HOSA INTERNATIONAL LIMITED
浩沙國際有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 02200)

2017 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 2017, together with the comparative figures for the year ended 31 December 2016. 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. He Wenyi. Ms. Ko Yuk Lan is the chairlady of the Audit Committee.

HIGHLIGHTS

- Revenue and gross profit for the year ended 31 December 2017 were RMB1,198.8 million and RMB500.1 million, respectively, representing an increase of 8.6% and a decrease of 11.8%, respectively.
- Gross profit margin for the year ended 31 December 2017 was 41.7% (2016: 51.4%).
- Total profit attributable to equity shareholders of the Company for the year ended 31 December 2017 was RMB246.5 million, representing a decrease of 8.3%.
- Basic earnings per share for the year ended 31 December 2017 was RMB15 cents per share.
- The Board proposed to declare a final dividend of HK2.2 cents (equivalent to approximately RMB1.85 cents) per share for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017 (Expressed in Renminbi)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Revenue	3	**1,198,769**	1,103,540
Cost of sales	3	**(698,656)**	(536,213)
Gross profit		**500,113**	567,327
Other revenue	4	**41,328**	57,850
Other net (loss)/income	4	**(3,681)**	1,193
Selling and distribution expenses		**(119,736)**	(185,689)
Administrative and other operating expenses		**(101,847)**	(109,198)
Profit from operations		**316,177**	331,483
Finance costs	5(a)	**(23,811)**	(4,307)
Profit before taxation	5	**292,366**	327,176
Income tax	6	**(45,842)**	(58,339)
Profit for the year attributable to equity shareholders of the Company		**246,524**	268,837
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the mainland China		**18,579**	(14,319)
Total comprehensive income for the year attributable to equity shareholders of the Company		**265,103**	254,518
Earnings per share (RMB)	7		
– Basic		**0.15**	0.16
– Diluted		**0.15**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 (Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**93,485**	85,299
Lease prepayments		**16,904**	17,319
Intangible assets		**1,306**	513
Interest in an associate	9	**100,000**	–
Loan to an associate		**100,000**	–
Deferred tax assets		**687**	3,021
Total non-current assets		**312,382**	106,152
Current assets			
Inventories		**288,279**	220,255
Trade and other receivables	10	**572,426**	421,547
Pledged deposits		**132,917**	255,959
Fixed deposits held at banks with maturity over three months		**1,370,673**	1,364,266
Cash and cash equivalents		**351,916**	88,796
Total current assets		**2,716,211**	2,350,823
Current liabilities			
Trade and other payables	11	**251,762**	236,028
Bank loans		**377,135**	320,632
Notes payable		**321,112**	–
Current taxation		**38,685**	33,346
Total current liabilities		**988,694**	590,006
Net current assets		**1,727,517**	1,760,817
Total assets less current liabilities		**2,039,899**	1,866,969
Non-current liability			
Deferred tax liabilities		**7,341**	10,782
Total non-current liability		**7,341**	10,782
Net assets		**2,032,558**	1,856,187
Capital and reserves			
Share capital		**13,567**	13,567
Reserves		**2,018,991**	1,842,620
Total equity		**2,032,558**	1,856,187

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**") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies 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 2017 comprise the Company and its subsidiaries and its associate.

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis.

3. REVENUE AND SEGMENT REPORTING

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

Revenue 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.

In 2017, the Group's management combined the design, manufacture and wholesale of fitness wear and sports underwear into one segment and streamlined its business into separate segments 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

– Manufacture and sales of fabrics ("**Fabrics**").

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 years ended 31 December 2017 and 2016 is set out below:

	Swimwear – Hosa	Swimwear – Water Cube	Fitness wear – Hosa	Fabrics	Subtotal of reportable segments	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017							
Revenue	**443,515**	**138,726**	**432,939**	**175,540**	**1,190,720**	**8,049**	**1,198,769**
Cost of sales	**(234,535)**	**(84,828)**	**(217,339)**	**(156,036)**	**(692,738)**	**(5,918)**	**(698,656)**
Gross profit	**208,980**	**53,898**	**215,600**	**19,504**	**497,982**	**2,131**	**500,113**
Year ended 31 December 2016							
Revenue	422,819	140,295	540,426	–	1,103,540	–	1,103,540
Cost of sales	(198,866)	(83,524)	(253,823)	–	(536,213)	–	(536,213)
Gross profit	223,953	56,771	286,603	–	567,327	–	567,327

Other represents revenue from sales of health products.

The Group's revenue by geographical locations is determined by the destination where the goods are delivered.

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Domestic	**1,047,785**	1,021,928
Hong Kong	**150,413**	81,612
Others	**571**	–
	1,198,769	1,103,540

The Group has three customers (2016: three customers) with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2017. The amount of sales to these customers amounted to approximately RMB401,843,000 for the year ended 31 December 2017 (2016: RMB408,400,000).

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Other revenue		
Interest income – financial institutions	**37,978**	40,900
Government grants	**2,300**	12,578
Written back of long-aged liabilities	**–**	3,482
Others	**1,050**	890
	41,328	57,850
Other net (loss)/income		
Exchange (loss)/gain	**(2,327)**	1,567
Loss on disposal of raw materials	**–**	(295)
Loss on disposal of property, plant and equipment	**(250)**	–
Donation	**(800)**	–
Others	**(304)**	(79)
	(3,681)	1,193

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 2017 *RMB'000*	2016 *RMB'000*
(a) Finance costs:		
Interests on bank loans	**16,200**	4,307
Interests on guaranteed notes	**7,611**	–
	23,811	4,307
(b) Staff costs:		
Contributions to defined contribution retirement plans	**2,075**	1,995
Equity-settled share-based payment expenses	**231**	179
Equity-settled share-based payment expenses reversal	**–**	(979)
Salaries, wages and other benefits	**89,688**	94,907
	91,994	96,102
(c) Other items:		
Amortisation of intangible assets and lease prepayments	**855**	820
Auditor's remuneration	**2,881**	2,702
Depreciation	**8,051**	9,028
Operating lease charges in respect of properties	**6,750**	6,374
Research and development costs *(note (i))*	**55,813**	63,073
Cost of inventories *(note (ii))*	**698,656**	536,213

Notes:

(i) Research and development costs for the year ended 31 December 2017 include staff costs of employees in the design, research and development department of RMB10,608,000 (2016: RMB13,064,000), which are also included in the staff costs as disclosed in note 5(b).

(ii) Cost of inventories for the year ended 31 December 2017 includes RMB50,560,000 (2016: RMB54,080,000) 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	
	2017	2016
	RMB'000	*RMB'000*
Current tax – PRC income tax		
Provision for the year	**43,349**	46,094
PRC dividend withholding tax *(iv)*	**3,600**	11,300
Deferred tax		
Origination and reversal of temporary differences	**2,334**	945
Reversal of dividends withholding tax	**(3,441)**	–
	45,842	58,339

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**292,366**	327,176
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions *(i)*	**78,392**	85,117
Tax effect of PRC preferential tax treatments *(ii)*	**(41,487)**	(40,643)
Tax effect of non-deductible expenses	**5,337**	2,565
Withholding tax on profit retained by PRC subsidiaries *(iii)*	**3,600**	11,300
Actual tax expense	**45,842**	58,339

(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 2017 and 2016.

(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 which are 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 ("**HNTE**") 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. Haosha Industry successfully renewed the HNTE qualification on 1 December 2016 and continues to enjoy a preferential income tax rate of 15% for another three years from 2016 to 2018.

(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.

On 25 October 2017, the Group had obtained the certificates of Hong Kong tax residents from the Inland Revenue Department of Hong Kong, which are effective from 2016 to 2018.

The Directors of the Group have determined that in determining the amounts of dividends to be distributed from PRC subsidiaries to the Hong Kong incorporated subsidiary in future, the amounts of dividends declared or to be declared by the Company would be considered. As at 31 December 2017, the Directors of the Group determined that the estimated dividends to be distributed will not be greater than RMB111,000,000 (31 December 2016: RMB107,820,000) in the foreseeable future.

(iv) PRC dividend withholding tax represents tax charged by the PRC tax authority on dividends distributed by the Group's PRC subsidiaries during the year.

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 RMB246,524,000 (2016: RMB268,837,000) and the weighted average number of 1,667,276,000 ordinary shares (2016: 1,660,301,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
	'000	*'000*
Ordinary shares at 1 January	**1,667,276**	1,658,881
Effect of share options exercised	**–**	1,420
Weighted average number of ordinary shares at 31 December	**1,667,276**	1,660,301

(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 RMB246,524,000 (2016: RMB268,837,000) and the weighted average number of ordinary shares of 1,667,359,000 shares (2016: 1,665,025,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017	2016
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**1,667,276**	1,660,301
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**83**	4,724
Weighted average number of ordinary shares (diluted) at 31 December	**1,667,359**	1,665,025

8. DIVIDENDS

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

	2017	2016
	RMB'000	*RMB'000*
Interim dividend declared of HK3.9 cents per share (2016: HK4.2 cents per share)	**56,270**	59,593
Final dividend proposed after the end of the reporting period of HK2.2 cents per share (2016: HK2.3 cents per share)	**30,013**	34,493
	86,283	94,086

The dividends 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:

	2017	2016
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK2.3 cents per share (2016: HK2.2 cents per share)	**33,968**	30,385
Special dividend in respect of the previous financial year, approved and paid during the year, of HK nil cents per share (2016: HK2.0 cents per share)	**–**	27,622
	33,968	58,007

9. INTEREST IN AN ASSOCIATE

The following contains the particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Beijing Hongyu Innovative Technology Co., Ltd* (北京宏宇創新科技有限公司)	Incorporated	PRC	RMB71,428,571	30%	–	30%	Provision of sports and health contents on the mobile Internet *(Note 1)*

* The English translation of the entity's name is for reference only. The official name of the entity is in Chinese.

Note 1: On 31 October 2017, Haosha (Shenzhen) Investment and Consulting Limited ("**Hosa Shenzhen**"), a wholly-owned subsidiary of the Company, conditionally agreed to subscribe for 30% of the interest in Beijing Hongyu Innovative Technology Co., Ltd for a consideration of RMB100 million. The aforementioned transaction was completed on 19 December 2017.

The associate is accounted for using the equity method in the consolidated financial statements.

10. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**475,236**	354,559
Bills receivable	**–**	35
Less: allowance for doubtful debts	**(689)**	–
	474,547	354,594
Deposits and prepayments	**65,035**	40,430
Other receivables	**32,844**	26,523
	572,426	421,547

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 2017, outstanding bank and commercial acceptance bills in the amount of RMB256,030,000 (2016: RMB401,490,000) 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 2017 and 2016.

(a) Ageing analysis

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

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**106,892**	91,746
More than 1 month but within 3 months	**156,259**	168,628
More than 3 months but within 6 months	**136,555**	78,779
More than 6 months but within 1 year	**72,085**	13,037
More than 1 year	**2,756**	2,404
	474,547	354,594

As at 31 December 2017, current balance included in trade receivables (net of allowance for doubtful debts) amounted to RMB399,705,000 (2016: RMB339,153,000). Amount past due was RMB74,841,000 (2016: RMB15,441,000). 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, including both specific and collective loss components, is as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**–**	–
Impairment loss recognised	**689**	–
At 31 December	**689**	–

11 TRADE AND OTHER PAYABLES

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**35,842**	20,052
Bills payable	**157,933**	124,098
Receipts in advance	**2,167**	1,455
Amount due to the immediate controlling party	**–**	53,671
Dividends payable	**12**	12
Other payables and accruals	**55,808**	36,740
	251,762	236,028

Bills payable as at 31 December 2017 and 2016 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:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**48,200**	51,296
More than 1 month but within 3 months	**69,725**	15,750
More than 3 months but within 6 months	**54,494**	70,697
More than 6 months	**21,356**	6,407
	193,775	144,150

MANAGEMENT DISCUSSION AND ANALYSIS

1 MARKET OVERVIEW

In recent years, the State Council issued a number of policies, proposing vigorous efforts in developing mass sports programs, advocating a new trend of comprehensive fitness and promoting the establishment of Healthy China. The plan stated that, by 2020, the number of people who frequently do exercise will reach 435 million, and the total scale of sports consumption will reach RMB1.5 trillion. National fitness will promote industrial development, and form new economic growth driver. The promising development trend of the sports and health industry creates favourable external conditions for the Group, which possesses competitive resources of the related industry, to implement the strategy of sports health industry and the successful transformation and upgrade.

In 2017, the GDP was increased by 6.9%, representing an increase as compared with the growth of 6.7% last year. Domestic online retail business continued to grow rapidly, the national online retail sales had reached RMB7.18 trillion for the year, representing a year-on-year increase of 32.2%. In view of this, the Group will actively promote the development of new retail business.

2 BUSINESS HIGHLIGHTS

In 2017, the Group continued to actively promote innovations in respect of branding, sales channels and retail outlets and the transformation and upgrade of the enterprise. Although there was a decline in net profit as compared with the same period of last year, the operating condition was still healthy in general and the risks remained controllable, which are in line with the expectation on the fluctuating performance of the Group during the stage of transformation and upgrade. The strategy of sports and health industry has been implemented, which provides the Group with a greater room for development.

The Group's revenue for 2017 amounted to RMB1,198.8 million (2016: RMB1,103.5 million), representing an increase of 8.6% as compared with the same period of last year. The profit for the year attributable to the shareholders of the Group amounted to RMB246.5 million (2016: RMB268.8 million), representing a decrease of 8.3% as compared with the same period of last year.

(a) Products

Currently, the Group's sports and health products and equipment are indoor sportswear, including fitness wear and swimwear. In 2017, with the emphasis on sports and fitness, the Group developed new products which met the professional needs of sports so as to optimise its product structure. As of 31 December 2017, the Group's fitness wear and swimwear achieved sales revenue of RMB432.9 million and RMB582.2 million (2016: RMB540.4 million and RMB563.1 million respectively), representing a decrease of 19.9% and an increase of 3.4% respectively as compared to the same period last year.

(b) Branding

In order to meet the multi-faceted demand from sports and health communities, the Group currently possesses two brands of products, namely Hosa and Water Cube. In 2017, the Group continued putting more effort on the promotion of Hosa as a brand in professional competitions and activities. As a title sponsor of the FINA Marathon Swimming World Cup and Diving Series and being the global partner of FINA, the Group sponsored, including but not limited to, the Marathon Swimming World Cup and the diving tournament of FINA World Cup. The Group also continued the promotion of and develop the independent sale channels for Water Cube brand apparel, and by leveraging its brand influence, high professional standard and price-performance ratio, the Group continued to expand sales in the mass swimwear market. As of 31 December 2017, the Hosa brand revenue amounted to RMB876.5 million (2016: RMB963.2 million), representing a decrease of 9.0% as compared with the same period in 2016, while the Water Cube brand apparel's revenue amounted to RMB138.7 million (2016: RMB140.3 million), representing a decrease of 1.1% as compared with the same period in 2016.

(c) Channels and Sales Outlets

In 2017, the Group strengthened the existing offline retail outlets. At the same time, the Group improved the cooperation model with distributors by giving distributors a higher level of flexibility in marketing activities to respond to market changes in a more rapid manner. In addition, the Group will actively promote "Hosa new retail" to integrate online and offline resources and sufficiently explore opportunities for "Internet+".

(d) Marketing and Consumer Relations

Focusing on promoting the lifestyle as being natural, joyful and healthy through the participation in sports, the Group continued to carry out accurate and effective brand promotion and marketing campaigns which focused on its target customers, and brought about delightful and pleasant experience in sports and health to its consumers. In 2017, other than the continuous promotion and development of national fitness, the Group also actively sponsored adolescents swimming competitions to nurture talented sports players and athletes for the country, while fulfilling its social responsibilities by enhancing the physical health and health awareness of adolescents and improving the health of national citizens.

In 2017, the Group continuously focused on sports health market. The Group used professional contests and activities as principal marketing promotion strategy to create the advantage in differentiation in its brand identity. The Company continuously sponsored fitness, aerobics and beauty contest, and devoted more efforts in the sponsorships of professional swimming competitions, including title sponsored the National Sports Academy Swimming Championships, the National Swimming Championships, the Adolescents Swimming Championships in various provinces and cities, titled sponsorships for Youth Diving Championships and other sports programs. The Group totally sponsored nearly a hundred of professional competitions and title sponsored nearly ten provincial swimming teams and swimming contests of certain provinces. Meanwhile, the Group had in-depth cooperation with Fédération Internationale de Natation Association ("FINA"). The group title sponsored the FINA 10 km Marathon Swimming World Cup and sponsored Diving Series. The Group is the sole strategic partner with FINA for launch of its celebration activities for the Annual Awards Ceremony and title sponsored the "Hosa Global Swimming and Urban Tourism Development Summit Forum", which promoted the popularization and development of China's national fitness.

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

(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. The 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 addition, Hosa obtained the certification for competition swimwear of FINA, in which Hosa is the only enterprise obtained such certification in the PRC up to now.

(f) Financial Review

Revenue

By operating segments

Revenue of the Group for the financial year ended 31 December 2017 was RMB1,198.8 million (2016: RMB1,103.5 million), representing an increase of 8.6% as compared to the revenue for the financial year ended 31 December 2016. The following table sets forth the sources of revenue by operating segments in the Group's operations:

	Year ended 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Domestic sales				
Swimwear – Hosa	**302,614**	**25.2**	341,566	31.0
Swimwear – Water Cube	**138,726**	**11.6**	140,295	12.6
Fitness wear – Hosa	**431,502**	**36.0**	540,067	49.0
Fabric	**166,894**	**13.9**	–	–
Others	**8,049**	**0.7**	–	–
Subtotal	**1,047,785**	**87.4**	1,021,928	92.6
Overseas sales				
Swimwear – Hosa	**140,901**	**11.8**	81,253	7.4
Fitness wear – Hosa	**1,437**	**0.1**	359	0.0
Fabric	**8,646**	**0.7**	–	–
Subtotal	**150,984**	**12.6**	81,612	7.4
Total	**1,198,769**	**100.0**	1,103,540	100.0

Domestic sales increased from RMB1,021.9 million for the financial year ended 31 December 2016 to RMB1,047.8 million for the financial year ended 31 December 2017, representing an increase of 2.5%. Overseas sales increased from RMB81.6 million for the financial year ended 31 December 2016 to RMB151.0 million for the financial year ended 31 December 2017, representing an increase of 85.0%. Given that the market potential remains relatively large in China, the Group will continue to focus on its sales efforts in the PRC market in the coming years.

Cost of sales

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

	Year ended 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Raw materials	**554,774**	**79.4**	405,712	75.7
Labour	**56,330**	**8.1**	50,297	9.4
Manufacturing overhead	**20,452**	**2.9**	17,213	3.2
Procurement costs of finished products	**67,100**	**9.6**	62,991	11.7
	698,656	**100.0**	536,213	100.0

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 2017, the average purchase price for the Group's key raw materials was RMB40.2 (2016: RMB53.4) per kilogram, which was lower than that for the year ended 31 December 2016.

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

The following table sets forth a breakdown of the cost of sales by operating segments:

	Year ended 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Swimwear – Hosa	**234,535**	**33.6**	198,866	37.0
Swimwear – Water Cube	**84,828**	**12.2**	83,524	15.6
Fitness wear – Hosa	**217,339**	**31.1**	253,823	47.4
Fabric	**156,036**	**22.3**	–	–
Others	**5,918**	**0.8**	–	–
	698,656	**100.0**	536,213	100.0

Gross profit

Gross profit of the Group for the year ended 31 December 2017 was RMB500.1 million (2016: RMB567.3 million), representing a decrease of 11.8% as compared to that of the year ended 31 December 2016. Gross profit margin of the Group for the year ended 31 December 2017 was 41.7% (2016: 51.4%).

The following table sets forth a breakdown of the Group's gross profit from operations and gross profit margin by operating segments:

	Year ended 31 December			
	2017		2016	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*
Swimwear – Hosa	**208,980**	**41.8**	223,953	39.5
Swimwear – Water Cube	**53,898**	**10.8**	56,771	10.0
Fitness wear – Hosa	**215,600**	**43.1**	286,603	50.5
Fabric	**19,504**	**3.9**	–	0.0
Others	**2,131**	**0.4**	–	0.0
Total	**500,113**	**100.0**	567,327	100.0

Other revenue

Other revenue of the Group primarily consisted of government grants and interest income from interest-bearing bank deposits. The government grants were provided by provincial or prefectural government authorities in the form of unconditional subsidies as recognition for the Group's contribution to the local economy through the Group's business operation and achievements as one of the core enterprises in the local cluster of enterprises. Other revenue decreased from RMB57.9 million in 2016 to RMB41.3 million in 2017, representing a decrease of 28.6%. Such decrease was mainly due to the decrease in the aggregate amount of government grants, which amounted to RMB2.3 million in 2017 (2016: RMB12.6 million).

Selling and distribution expenses

Selling and distribution expenses consisted primarily of advertising and promotion expenses, 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 decreased from RMB185.7 million in 2016 to RMB119.7 million in 2017, representing a decrease of 35.5%. Selling and distribution expenses represented approximately 10.0% of the revenue in 2017 (2016: 16.8%).

Administrative and other operating expenses

Administrative and other operating expenses consisted primarily of remuneration and employee benefits for the Group's administrative staff, travel and transportation expenses, general office expenses and other miscellaneous expenses. Administrative and other operating expenses were RMB101.8 million in 2017 (2016: RMB109.2 million). The administrative and other operating expenses to total revenue was 8.5% in 2017, which was lower than 9.9% of the same period of last year.

Finance costs

The Group's finance costs primarily consisted of interest charged to the Group's interest-bearing bank borrowings. Total finance costs increased from RMB4.3 million in 2016 to RMB23.8 million in 2017, representing an increase of 452.8%. As at 31 December 2017, the bank borrowings of the Group amounted to RMB377.1 million (2016: RMB320.6 million).

Profit from operations and dividend

The profit from operations for the year ended 31 December 2017 decreased by 4.6% to RMB316.2 million as compared with RMB331.5 million for the year ended 31 December 2016. Interim dividend of HK3.9 cents (equivalent to approximately RMB3.3 cents) per share for the first half of the year of 2017 was declared and paid to the Shareholders. For the year ended 31 December 2017, the Board has proposed a final dividend of HK2.2 cents (equivalent to approximately RMB1.85 cents) per share, and with the interim dividend of HK3.9 cents, the total dividend payout ratio for the year was approximately 35%. 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 the Group's major financial ratios as at 31 December of the year indicated:

	2017	2016
Current ratio	**2.75 time**	3.98 time
Quick ratio	**2.46 time**	3.61 time
Inventory turnover days	**132.8 days**	163.1 days
Debtors' turnover days	**126.3 days**	99.7 days
Creditors' turnover days	**88.3 days**	122.7 days
Gearing ratio	**23.1%**	13.0%

Working capital and working capital management

The inventory turnover days of the Group were 132.8 days for the year ended 31 December 2017 as compared to 163.1 days for the year ended 31 December 2016. The inventory turnover days decreased by 30.3 days. The Group's debtors' turnover days increased to 126.3 days for the year ended 31 December 2017 as compared to 99.7 days for the year ended 31 December 2016. The Group generally allows credit period ranging from 90 days to 180 days to customers. The Group's creditors' turnover days (including both trade and bills payables) were 88.3 days for the year ended 31 December 2017 as compared to 122.7 days for the year ended 31 December 2016. The overall working capital cycle has increased from 140.1 days to 170.8 days. The overall operation remained at a normal level.

The Group's primary objective of working 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 2017, the Group had net current assets of RMB1,727.5 million (2016: RMB1,760.8 million) of which cash and bank deposits were RMB1,855.5 million (2016: RMB1,709.0 million). Total bank borrowings as at 31 December 2017 were RMB377.1 million (2016: RMB320.6 million), while the bills payable were RMB157.9 million (2016: RMB124.1 million). Notes payable as at 31 December 2017 was RMB321.1 million (2016: RMB Nil). The Group's gearing ratio as at 31 December 2017 (total bank borrowings and notes payable divided by total assets) was 23.1% (2016: 13.0%). The Group's transactions and the monetary assets are principally denominated in Renminbi. The Group did not experience any material difficulties in operations or liquidity as a result of fluctuations in exchange rates during the year. The Group adopts centralised financing and treasury policies in order to ensure the Group's funding is utilised 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 on 16 December 2011 with net proceeds from the global offering of approximately RMB488.6 million (after deducting underwriting commissions and related expenses). The amounts utilised as at 31 December 2017 are as follows:

		As at 31 December 2017		
Purposes of net proceeds	**Percentage**	**Amount of net proceeds** *(RMB million)*	**Amount utilised** *(RMB million)*	**Remaining balance** *(RMB million)*
1. Expansion of distribution network	35%	171.0	171.0	–
2. Enhancement of brand image through marketing and promotion	25%	122.1	122.1	–
3. Expansion of production capacity	15%	73.3	7.0	66.3
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	10%	48.9	48.9	–
	100%	488.6	397.9	90.7

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 placees 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 amounts utilised as of 31 December 2017 are as follows:

		As at 31 December 2017		
Purposes of net proceeds	**Percentage**	**Amount of net proceeds** *(RMB million)*	**Amount utilised** *(RMB million)*	**Remaining balance** *(RMB million)*
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	15%	17.5	17.5	–
	100%	116.9	99.4	17.5

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 2017, the capital expenditure amounted to RMB17.8 million. As at 31 December 2017, the capital commitments amounted to RMB Nil.

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 fluctuations in Renminbi during the year did not have any significant effect on the Group's results. The Group is not exposed to any significant foreign exchange risk. In addition, the Group will conduct periodic review of its exposure to foreign exchange risk.

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

(g) Employees and Remuneration Policies

As at 31 December 2017, the Group had a workforce of about 1,300 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.

(h) Relationships with distributors and suppliers

The Group mainly sells its products to distributors, who placed the Group's products to retail outlets for final sales.

The Group would make on-site visits to distributors to ensure that they comply with the terms of the distribution agreement. It closely monitors the inventory and performance of distributors by requiring them to submit sales reports. The Group also provides distributors with various training and support, provides guidance to distributors on optimizing their product mix and offers them various tools and training in inventory management. In addition, the Group offers frequent training regarding its products, brand image, sales and marketing strategies and company policies, and it supports distributors during their marketing efforts. The Group believes that such support motivates distributors and improves the operational efficiency of the Group's sales and distribution network.

Suppliers of the Group include raw material suppliers and contract manufacturers. The Group has developed solid and steady relationships with many of its key suppliers. Given solid and steady relationships with the suppliers, the Group believes that its suppliers generally provide supplies to the Group with a priority and the Group has not experienced any material shortage or delays in receiving supplies or services from the suppliers during the track record period.

3 PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. Major risks and uncertainties are summarised below.

a. Brand/Reputation Risk

The Company has established and maintained its Hosa brand as an indoor sportswear brand that aims to provide complete satisfaction in the functionality, comfort and style of its products, primarily targeting customers with health consciousness and spending power.

If the Group is unsuccessful in promoting its Hosa brand or fails to maintain its brand position and market perception, consumer acceptance of its Hosa brand may erode, and the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Any negative publicity or disputes relating to the Group's Hosa brand, products, sponsorship activities or management, the loss of any award or accreditation associated with the Group's Hosa brand or products or the use of the "Hosa" trademark or brand name by other businesses could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

b. Market Trend

The Group's success depends on the market perception and consumer acceptance of Hosa brand and the Group's products, which in large part, rely on the Group's ability to anticipate and respond to different consumer tastes in a timely manner.

If the Group is unable to utilise new technologies and processes, anticipate and respond to market and fashion trends and consumer preferences in a timely manner, demand for Hosa products may decrease. The Group's business would also suffer if product creations or modifications do not respond to the needs of customers, are not appropriately timed with market opportunities or are not effectively brought to market. Any failure by the Group to offer products that respond to changing market and fashion trends and consumer preferences, or any shift in market or fashion trends and consumer preferences away from Hosa brand and the Group's products, could adversely affect consumer interest in the Group's products.

c. Competition

Currently, the Group's swimwear and fitness wear products face different levels of competition in their respective market sectors. As the indoor sportswear market is ever-evolving and competitors with similar brand positioning may emerge and intensify the current competition, there can be no assurance that the Group will be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established distribution network. To compete effectively and maintain the Group's market share, the Group may be forced to, among other actions, reduce prices, provide more sales incentives to distributors, and increase capital expenditures, which may in turn negatively affect the Group's profit margins, business and financial conditions and results of operations.

d. Operation of Distributors

As the Group's term of agreements with distributors is generally 2 years, it is possible that their agreements with the Group will not be renewed on favourable terms or at all. If any of the Group's distributors terminates or does not renew its distribution agreement with the Group, the Group may not be able to replace such distributor with a new and effective distributor with similar business scale in a timely manner, on terms acceptable to the Group, or at all. If any of the distributors ceases its business relationship with the Group, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group mainly sold products to distributors, who subsequently distributed our products to sub-distributors or sold our products to end-consumers. The Group relies on its distributors to oversee and ensure sub-distributors. The sub-distributors' failure to comply with the Group's policies, such as aggressive discounting of the retail price of the Group's products, could result in the erosion of goodwill, a decrease in the market value of the Group's Hosa brand and an unfavourable public perception about the quality of the Group's products, which in turn could result in a material adverse effect on the Group's business, financial condition, results of operation and prospects.

The Group has no control over distributors or sub-distributors' practice of obtaining retail spaces within department stores. If the Group's distributors fail to secure retail spaces within the department stores on commercially reasonable terms, the Group's distributors may not be able to find alternative locations in areas that offer similar business environments, and the Group's competitors may move into such retail spaces previously occupied by the Group's distributors. As a result, the Group's sales performance may be materially and adversely affected.

4 ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's production process is carried out with low emissions and low energy consumption, and it will not produce great amount of pollutants. The Group has been endeavoring to ensure that the production process is in compliance with the relevant environmental rules and regulations. In the past, to the best of our knowledge the Group has not been in breach of any relevant environmental rules and regulations and has not been imposed any relevant penalty. It is expected that the future operational activities of the Group would not be significantly affected by the environmental policies.

5 COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in mainland China while the Company is listed on the Stock Exchange. The Group's operations accordingly shall comply with relevant laws and regulations in mainland China and Hong Kong. During the year ended 31 December 2017 and up to the date of this announcement, to the best of our knowledge, the Group has complied with all the relevant laws and regulations in mainland China and Hong Kong, and there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

6 LOOKING AHEAD

In recent years, PRC State Council of several opinions regarding the sports and health industry. In particular, the 19th Communist Party of China National Congress has upgraded the national fitness program into a national strategy. This provides a major development opportunity for the development of the health service industry and sports service industry. The plan stated that, by 2020, the number of people who do exercises once or more a week will reach 700 million, the number of people who frequently do exercises will reach 435 million, and the total scale of sports consumption will reach RMB1.5 trillion. National fitness will form a new focal point for economic growth. Meanwhile, with the rise in Internet popularization rate in China and changes in consumption habits, the Group will focus on the promotion of the following tasks in year 2017:

1. to continue to promote "Hosa new retail", including implementation of integration of online and offline sales, establishment of brand new online to offline function, improvement in consumption experience of customers through ordering products via mobile applications and providing mobile payment service at our offline stores as well as other services;

2. to continue to broaden sports and health products mix, integrate sports and health products and services to explore new business growth drivers based on users' requirements;

3. to continue to promote cooperation by titled sponsorship for various sports and health events, and enhance the professionalism and reputation of the brand.

4. deepen the expansion of professional and group purchase channels and improve the coverage of sales channels

In recent years, the Group has been under transformation and upgrade, which in turn had a certain impact on the results indicators. However, the Group believes that with its efforts in the promotion of its new retail business, the implementation of membership system, and further optimisation of the strategic layout of sports and health ecosphere, which will sharpen its competitive edge in the sports and health sector and build up its competitiveness in long term, in turn expanding the room for future development in effective manner and creating greater value for and returns to customers and shareholders.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee, 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 2017 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 2017 to 31 December 2017, 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 (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 confirmed that they have complied with the Model Code through out the year ended 31 December 2017.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board recommended the distribution of a final dividend of HK2.2 cents (equivalent to approximately RMB1.85 cents) per share in cash to the shareholders of the Company (the "**Shareholders**") for the year ended 31 December 2017, representing a total payout of approximately RMB30.0 million, subject to approval by the Shareholders at the annual general meeting ("**AGM**") to be held on Monday, 30 April 2018.

Upon the approval to be obtained from the AGM, the final dividend will be payable on or around Friday, 6 July 2018 to the Shareholders whose names appear on register of members of the Company at close of business on Wednesday, 9 May 2018.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 April 2018 to Monday, 30 April 2018, both days inclusive, during which period no transfer of shares in the Company will be registered. The record date for entitlement to attend and vote at the AGM is Monday, 30 April 2018. 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 Tuesday, 24 April 2018.

The proposed final dividend is subject to the passing of the ordinary resolution by the Shareholders at the AGM. In order to determine the entitlement of the Shareholders to receive the proposed final dividend (if approved), the register of members of the Company will be closed from Monday, 7 May 2018 to Wednesday, 9 May 2018, both days inclusive, during which period no transfer of shares in the Company will be registered. The record date for entitlement to receive the proposed final dividend is Wednesday, 9 May 2018. In order to be eligible to receive the proposed final 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 Friday, 4 May 2018.

AGM

The AGM of the Company will be held in Hong Kong on Monday, 30 April 2018. Notice of the AGM 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 (http://www.hkexnews.hk) and the Company (http://www.hosa.cn). The annual report of the Company for the year ended 31 December 2017 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Hosa International Limited
Shi Hongliu
Chairman

Hong Kong, 21 March 2018

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.