



**CHINA SPORTS INTERNATIONAL LIMITED**

**Incorporated in Bermuda**

**(Company Registration: 39798)**

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**RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE LIMITED  
ON ANNUAL REPORT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2014**

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The Board of Directors of China Sports International Limited (the “**Company**”) makes this announcement in response to queries by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in connection with the Annual Report issued by the Company for its financial year ended 31 December 2014 (the “**Annual Report**”) on 15 April 2015.

**SGX’s Query 1:**

*Guideline 11.3 of the Code of Corporate Governance 2012 (the “**Code**”) states that the Board should comment in the Company’s Annual Report on whether it has received assurance from the CEO and the CFO:*

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances; and*
- (b) regarding the effectiveness of the company’s risk management and internal control systems.*

*We note that the Company did not mention if assurance was received from the CFO. Please explain the reason(s) for the deviation from the Code recommendation.*

**Company’s Response:**

There was no mention of the assurance received from the CFO as required under Guideline 11.3 of the Code as the previous CFO resigned in November 2014 and the current CFO was appointed only in January 2015 (subsequent to the financial year end). In addition, as mentioned in the Audit Committee’s Statement issued on 15 April 2015 via SGXNET (the “**AC Statement**”), subsequent to the appointment, the current CFO had been on urgent leave of absence since mid-February 2015. As such, the Board is of the view that it is not appropriate for the current CFO to provide any assurance under Guideline 11.3 of the Code.

**SGX's Query 2:**

*Guideline 11.3 of the Code states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. As recommended in paragraph 11.3 of the Code and pursuant to Rule 710 of the Listing Manual, please make disclosures on the Board's comments on the adequacy and effectiveness of the Company's risk management systems or otherwise explain the reason(s) for the deviation from the Code recommendation.*

**Company's Response:**

As mentioned on page 27 and 28 of the Annual Report, the Board recognises the importance of sound internal controls and risk management practices. It should, however, be noted that the risk management systems are designed to manage rather than eliminate the risks.

Over the years, the Board has empowered the Management to conduct regular reviews on the Group's business and operational activities to identify areas of significant business risks. Appropriate measures and controls are implemented so as to mitigate these business risks within the Group's policies and strategies. The Management has implemented procedures requiring corrective, preventative or improvement measures based on recommendations from the auditors to improve on the Group's risk management procedures and the internal controls.

Please refer to the Company's response to SGX's Query 3 (below) on the effectiveness of the system of internal controls and risk management systems in place.

**SGX's Query 3:**

*Under page 34 of the Company's annual report, it is disclosed that the Board is of the opinion with the concurrence of the AC, that there are adequate internal controls in place within the Group addressing material financial, operational, compliance risks. In view of the Independent Auditor's disclaimer of opinion, please explain the basis for the Board's opinion and reconcile the Board's opinion with the Independent Auditor's disclaimer of opinion disclosed on page 43 of the Company's annual report.*

**Company's Response:**

The Board has concluded on page 34 of the Annual Report that there are adequate internal controls in place within the Group, however, the effectiveness of these controls was hindered by the transition process from the previous CFO to the current CFO being not as smooth as anticipated as mentioned in the AC Statement. During the CFO's absence, the level of guidance provided to the local finance team might have hampered timely information flow to the external auditors so as to accomplish the audit objectives. The basis for the Disclaimer of Opinion contained in the Independent Auditor's Report issued by the external auditors was due to insufficient appropriate audit evidence being made available to the external auditors.

**SGX's Query 4:**

*For the Exchange's consideration under Rule 1303(3)(c) and noting the Independent Auditor's findings on "going concern", please provide the following information:-*

- (a) the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view.*
- (b) the Board's confirmation that all material disclosures have been provided for trading of the Company's shares to continue.*

**Company's Response:**

It was mentioned in the Independent Auditor's Report on page 44 of the Annual Report that – *"In the absence of management's cash flow projections and business plans, we are not able to obtain sufficient evidence regarding the appropriateness of using the going concern assumption in the preparation of the financial statements"*.

As the findings highlighted by the external auditors on the going concern assumption was due to insufficient appropriate audit evidence being made available, the Board confirmed that the CEO has since committed that the Company would continue to work with the external auditors on the going concern assessment in detail and make available the necessary information. The Board will appoint the external auditors to undertake and complete an interim audit when all the information are readily available, such that an audit opinion can be issued on the consolidated financial statements of the Group in due course.

The Board confirmed that all material information have been provided for trading of the Company's shares to continue.

**BY ORDER OF THE BOARD  
LIN SHAOXIONG  
CHIEF EXECUTIVE OFFICER**

**24 APRIL 2015**