
Tax rate differential on deferred tax items	—	2,281
Actual tax expense	<u>85,803</u>	<u>68,074</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax for the years ended 31 December 2014 and 2013.

- (ii) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the statutory income tax rate of the Group’s subsidiaries in mainland China Haosha Industry (Fujian) Co., Ltd. (“Haosha Industry”) and Haosha Industry (Datian) Co., Ltd. (“Haosha Industry (Datian)”) is 25%.

In accordance with the CIT Law, its implementation rules and the relevant regulations, Haosha Industry was granted the High and New Technology Enterprise Status in 2013 for a valid period of 3 years from 2013 to 2015 which entitles Haosha Industry to a reduced income tax rate at 15% during the valid periods under the CIT Law and its relevant regulations.

- (iii) According to PRC CIT Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises which are earned since 1 January 2008 are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interests of the PRC Company. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated by subsidiaries in the PRC. On 30 December 2014, the Board of Directors of Haosha Industry resolved that estimated dividends to be distributed to the shareholder will not be greater than RMB143,946,000 in the foreseeable future.

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB403,162,000 (2013: RMB370,359,000) and the weighted average number of ordinary shares in issue during the year of 1,655,327,000 (2013: 1,616,528,000).

#### *Weighted average number of ordinary shares*

	2014 '000	2013 '000
Ordinary shares at 1 January	1,657,730	1,600,000
Effect of shares placed	—	14,334
Effect of share repurchased	(2,465)	—
Effect of share options exercised	<u>62</u>	<u>2,194</u>
Weighted average number of ordinary shares at 31 December	<u><u>1,655,327</u></u>	<u><u>1,616,528</u></u>



**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB403,162,000 (2013: RMB370,359,000) and the weighted average number of ordinary shares of 1,663,451,000 shares (2013: 1,625,638,000), are as follows:

***Weighted average number of ordinary shares (diluted)***

	<b>2014</b>	2013
	<b>'000</b>	'000
Weighted average number of ordinary shares at 31 December	<b>1,655,327</b>	1,616,528
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<b>8,124</b>	9,110
	<b><u>1,663,451</u></b>	<u>1,625,638</u>

**8 DIVIDENDS**

**(a) Dividends payable to equity shareholders of the Company attributable to the year:**

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Interim dividends declared and paid of HK5.3 cents per share (2013: HK4.8 cents per share)	<b>69,498</b>	60,998
Dividend proposed after the end of the reporting period of HK6.9 cents per share (2013: HK6.6 cents per share)	<b>91,369</b>	86,018
Special dividend proposed after the end of the reporting period of HK2.0 cents per share (2013: Nil)	<b>26,484</b>	—
	<b><u>187,351</u></b>	<u>147,016</u>

The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

**(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:**

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK6.6 cents per share (2013: HK6.3 cents per share)	<b>87,072</b>	80,674

## 9 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	269,222	247,889
Less: Allowance for doubtful debts	<u>—</u>	<u>(615)</u>
Trade receivables	269,222	247,274
Deposits and prepayments	22,938	17,693
Other receivables	<u>28,812</u>	<u>3,991</u>
	<u><u>320,972</u></u>	<u><u>268,958</u></u>

All of the trade and other receivables are expected to be recovered within one year.

The Group accepts bank and commercial acceptance bills for settlement of trade receivables. As at 31 December 2014, outstanding bank and commercial acceptance bills in the amount of RMB107,860,000 (2013: RMB119,950,000) and RMB556,340,000 (2013: RMB224,000,000) respectively have been discounted to the banks. As these bills have been discounted without recourse, the Group has derecognised these outstanding bills as receivables as at 31 December 2014.

### (a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	90,780	83,304
More than 1 month but within 3 months	119,153	120,369
More than 3 months but within 6 months	49,727	34,369
More than 6 months but within 1 year	9,562	6,177
More than 1 year	<u>—</u>	<u>3,055</u>
	<u><u>269,222</u></u>	<u><u>247,274</u></u>

As at 31 December 2014, current balance included in trade receivables (net of allowance for doubtful debts) amounted to RMB259,660,000 (2013: RMB238,042,000). Amount past due was RMB9,562,000 (2013: RMB9,232,000). Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**(b) Impairment of trade and bills receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	<b>2014</b>	2013
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	<b>615</b>	—
Impairment loss recognised	—	615
Impairment loss written back	<u>(615)</u>	<u>—</u>
At 31 December	<u>—</u>	<u>615</u>

**10 TRADE AND OTHER PAYABLES**

	<b>At 31 December</b>	
	<b>2014</b>	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<b>83,516</b>	50,987
Bills payable	<b>48,223</b>	60,945
Receipts in advance	<b>9,985</b>	5,634
Other payables and accruals	<u><b>66,310</b></u>	<u>56,571</u>
	<u><b>208,034</b></u>	<u>174,137</u>

Bills payable as at 31 December 2014 and 2013 were secured by pledged bank deposits.

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>At 31 December</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Within 1 month	<b>48,931</b>	49,249
More than 1 month but within 3 months	<b>27,311</b>	27,189
More than 3 months but within 6 months	<b>47,194</b>	34,915
More than 6 months	<b>8,303</b>	579
	<b><u>131,739</u></b>	<u>111,932</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. MARKET OVERVIEW

The Group faced both opportunities and challenges in 2014. The year 2014 has witnessed a slowdown in the overall Chinese economy growth while the rise of mobile internet and the development of e-commerce have made enormous impacts on the conventional sales channels and sales model, resulting in a paradigm shift in the retail industry in terms of retail practices and competition landscape, where the market posed great challenges and pressure to reform to each corporation. However, China's sports and health industry is still booming with much untapped potentials for growth and escalating demand. In China, urbanization progress facilitates the construction of stadiums while fitness and sports are gradually becoming a trend as more consumers start to pursue a healthy lifestyle with rising demand on more professional and customized products and services; meanwhile, the Chinese government promotes fitness activities across the nation and provides support to the fitness industry, all of which present tremendous opportunities for the Group's future development. Being the three product lines of the Group at the current stage, fitness wear, swimwear and sports underwear all still have a relatively enormous room for development. According to the forecast made by Frost & Sullivan in the report of "Market Analysis on China's Indoor Sportswear Industry", for the coming 5 years, the compound annual growth rate of fitness wear market is expected to remain at a high level of 34.5%, while the compound annual growth rates of swimwear market and sports underwear market are expected to remain at 18.9% and 19.3% respectively. By 2018, based on ex-factory sales, the market scale of fitness wear, swimwear and sports underwear will amount to RMB15 billion, RMB6.9 billion and RMB1.7 billion, respectively.

## 2. BUSINESS HIGHLIGHTS

During 2014, in the face of market challenges, the Group further promoted innovation in respect of branding, sales channels and retail outlets, which secured a steadfast growth for the Group's turnover to reach RMB1,216.5 million, representing an increase of 19.1% as compared to the same period in 2013. The total profit attributable to the shareholders of the Company (the "Shareholders") amounted to RMB405.2 million, representing an increase of 11.7% as compared to the same period last year.

### (a) *Products*

Currently, the Group's fitness products and equipment are indoor sportswear, including the three product lines of fitness wear, swimwear, and sports underwear. Focusing on the fitness demand of the target users, the Group continues to optimize its product structure. In 2014, the Group's three product lines, namely fitness wear, swimwear, and sports underwear, each achieved an operating income of RMB392.3 million, RMB515.5 million and RMB308.8 million, representing an increase of 33.5%, 23.3% and decrease of 0.3% respectively as compared to the same period last year.

### (b) *Branding*

In order to meet the multi-faceted demand from both the fitness and swimming communities, the Group currently possesses two brands of apparel products, namely Hosa and Water Cube. The brand value of Hosa is continuously on the rise, and in June 2014, the brand was again recognized as one of the China's 500 Most Valuable Brands by the World Brand Lab, with its brand value increased from RMB2.836 billion in 2013 to RMB3.506 billion. Subsequent to the introduction of Water Cube brand apparel in 2013, the Group continued to ramp up the promotion for Water Cube brand apparel in 2014, and by leveraging on its brand influence, high professional standard and price-performance ratio, the Group swiftly captured a sizeable share of the mass swimwear market. As of 31 December 2014, the Water Cube brand apparel's turnover increased by 238.6% as compared to the same period in 2013.

### (c) *Channels and Sales Outlets*

In order to adapt to the development of mobile internet, e-commerce and the changes in consumers' consumption patterns and to improve sales channels' cost of sales, the Group was committed to the innovation of channels. In 2014, the Group continued to optimize its original mall-based channels, which further improved the entire construction of sales channels for the purpose of creating convenience for consumers and improving consumption experience, and primarily promoted the construction of sales outlets such as professional retail outlets, e-commerce and direct sales by coaches. For the construction of physical sales outlets, emphasis was placed on the improvement of the shop quality and consumption experience, reduction of sales outlets with low efficiency and further development of HOTTO water lifestyle international brand collection store and the indoor fitness store. Meanwhile, the Group also

took advantage of the features of the Group's products including specialization and compatibility to encourage the offering of sales packages with complementary products and brands by means of wholesale and distribution. All of the above measures provided extra consumption convenience to consumers, improved their consumption experience while enabling distributors to adapt to market changes and the trend of channel development, lowering the cost of sales and ensuring profit level.

As of 31 December 2014, the retained and fixed sales outlets of the Group were 1,408, representing an increase of 3.8% as compared to the same period last year.

**(d) *Marketing and Consumer Relations***

Focusing on enhancing the brand personality as being natural, healthy and joyful, the Group continued to carry out accurate and effective brand promotion and marketing campaigns which focused on our target customers, and dedicated ourselves to promoting a pleasant and healthy fitness lifestyle. To promote a fitness culture, in 2014, the Group sponsored events such as Hosa Cup Yoga Assembly, Shanghai Citizens Diving Competition and Beijing Half-Marathon Relay Race, and continued to collaborate with The Asian Fitness Academy in organizing the Vibrant Asia - Fitness Carnival Series in a number of cities in the country. Meanwhile, in 2014, the Group stepped up its sponsorship in professional competitions of swimming and fitness, which sponsored events such as National Swimming Championship Competition for the Asian Games Selection, National Swimming Tournament, National Rhythmic Gymnastics Tournament, National Aerobics Tournament and National Aerobics Championship Competition, and served as the title sponsor of FINA Marathon Swimming World Cup and the global partner of FINA as well as the global partner of FINA Diving World Series. As the sole domestic enterprise passing the certification for FINA Swimwear Approval, Hosa will support various competitions of FINA by providing professional swimming gears. In 2014, the Group also signed exclusive sponsorship agreements with a number of swimming teams including the Beijing and Shandong swimming teams. Meanwhile, the Group also continued to sponsor events including the World Supermodel Contest, International Bikini Contest and China's Super Model Contest in 2014.

The above promotional events received overwhelming response in the market and the brand influence and professional status of Hosa were also effectively promoted.

In 2014, the Group's marketing expenditure input rate was 3.3%.

**(e) *Product Research and Development***

Equipped with nearly 20 years of experience in indoor sportswear research and development, rich professional knowledge and technological build-up, the Group has established a seasoned research and development team for indoor sports apparel that is familiar with the demand of indoor sportswear in China's consumer market. Our Group has created a globalized and professional research and development system formed by domestic and foreign professional

cooperating institutions including Hosa International Beijing Design Centre, Hosa International Fujian Technology Centre, French Design Studio, function and prototype expert team from Japan as well as The Asian Fitness Academy, which enabled the Group to continuously enhance its competitive strengths in terms of the professional design, fashion design, functional development and technology of indoor sportswear and thus maintained the market competitive edge of the Group's products. In 2014, Hosa passed the certification for competition swimwear of FINA. As at 31 December 2014, the Group possesses 25 patents. In 2014, the proportion of the Group's investment in research and development was 3.6%.

(f) *Financial review*

*Turnover*

By operating segments

Turnover of the Group for the financial year ended 31 December 2014 was RMB1,216.5 million (2013: RMB1,021.5 million), representing an increase of 19.1% as compared to the turnover for the financial year ended 31 December 2013. The following table sets forth the sources of our revenue by operating segments in our operations:

	Year ended 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Domestic sales				
Swimwear — Hosa	342,262	28.2	323,428	31.7
Swimwear — Water Cube	141,101	11.6	41,674	4.1
Fitness wear — Hosa	390,990	32.1	291,430	28.5
Sports underwear — Hosa	<u>308,763</u>	<u>25.4</u>	<u>309,586</u>	<u>30.3</u>
Subtotal	<u>1,183,116</u>	<u>97.3</u>	<u>966,118</u>	<u>94.6</u>
Overseas sales				
Swimwear — Hosa	32,125	2.6	53,080	5.2
Fitness wear — Hosa	<u>1,305</u>	<u>0.1</u>	<u>2,322</u>	<u>0.2</u>
Subtotal	<u>33,430</u>	<u>2.7</u>	<u>55,402</u>	<u>5.4</u>
Total	<u>1,216,546</u>	<u>100.0</u>	<u>1,021,520</u>	<u>100.0</u>

Domestic sales increased from RMB966.1 million for the financial year ended 31 December 2013 to RMB1,183.1 million for the financial year ended 31 December 2014, representing an increase of 22.5%. Overseas sales decreased from RMB55.4 million for the financial year ended 31 December 2013 to RMB33.4 million for the financial year ended 31 December 2014, representing a decrease of 39.7%. Given that the market potential is large in China, the Group will continue to focus its sales efforts in the PRC market in the coming years.

### *Cost of sales*

Our cost of sales primarily consisted of production costs and procurement costs of finished products from external sources. Production costs include raw material costs, labor costs as well as manufacturing overhead incurred in the production of swimwear, fitness wear and sports underwear. The following table sets forth a breakdown of the cost of sales for the Group's products:

	Year ended 31 December			
	2014		2013	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Raw materials	<b>432,680</b>	<b>75.1</b>	324,845	75.3
Labor	<b>62,874</b>	<b>10.9</b>	49,263	11.4
Manufacturing overhead	<b>20,749</b>	<b>3.6</b>	14,576	3.4
Procurement costs of finished products	<b>59,970</b>	<b>10.4</b>	42,525	9.9
	<b><u>576,273</u></b>	<b><u>100.0</u></b>	<b><u>431,209</u></b>	<b><u>100.0</u></b>

Raw material costs primarily refer to the costs of procuring raw materials used in the production of our products, such as fabrics, threads and ancillary clothing materials. For the year ended 31 December 2014, the average purchase price for our key raw materials was RMB57.7 per kilogram, which was slightly lower than that for the year ended 31 December 2013.



Certain production and processing procedures of our products, primarily fabric manufacturing, fabric printing and dyeing as well as fabric cutting, sewing and stitching, are outsourced to external contract manufacturers. We provide fabric materials to contract manufacturers for processing and pay outsourced processing and service fees. Such outsourced processing and service fees are categorized under our raw material costs. Labor costs consisted of salaries, benefits and other forms of compensation paid to our production staff. Manufacturing overhead mainly includes depreciation of production facilities, costs associated with operating our facilities including electricity, water and maintenance costs, etc.

	<b>Year ended 31 December</b>			
	<b>2014</b>		<b>2013</b>	
	<i><b>RMB'000</b></i>	<i><b>%</b></i>	<i><b>RMB'000</b></i>	<i><b>%</b></i>
Swimwear — Hosa	<b>156,531</b>	<b>27.2</b>	134,499	31.2
Swimwear — Water Cube	<b>85,856</b>	<b>14.9</b>	24,013	5.5
Fitness wear — Hosa	<b>154,509</b>	<b>26.8</b>	100,314	23.3
Sports underwear — Hosa	<b>179,377</b>	<b>31.1</b>	172,383	40.0
	<b><u>576,273</u></b>	<b><u>100.0</u></b>	<b><u>431,209</u></b>	<b><u>100.0</u></b>

*Gross profit*

Gross profit of the Group for the year ended 31 December 2014 was RMB640.3 million (2013: RMB590.3 million), representing an increase of 8.5% as compared to that of the year ended 31 December 2013. Gross profit margin of the Group for the year ended 31 December 2014 was 52.6%.

The following table sets forth a breakdown of our gross profit from our operations and gross profit margin by geographical regions and operating segments:

	Year ended 31 December			
	2014		2013	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Domestic sales				
Swimwear — Hosa	205,594	60.1	212,571	65.7
Swimwear — Water Cube	55,245	39.2	17,661	42.4
Fitness wear — Hosa	237,287	60.7	192,256	66.0
Sports underwear — Hosa	<u>129,386</u>	<u>41.9</u>	<u>137,203</u>	<u>44.3</u>
Subtotal	<u>627,512</u>	<u>53.0</u>	<u>559,691</u>	<u>57.9</u>
Overseas sales				
Swimwear — Hosa	12,262	38.2	29,438	55.5
Fitness wear — Hosa	<u>499</u>	<u>38.2</u>	<u>1,182</u>	<u>50.9</u>
Subtotal	<u>12,761</u>	<u>38.2</u>	<u>30,620</u>	<u>55.3</u>
Total	<u>640,273</u>	<u>52.6</u>	<u>590,311</u>	<u>57.8</u>

#### *Other revenue*

Our other revenue primarily consisted of government grants, interest income from interest-bearing bank deposits and rental income. Government grants were provided by provincial or prefectural government authorities in the form of unconditional subsidies as recognition for our contribution to the local economy through our business operation and our achievements as one of the core enterprises in the local cluster of enterprises. Other revenue increased from RMB25.5 million in 2013 to RMB73.1 million in 2014, representing an increase of 186.8%. Such increase was mainly due to the increase in the aggregate amount of government grants and interest income, which amounted to RMB29.3 million and RMB43.6 million respectively in 2014 (2013: RMB13.0 million and RMB11.7 million respectively).

#### *Selling and distribution expenses*

Selling and distribution expenses consisted primarily of advertising and promotion expenses, incentive fees for the sales personnel employed by the retail outlets, remuneration and employee benefits for our sales and marketing personnel, rental expenses, packaging and transportation expenses, depreciation and amortisation expenses of our properties used for

sales and marketing activities and other miscellaneous expenses. Advertising and promotion expenses primarily include fees paid for event sponsorship and television, magazine and billboard advertising. Selling and distribution expenses increased from RMB104.5 million in 2013 to RMB133.5 million in 2014, representing an increase of 27.7%. The advertising and promotion expenses and the subsidies to distributors amounted to RMB40.5 million (2013: RMB33.8 million) and RMB58.8 million (2013: RMB41.8 million), respectively. Selling and distribution expenses represented approximately 11.0% of total revenue in 2014.

#### *Administrative and other operating expenses*

Administrative and other operating expenses consisted primarily of remuneration and employee benefits for our administrative staff, impairment losses for trade receivables and prepayments, travel and transportation expenses, general office expenses, stamp duty and other miscellaneous expenses. Administrative and other operating expenses were RMB88.3 million in 2014. The research and development expenses amounted to RMB43.4 million, and the proportion to the Group's turnover was 3.6%. The administrative and other operating expenses to total revenue was 7.3% in 2014.

#### *Finance costs*

Our finance costs primarily consisted of interest and administrative fees charged to our interest-bearing bank borrowings. Total finance costs decreased from RMB0.4 million in 2013 to nil in 2014 as it is the Group's prudent financing strategy to maintain the bank borrowings at a low level. As at 31 December 2014, the bank borrowings of the Group amounted to nil while the bills payable amounted to RMB48.2 million (31 December 2013: RMB60.9 million).

#### *Profit from operations and dividend*

The profit from operations for the year ended 31 December 2014 increased by 8.9% to RMB403.2 million as compared with RMB370.4 million for the year ended 31 December 2013. Interim dividend of HK5.3 cents (equivalent to approximately RMB4.2 cents) per share for the first half of the year of 2014 was declared and paid to the Shareholders. For the year ended 31 December 2014, the directors have proposed a final dividend of HK6.9 cents (equivalent to approximately RMB5.4 cents) per share, and with the interim dividend of HK5.3 cents, the total dividend payout ratio for the year was approximately 40%. The directors have also proposed a special dividend of HK2.0 cents per share. The above proposed dividends are subject to the approval of the Shareholders at the forthcoming annual general meeting.

### *Key financial ratios*

The following table sets forth certain of our major financial ratios as at 31 December of the year indicated:

	<b>2014</b>	2013
Current ratio	<b>7.91 times</b>	8.19 times
Quick ratio	<b>7.15 times</b>	7.36 times
Inventory turnover days	<b>101.5 days</b>	107.3 days
Debtors' turnover days	<b>77.6 days</b>	89.4 days
Creditors' turnover days	<b>77.2 days</b>	79.0 days
Gearing ratio	<b>N/A</b>	N/A

### *Working capital and working capital management*

The inventory turnover days of the Group were 101.5 days for the year ended 31 December 2014 as compared to 107.3 days for the year ended 31 December 2013. The inventory turnover days decreased slightly by 5.8 days. The Group's debtors' turnover days (including both trade debtors and bills receivable) decreased to 77.6 days for the year ended 31 December 2014 as compared to 89.4 days for the year ended 31 December 2013. The Group generally allows average credit period of 90 days to customers. The Group's creditors' turnover days (including both trade and bills payables) were 77.2 days for the year ended 31 December 2014 as compared to 79.0 days for the year ended 31 December 2013. The creditors' turnover days in 2014 were similar to the credit periods granted by the Group's suppliers of approximately 90 days. The overall working capital cycle has decreased from 117.7 days to 101.9 days mainly due to the above reasons. Compared with 2013, the overall operation has improved and was maintained at a normal level.

The Group's primary objective of capital management is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the Shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher Shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

*Liquidity, financial resources and capital structure*

As at 31 December 2014, the Group had net current assets of RMB1,542.4 million (2013: RMB1,314.4 million) of which cash and bank deposits were RMB1,275.6 million (2013: RMB1,076.8 million). Total bank borrowings as at 31 December 2014 were nil (2013: nil) while the bills payable were RMB48.2 million (2013: RMB60.9 million). Bank borrowings and bills payable were mainly used for the Group's working capital management and/or financing the purchases of the Group. The Group's gearing ratio as at 31 December 2014 (total bank borrowings divided by total assets) was nil. The Group's transactions and the monetary assets are principally denominated in Renminbi. The Group has not experienced any material difficulties in operations or liquidity as a result of fluctuations in currency exchange rates during the year. The Group adopts centralized financing and treasury policies in order to ensure the Group's funding is utilized efficiently. Conservative approach is adopted in monitoring foreign exchange exposure and interest rate risk. The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements. This strong cash position enables the Group to explore investment and business development opportunities when expanding its market share in China.

*Use of Proceeds — Initial Public Offering*

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited on 16 December 2011 with net proceeds from the global offering of approximately RMB488.6 million (after deducting underwriting commissions and related expenses). The amount utilized as at 31 December 2014 was as follows:

<b>Purposes of net proceeds</b>	<b>Percentage</b>	<b>Amount</b>	<b>As at 31 December 2014</b>	
		<b>of net proceeds (RMB million)</b>	<b>Amount utilized (RMB million)</b>	<b>Remaining balance (RMB million)</b>
1. Expansion of distribution network	35%	171.0	137.0	34.0
2. Enhancement of brand image through marketing and promotion	25%	122.1	113.8	8.3
3. Expansion of production capacity	15%	73.3	37.1	36.2
4. Investment in research, design and development activities	10%	48.9	48.9	—
5. Development and upgrading of supply chain and information management systems	5%	24.4	—	24.4
6. Funding for working capital and other general corporate purposes	<u>10%</u>	<u>48.9</u>	<u>48.9</u>	<u>—</u>
	<u>100%</u>	<u>488.6</u>	<u>385.7</u>	<u>102.9</u>

The Company does not intend to apply the remaining net proceeds for the purposes other than those disclosed in the prospectus of the Company dated 6 December 2011 (the “Prospectus”).

### *Use of Proceeds — Share Placements*

On 17 September 2013, Ho Born Investment Holdings Limited (“Ho Born”), the Company and Goldman Sachs (Asia) L.L.C., as the placing agent, entered into a placing and subscription agreement pursuant to which the placing agent agreed to procure purchasers to subscribe for 54,500,000 existing shares owned by Ho Born to not fewer than six independent places at the placing price of HK\$2.85 per share, and Ho Born conditionally agreed to subscribe, and the Company agreed to allot and issue to Ho Born for such number of subscription shares which is equivalent to the number of shares actually placed under the placing at the subscription price of HK\$2.85 per share. Details of these transactions are set out in the Company’s announcement dated 17 September 2013.

Approximately RMB116.9 million (after deducting underwriting commissions and related expenses) was raised from the subscription. The amount utilized as of 31 December 2014 was as follows:

<b>Purposes of net proceeds</b>	<b>Percentage</b>	<b>Amount</b>	<b>As at 31 December 2014</b>	
		<b>of net proceeds (RMB million)</b>	<b>Amount utilized (RMB million)</b>	<b>Remaining balance (RMB million)</b>
1. Enhancement of brand image through marketing and promotion	30%	35.0	—	35.0
2. Expansion of production capacity	15%	17.5	—	17.5
3. Investment in research, design and development activities	40%	46.9	46.9	—
4. Funding for working capital and other general corporate purposes	<u>15%</u>	<u>17.5</u>	<u>17.5</u>	<u>—</u>
	<u>100%</u>	<u>116.9</u>	<u>64.4</u>	<u>52.5</u>

The Company does not intend to apply the remaining net proceeds for the purposes other than those disclosed in the announcement of the Company dated 17 September 2013.

Apart from the capital raising activity mentioned above, the Company has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

### *Capital expenditure and capital commitments*

During the year ended 31 December 2014, the capital expenditure amounted to RMB34.3 million. As at 31 December 2014, the capital commitments amounted to RMB11.5 million.

### *Foreign exchange risk management*

Most of the sales and purchases of the Group are settled in Renminbi, which is not freely convertible into foreign currencies. The fluctuation of Renminbi during the year did not have any adverse effect on the Group's results. In addition, the Group will conduct periodic review of its exposure to foreign exchange risk.

### *Contingent Liabilities*

As at 31 December 2014, the Group had no material contingent liabilities.

### *Employees and Remuneration Policies*

As at 31 December 2014, the Group had a workforce of about 1,479 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group has adopted share option schemes whereby employees of the Group are granted options to acquire shares in the Company. Good relationship has been maintained between the Group and its employees. The Group also provides internal training to staff and pays out bonuses based on staff performance and profits of the Group.

## **3. Looking Ahead**

Looking forward, there will still be tremendous room for growth of the PRC sports and health industry which is at the flourishing stage, and the growth of demand will remain strong. The construction of stadiums, which was driven by the urbanization in the PRC, the growing number of consumers pursuing healthy lifestyle, the trend of fitness, the promotion of sports and exercises and support to health industry from the PRC government and the rising demand of consumers for products and services in terms of personalized need and professionalism provide the Group with an important opportunity for future development. The Group will continue to enhance its existing indoor sportswear business while promoting the implementation and enforcement of strategies with respect to sports and health industry in all aspects.



In 2015, in respect of the indoor sportswear business, the Group will maintain and improve our strategies and measures for 2014 to ensure steady business growth in the sector. The below shows the key measures adopted:

1. focus on the consumption characteristics of e-commerce/micro-mall/professional channels/direct sales by coaches, development of a specific product structure in line with the features of the new retail outlets consumption, and enhancement of the sales capability of the new retail outlets;
2. development of smart apparel for creating new business growth point in the future;
3. promotion of the establishment of sports and health stores, improvement of the product structure of sports and health stores and enhancement of the sales capability of single store;
4. continuous of an omni-channel establishment for retail outlets, gradual sharing of information sharing among products/services/consumption and realization of interaction in terms of outlet sales, services and experiences for various network points;
5. development of e-commerce business and expansion of the sales scale of e-commerce.

With the development of mobile internet and the alteration of consumers' demand, enterprises are required to transform from product sales-oriented B2C model into consumers' lifestyle catering-oriented C2B model. Consumers' pursuits for sports and health have been building up swiftly along with the surge in consumption level. After the promulgation of "Certain Opinions on Promoting the Development of Health Service Industry" in 2013, the State Council promulgated "Certain Opinions on Accelerating the Development of Sport Industry and Promoting Sport Consumption" in 2014, which bring along a significant development opportunity for both of the health service and sports service sectors. As a result, such market, of which sports products, sports service and health management form the significant components, is set to grow by trillion dollars in the next decade. In respect of sports products and sports services, we are in the leading position leveraging on the resources of the Group and our controlling shareholders. In light of the above-mentioned reasons, the Group timely formulated our strategies on the development in the sports sector in the second half of 2014, and in the future, we expect to establish the Group as a sports group which leads the healthy sports lifestyle trend.

The Group's development strategies for the sports industry focus on the establishment of a sports ecosphere catering for consumers' healthy lifestyle to provide comprehensive 3A ("Anytime, Anywhere, Anyway") services for consumers' sports lifestyle.

From 2015, the Group will fully commence the implementation of our sports business strategies with focus on the following tasks:

1. the developments of mobile internet application and large data application as well as online and offline interaction for simultaneous promotion in establishing each system in the ecosphere and gradually build up a comprehensive sport ecosphere;
2. it is planned that the fitness management business will be in full swing in 2015.

We believe that the promotion and implementation of the above measures will tremendously consolidate the competitive edges of the Group in sports sector in the future. Pursuant to the Group's plan, it is anticipated that the Group would preliminarily establish the basic model for the sports ecosphere in 2015 and commence full promotion and expansion and begin to generate revenue in 2016, which is anticipated to bring along significant additional income and profit growth for the Group in 2017. The implementation of the Group's sports industry strategies will create a huge room for future development and growth of the Group as well as more significant value and return for consumers and shareholders.

## **REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE**

The Audit Committee of the Company, consisting of the Company's three independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements for the year ended 31 December 2014 with the management. The Audit Committee has also met and discussed with the Group's external auditors, KPMG, regarding the Group's audit, financial reporting matters and relevant internal controls over financial reporting.

## **CORPORATE GOVERNANCE PRACTICE**

During the period from 1 January 2014 to 31 December 2014, the Company has complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by the Directors. Specific enquiries have been made with all Directors and all Directors declared that they have complied with the Model Code for the year ended 31 December 2014.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2014, the Company made the following purchases of its own Shares on the Hong Kong Stock Exchange:

Months of repurchase in 2014	Number of Shares repurchased	Purchase consideration		Aggregate consideration
		per Share		paid
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
March	2,364,000	2.13	1.94	4,892,460
April	856,000	2.20	2.19	1,882,740

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

## DIVIDENDS

The Board recommended the distribution of a final dividend of HK6.9 cents (equivalent to approximately RMB5.4 cents) per share and a special dividend of HK2.0 cents (equivalent to approximately RMB1.6 cents) per share in cash to shareholders of the Company (the "Shareholders") for the year ended 31 December 2014, representing a total payout of approximately RMB117.9 million, subject to approval by the Shareholders at the annual general meeting ("AGM") to be held on Tuesday, 28 April 2015.

Upon the approval to be obtained from the AGM, the final dividend and the special dividend will be payable on or around Friday, 29 May 2015 to the Shareholders whose names appear on register of members of the Company at close of business on Friday, 8 May 2015.

## CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 April 2015 to Tuesday, 28 April 2015, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 April 2015.

The proposed final dividend and special dividend are subject to the passing of our ordinary resolution by the Shareholders at the AGM. In order to determine the entitlement of the Shareholders to receive the proposed final dividend and special dividend (if approved), the register of members of the Company will be closed from Wednesday, 6 May 2015 to Friday, 8 May 2015, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to be eligible to receive the

proposed final dividend and special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 May 2015.

## **AGM**

The AGM of the Company will be held in Hong Kong on Tuesday, 28 April 2015. Notice of the annual general meeting will be issued and disseminated to the Shareholders in due course.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.hosa.cn>). The annual report of the Company for the year ended 31 December 2014 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 6 March 2015

*As at the date of this announcement, the executive Directors are Mr. Shi Hongliu, Mr. Shi Hongyan, Mr. Zeng Shaoxiang and Mr. Zhao Yan, and the independent non-executive Directors are Ms. Ko Yuk Lan, Mr. Wang Yao and Mr. Yao Ge.*