



CHINA SPORTS INTERNATIONAL LIMITED

(Incorporated in Bermuda)
(Company Registration: 39798)

RESPONSE TO SGX-ST QUERIES

The Board of Directors (the “**Board**”) of China Sports International Limited (the “**Company**”) and together with its subsidiaries (the “**Group**”) would like to provide the following information in response to queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect of the Company’s announcement on 27 November 2017.

Query A of the SGX-ST

It was disclosed in the Company’s announcement on 27 November 2017 that the Company has not commenced its audit process.

- i. Please provide reasons why the audit has not commenced even though the Company was required to hold its AGM by 31 October 2017 and dispatch its Annual Report no later than 16 October 2017.
- ii. Please clarify whether auditors have tried to perform its audit on the Company’s Financial Statements on a timely basis in June 2017. If not, why was this not announced on SGXNET?

The Company's Response

- i. Please refer to the milestones mentioned in ii below
- ii. Company’s auditor has tried to perform its audit on the Company’s Financial Statement on a timely basic as following milestone:
 - a. May’17-Auditor informed CEO that interim audit to be performed by May 2017 but was turned down by CEO as the accounts was not ready and no senior finance personnel in place and will inform auditor to commence the audit in due course at following month.
 - b. July’17-AC has checked with the Auditor on the audit planning schedule. However, CEO did not response to auditor and AC despite AC’s reminder on important to meet the AGM deadline.
 - c. August’17-Auditor has reminded CEO to kick start the audit as soonest possible in order to meet the AGM deadline. CEO has informed auditors and AC that the Company will file for extension.

- d. September'17-Auditor and AC had emailed and called CEO on several occasions on the status of application of extension but being informed that no extension was filed yet.
- e. October'17 to November'17- Company has filed for the extension to convene its AGM and was rejected by SGX. AC immediately informed CEO to inform auditor to commence the audit as soonest possible.

Query B of the SGX-ST

It was disclosed that the cash audit has not commenced and incidentally auditors did not have any observations pertaining to this process.

- i. If cash audit has not commenced, how could the auditors have “incidentally” formed any observations. Please provide clarifications in respect of this statement and disclose the circumstances how the auditor could have incidentally formed the view that it did not have any observations.

The Company's Response

- i. The Company would like to clarify as the auditors has not able to conduct cash audit, hence there is no observations and no opinion can be concluded.

Query C of the SGX-ST

It was disclosed that the Company CEO was away on a business trip in Suzhou to discuss with local authorities on its refundable deposit on a piece of land which the Company had placed.

- i. Please provide explanation as to whether the Company CEO was aware of the auditors' visit to perform the bank verification and if so, why he did not arrange for someone else to facilitate / accompany the auditors to perform the cash audit nor informed that he had to leave on a business trip.
- ii. Please elaborate on the refundable deposit on the piece of land which the Company had placed.
 - 1. When was the refundable deposit paid?
 - 2. When was the acquisition agreement signed?
 - 3. What is the consideration for the acquisition?
- iii. Please provide more details on the plot of land:
 - 1. What is the size and details of the plot of land?
 - 2. What is the capacity in the plant and the cost of construction?
 - 3. How the construction cost would be financed?

iv. If the agreement had not been signed, why would the Company make the deposit payment without any supporting agreement? Why is the Company expanding its capacity by building a new plant when revenue had decreased by 80% in 3Q2017?

The Company's Response

i. CEO has been informed on the auditors' visit to perform the bank verification. He mentioned that he realised that he supposed to meet Suzhou officials and hence left urgently without informing anyone that auditors is in Jinjiang to perform cash audit.

ii.

(1) Deposit was paid on January 2013.

(2) Acknowledgement agreement of the refundable deposit for the tendering process was signed and received on Feb 2013.

(3) Please refer to the Company's announcement released on 13 October 2017 Query 6 (a) (a) for the detail.

iii.

(1) Please refer to the Company's announcement released on 29 April 2014.

(2) Proposed capacity in the plant is expected to be twice the size of our existing capacity and estimated the cost of construction to be around RMB 200 million.

(3) Proposed construction cost will be financed by working capital and bank borrowings.

iv. We had make the decision to constructing a new plant on year 2013. Subsequently in year 2015 we had form the view that the Suzhou Project might be too aggressive and that we would negotiate with ACSETDZ for the repayment of the deposit and mainly due to the China sportswear industry, which has been facing challenges stemming from excessive inventory and over-expanded retail channels over the past few years has not shown much improvement.

Query D of the SGX-ST

It was disclosed that the Company has identified and is expecting to engage a Financial Controller together with a Non-Executive Director on board before end of next week. Please provide a target date when this engagement will be signed.

The Company's Response

The Financial Controller will join the Company on 06 December 2017 if being appointed after serving her notice with current company. As for the Non-Executive Director, he has indicated he will join the Board on the 2nd week of December 2017 once the Board approve his appointment.

Query E of the SGX-ST

It was disclosed that Mr. Leow was “unable to achieve the objectives” as CEO was away on a business trip during his trip to the Company during the period of 20-23 November 2017.

i. Please clarify what is meant by “unable to achieve the objectives”. Did Mr. Leow manage to enter the premises? Why were the other staff / Executive Directors / key management around not able to show him around? What efforts were taken to achieve these “objectives”?

The Company's Response

i. Mr. Leow did not manage to enter the premise as he did not inform CEO. Mr. Lin that he will coming to the Company. Mr. Leow thought since Mr. Lin was been informed that auditor is going to the Company to perform cash audit, he would be in office. Mr. Lin has not informed any of his key staff that Mr. Leow is coming to the factory. Without entering and do a site visit, Mr. Leow is unable to confirm the state of affairs of the Company. However, Mr. Leow waited outside the factory and observed that there were company workers walking in and out from the factory.

Mr. Leow could not witness the performance of bank audit confirmation as Mr. Lin was away on a business trip. There is no other alternative to achieve this objective.

Query F of the SGX-ST

It was disclosed that Mr. Lin would welcome any of the Independent Directors to visit the factory at any point of time.

i. Please disclose when Mr. Lin will be back to the office / factory and the date of the visit by the Independent Directors and of the cash audit by the auditors.

ii. Please confirm whether Mr. Lin can arrange for other Executive Directors or key management or other executive directors to accompany the Independent Directors in his absence.

The Company's Response

i. Mr. Lin is back in the office since 25 November 2017.

ii. Mr. Lin has confirmed that he will arrange the other executive directors or key management to accompany the Independent Directors and the conduct of cash audit by the auditors in his absence.

Query G of the SGX-ST

It was disclosed that both independent directors deem it is necessary to appoint a Financial Controller immediately to kickstart the audit without further delay.

- i. Please provide a target date when the Financial Controller will be appointed.
- ii. Please also confirm that the CEO is attending to the auditors in the meantime to complete the audit.

The Company's Response

- i. The Financial Controller will commence on 06 December 2017 as she is currently serving her notice.
- ii. Mr. Lin confirmed that he has been attending to the auditors constantly since his return from his business trip and has keep auditor posted when to commence the audit once the Financial controller in place.

Query H of the SGX-ST

It was disclosed that the Board believe that the Company will be able to operate as going concern. Please disclose the basis for this assessment. Please also provide the level of operations currently.

The Company's Response

The Board believe that Group will be able to operate as going concern as the Group should be able to meet its obligations as and when its fall due given its cash position reported in recent announcement.

Level of operations in our PRC's subsidiary remain active with current capacity utilisation estimated to be running at 55%.

Query I of the SGX-ST

It was disclosed that the Board confirmed all material information have been provided. This is contrary to the fact that it was not announced that auditors have not / were unable to commence audit. Please explain.

The Company's Response

Please refer to the Company announcement dated 07 November 2017. The Company will continue to update shareholders via SGXNet on the audit status as and when there is new development.

By Order of the Board

Lin ShaoXiong
Chief Executive Officer
29 November 2017