

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



hosa

HOSA INTERNATIONAL LIMITED

浩沙國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02200)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 30% EQUITY INTEREST IN THE TARGET AND PROVISION OF LOAN TO THE TARGET

ACQUISITION AND THE LOAN

The Board is pleased to announce that on 31 October 2017 (during non-trading hours), Hosa Shenzhen, a wholly-owned subsidiary of the Company, entered into the Investment Agreement with the Target and the Founders, pursuant to which Hosa Shenzhen (as investor) has conditionally agreed to subscribe for 30% of the enlarged equity interest in the Target for a consideration of RMB100 million. Further, on 25 October 2017, Haosha Industry, a wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Target, pursuant to which Haosha Industry (as lender) has agreed to make available the Loan in the amount of RMB100 million to the Target (as borrower) on the Drawdown Date for a term of three years at the interest rate of 4.75% per annum.

Upon Completion, the Company will indirectly hold 30% of the enlarged equity interest in the Target, which will become an associate of the Company and the investment of the Company in the Target will be classified as investment in an associate.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios as calculated according to Chapter 14 of the Listing Rules in respect of the Acquisition and the Loan are less than 5%, respectively, each of the Acquisition and the Loan itself does not constitute a discloseable transaction of the Company.

However, as one of the applicable percentage ratios as calculated according to Chapter 14 of the Listing Rules in respect of the Acquisition and the Loan, when aggregated, exceeds 5% but is less than 25%, the Acquisition and the Loan together constitute discloseable transaction of the Company and are subject to the announcement and reporting requirements but are exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Investment Agreement is conditional upon the satisfaction of a number of conditions precedent set out in the Investment Agreement. Therefore, the Acquisition and the Loan may or may not proceed. Investors and shareholders of the Company are advised to exercise caution in dealing in the Company's securities.

INTRODUCTION

The Board is pleased to announce that on 31 October 2017 (during non-trading hours), Hosa Shenzhen, a wholly-owned subsidiary of the Company, entered into the Investment Agreement with the Target and the Founders, pursuant to which Hosa Shenzhen (as investor) has conditionally agreed to subscribe for 30% of the enlarged equity interest in the Target for a consideration of RMB100 million. Further, on 25 October 2017, Haosha Industry, a wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Target, pursuant to which Haosha Industry (as lender) has agreed to make available the Loan in the amount of RMB100 million to the Target (as borrower) on the Drawdown Date for a term of three years at the interest rate of 4.75% per annum.

PRINCIPAL TERMS OF THE INVESTMENT AGREEMENT

Parties:

- (1) Hosa Shenzhen (as investor)
- (2) the Target, namely, Beijing Hongyu Innovative Technology Company Limited* (北京宏宇創新科技有限公司) (as target)
- (3) the Founders, namely, Yuekang (Fujian) Investment Company Limited* (悦康(福建)投資有限公司), Xu Jiabin (許佳鑫) and Shi Hongshu (施鴻殊) (as guarantors)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Target and the Founders are third parties independent of the Company and its connected persons.

Assets to be acquired:

30% of the enlarged equity interest in the Target

**Consideration for
the Acquisition:**

The consideration for the Acquisition is RMB100 million, RMB21,428,571 of which shall be contributed to the registered capital of the Target and the remaining RMB78,571,429 shall be contributed to the capital reserve of the Target.

The consideration for the Acquisition has been determined after arm's length negotiation between Hosa Shenzhen and the Target, taking into account various factors, amongst others, (a) the Group's assessment on the future prospect of the business of the Target; and (b) the reasons for and benefits of the Acquisition and the Loan as described under the paragraph headed "Reasons for and benefits of the Acquisition and the Loan" below.

The amount of the consideration for the Acquisition will be satisfied out of the Group's internal financial resources.

**Payment term for
the Acquisition:**

The consideration for the Acquisition in the amount of RMB100 million shall be payable by Hosa Shenzhen to the Target on the Completion Date.

Conditions precedents:

Completion of the Investment Agreement is conditional upon, among other things:

- (a) execution, by key employees of the Target, of the Target's standard form of non-disclosure agreement, non-compete agreement and employment invention right agreement in form and substance satisfactory to Hosa Shenzhen;
- (b) the Target having obtained the certain regulatory approval and business licenses; and
- (c) Hosa Shenzhen, the Target and the Founders having obtained the relevant approval in relation to the Acquisition and the Investment Agreement.

The Founders and the Target shall use best endeavours to procure the fulfillment of the above conditions precedent as soon as possible but in any event on or before 31 December 2017.

If any of the above conditions precedent is not fulfilled or waived as at 31 December 2017, Hosa Shenzhen has the right to notify the Founders and the Target in writing of a later date.

If any of the above conditions precedent is not fulfilled or waived by such later date as notified by Hosa Shenzhen, Hosa Shenzhen has no obligation to proceed with the Completion, and the Investment Agreement shall automatically be terminated and void (save and except for the confidentiality clause, fees and taxation clause, governing law and dispute resolution clause and effectiveness and others clause which shall survive after termination of the Investment Agreement).

Representations, warranties and undertakings:

The Company and the Founders have jointly and severally given certain customary representations, warranties and undertakings to Hosa Shenzhen.

Hosa Shenzhen has given certain customary representations, warranties and undertakings.

Right of first refusal:

The Target shall not issue any new equity interest of the Target to anyone without prior written consent from Hosa Shenzhen.

Right of first offer:

Hosa Shenzhen shall have the right of first offer in respect of any proposed transfer of equity interest of the Target by the Founders.

Right of co-sale:

Hosa Shenzhen shall have the right of co-sale in respect of any proposed transfer of equity interest of the Target by the Founders.

PRINCIPAL TERMS OF THE LOAN AGREEMENT

Date:	25 October 2017
Parties:	(1) Haosha Industry (as lender) (2) the Target, namely, Beijing Hongyu Innovative Technology Company Limited* (北京宏宇創新科技有限公司) (as borrower)
Principal amount of the Loan:	RMB100 million The amount of the Loan will be satisfied out of the Group's internal financial resources.
Tenor of the Loan:	3 years
Interest of the Loan:	4.75% per annum The interest rate of the Loan has been determined after arm's length negotiation between Haosha Industry and the Target, having taken into account the prevailing market interest rates and the Benchmark Interest Rate determined by People's Bank of China.
Date of Drawdown of the Loan:	The Drawdown Date, being within 10 Business Days after execution of the Loan Agreement.
Use of the Loan:	The Loan will be mainly used as working capital of the Target.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE LOAN

The Target has been primarily engaged in the development of FitHub (啡哈健身), a sports and fitness mobile app, since early 2016.

FitHub is a fitness education app, providing users with comprehensive fitness service applications on fitness teaching videos, fitness coach live videos and community circle. The targeted users of FitHub are fitness training beginners and users who are interested in professional fitness training. As at 30 October 2017, FitHub has over 1,570,000 users and over 332 videos with total broadcasting hours of 245 hours and over 16,000,000 accumulative visits. FitHub also provides fitness course booking function.

The benefits to the Group from Acquisition and the Loan are set out as follows:

1. Implementation of “Hosa New Retail” plan

Hosa New Retail is one of the most important strategic planning of the Group in recent years. The main purposes of the plan are to strengthen online sales and coordinate online and offline sales. Acquisition of the equity interest in the Target will enable the Group to achieve the implementation of the Hosa New Retail plan quickly. FitHub will become the platform for Hosa New Retail to achieve QR code shopping and electronic payment system. In addition, by making use of the Target’s mobile internet platform and technology, the Group will be able to install interactive large-screen virtual shopping applications in the retail outlets to provide customers with direct and easy shopping experience.

2. Development of customer relationship management

The Group has been adopting sales model by entering into distribution agreements with the distributors and not involving in the operation of retail sales. Therefore, the Group is not able to fully obtain information of customers. After acquisition in the equity interest in the Target, FitHub will become the Group’s membership system and process the data of the customers. The Group will obtain large number of member data, such as product habits, so that the Group will be able to introduce more targeted products to attract specific customer groups.

3. Expanding the customer base

FitHub targets users who are interested in sports and fitness and the Group is a sports and health products provider. It is expected that the users of FitHub will become the Group’s customers. FitHub will promote the Group’s products in the fitness teaching courses and videos and after accumulating sufficient number of users, FitHub’s online shopping mall will become a very large online sales platform.

After acquisition of the equity interest in the Target, the members of FitHub will become the Group’s member. Since the users of FitHub are mainly beginners who are interested in fitness, for the professional fitness apparel and supplies, the users are still in the adaptation and observation period. The Group has been researching, producing, and selling professional sports wear and fitness wear for more than 20 years. As the number one domestic indoor sports wear brand, the Group will bring a broad range of sports and fitness products to the fitness beginners on FitHub’s platform. The Group will enter into an agreement with the Target to let the Group become the exclusive supplier of sportswear and health product (such as yoga and fitness wear, swimming wear, health food and supplies and intelligent products) in FitHub’s online shopping mall.

Through different promotional activities, embedded advertisement and business cooperation, the Acquisition will bring considerable income to the Group.

4. Promoting the brand

In order to promote the brand and enhance brand image, the Group invested heavily in marketing and promotion, including sponsorship of competitions and organizing marketing activities in the retail outlets. Because of the increased popularity of e-commerce, in year 2017, the Group plans to increase the resources to be spent on marketing activities of internet related channels in order to have more targeted marketing activities to attract customers.

The principal business of FitHub is based on sports and health contents on the Internet, and the targeted users are sports and fitness fans. Therefore, all the fitness training courses and videos will be able to promote the Group's brand, for example, the coaches in the videos may wear Hosa's fitness wear. The Group's image will be greatly enhanced through the internet channel. Therefore, the Acquisition can be regarded as one of the means of marketing.

The Directors (including the independent non-executive Directors) consider that the Investment Agreement and the Loan Agreement have been entered into on normal commercial terms, and the terms of the transactions thereunder (including the Acquisition and the Loan) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios as calculated according to Chapter 14 of the Listing Rules in respect of the Acquisition and the Loan are less than 5%, respectively, each of the Acquisition and the Loan itself does not constitute a discloseable transaction of the Company.

However, as one of the applicable percentage ratios as calculated according to Chapter 14 of the Listing Rules in respect of the Acquisition and the Loan, when aggregated, exceeds 5% but is less than 25%, the Acquisition and the Loan together constitute discloseable transaction of the Company and are subject to the announcement and reporting requirements but are exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INFORMATION ABOUT THE TARGET

The Target was established in Beijing in November 2012 with a current registered capital of RMB50 million and has been primarily engaged in the development of FitHub (啡哈健身), a sports and fitness mobile app, since early 2016. The Target does not have any subsidiaries.

Set out below is the unaudited financial information of the Target prepared pursuant to the PRC Accounting Standards:

	For the year ended 31 December	
	2015	2016
	<i>RMB</i>	<i>RMB</i>
Loss before taxation	7,000	4,179,000
Loss after taxation	7,000	4,179,000

The unaudited net asset value of the Target as at 31 December 2016 amounted to RMB1,451,000.

INFORMATION ABOUT THE FOUNDERS

Xu Jiabin (許佳鑫) and Shi Hongshu (施鴻殊) are founders of the Target indirectly holding 60% and 40% of the equity interest of the Target, respectively, through Yuekang Fujian, which holds 100% of the equity interest of the Target as at the date of the Investment Agreement. Immediately after completion of the Acquisition, 70% of the enlarged equity interest of the Target will be held directly by Yuekang Fujian, which is held as to 60% by Xu Jiabin (許佳鑫) and 40% by Shi Hongshu (施鴻殊).

INFORMATION ABOUT HOSA SHENZHEN, HAOSHA INDUSTRY AND THE GROUP

Each of Hosa Shenzhen and Haosha Industry is a wholly-owned subsidiary of the Company. Hosa Shenzhen is an investment holding company. Haosha Industry is principally engaged in the design, manufacture and sales of swimwear and fitness wear.

The Group is principally engaged in the design and production of a wide range of mid-to-high end sportswear products, including swimwear and fitness wear, which are sold under the well-known Hosa and Water Cube brand.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of 30% of the enlarged equity interest of the Target pursuant to the Investment Agreement;
“Board”	the board of Directors;
“Business Day”	any day on which the banks in the PRC are open for the business, excluding Saturdays, Sundays and public holidays;
“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
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Investment Agreement;
“Completion Date”	the third Business Day after fulfillment (or waiver) of all the conditions precedent set out in the Investment Agreement, or such other date as agreed by the parties to the Investment Agreement in writing;
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the directors of the Company;
“Drawdown Date”	within 10 Business Days after execution of the Loan Agreement;
“Founders”	collectively, all founders and existing shareholders of the Target, namely Yuekang Fujian, Xu Jiabin (許佳鑫) and Shi Hongshu (施鴻殊), who are third parties independent from the Company and its connected persons;
“Group”	the Company and its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Haosha Industry”	Haosha Industry (Fujian) Co., Ltd.* (浩沙實業(福建)有限公司), a company with limited liability established under the laws of the PRC and a wholly-owned subsidiary of the Company;
“Hosa Shenzhen”	Hosa (Shenzhen) Investment Consulting Company Limited* (浩沙(深圳)投資諮詢有限公司), a company with limited liability established under the laws of the PRC and a wholly-owned subsidiary of the Company;
“Investment Agreement”	the investment agreement entered into between Hosa Shenzhen, the Target and the Founders dated 31 October 2017 in relation to the Acquisition;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Loan”	the loan in the amount of RMB100 million to be made available by Haosha Industry to the Target pursuant to the Loan Agreement;
“Loan Agreement”	the loan agreement entered into between Haosha Industry and the Target dated 25 October 2017 in relation to the provision of the Loan by Haosha Industry to the Target;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Target”	Beijing Hongyu Chuangxin Technology Company Limited* (北京宏宇創新科技有限公司), a company with limited liability established under the laws of the PRC and a direct wholly-owned subsidiary of Yuekang Fujian as at the date of the Investment Agreement;

“Yuekang Fujian”

Yuekang (Fujian) Investment Company Limited* (悦康(福建)投資有限公司), a company with limited liability established under the laws of the PRC and owned directly as to 60% and 40% by Xu Jiabin (許佳鑫) and Shi Hongshu (施鴻殊), respectively;

“%”

per cent.

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

Hong Kong, 31 October 2017

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.

* *for identification only*