

CHINA SPORTS INTERNATIONAL LIMITED

(Incorporated in Bermuda on 27 March 2007)

(Company Registration No: 39798)

PROPOSED SUBSCRIPTION OF 192,000,000 NEW ORDINARY SHARES OF HK\$0.04 EACH IN THE CAPITAL OF CHINA SPORTS INTERNATIONAL LIMITED (THE "SUBSCRIPTION SHARES") AT AN ISSUE PRICE OF S\$0.009 FOR EACH SUBSCRIPTION SHARE

1. INTRODUCTION

The Board of Directors (the "Directors") of China Sports International Limited (the "Company") wishes to announce the proposed subscription of 192,000,000 Subscription Shares at an issue price of S\$0.009 (the "Issue Price") for each Subscription Share, amounting to an aggregate gross amount approximately of S\$1.73 million (the "Proposed Subscription").

2. PROPOSED SUBSCRIPTION

The Company has on 30 December 2015 entered into a subscription agreement (the "Subscription Agreement") with four (4) individual subscribers listed in the table below (collectively, the "Subscribers" and each a "Subscriber"), where the Subscribers have agreed to subscribe for the Subscription Shares, in the proportion as set out against their respective names below, at the Issue Price for each Subscription Share, on the terms and subject to the conditions set out in the Subscription Agreement.

Subscribers	Number of Subscription Shares	Number of Subscription Shares as a percentage of existing issued share capital ⁽¹⁾ ₍₃₎	Number of Subscription Shares as a percentage of enlarged issued share capital ⁽²⁾ ₍₃₎
Lai Zifang 赖子芳	41,000,000	4.26%	3.55%
Huang Huan 黄华安	55,000,000	5.72%	4.77%
Lin Changqing 林长青	55,000,000	5.72%	4.77%
Ding Mingxia 丁明霞	41,000,000	4.26%	3.55%
TOTAL	192,000,000	19.97%	16.64%

Notes:

(1) Based on the Company's existing issued share capital ("Existing Issued Share Capital") comprising 961,538,000 ordinary shares of HK\$0.04 each in the capital of the Company ("Shares") after excluding 587,000 treasury shares.

(2) Based on the Company's enlarged issued share capital comprising 1,153,538,000 Shares after taking into account the Existing Issued Share Capital of 961,538,000 Shares and the proposed issuance of the Subscription Shares ("Enlarged Issued Share Capital").

(3) All discrepancies in the figures included herein between the listed and total amounts thereof are due to rounding. Accordingly, figures shown as total in this announcement may not be an arithmetic aggregation of the figures that precede them.

The Subscription Shares represents approximately 19.97% of the Existing Issued Share Capital as at the date of this announcement and 16.64% of the Enlarged Issued Share Capital following the completion of the Proposed Subscription.

The Issue Price of S\$0.009 for each Subscription Share represents a premium of approximately S\$0.001 or approximately 12.5% premium to the volume weighted average price for trades done in respect of the Shares on the Mainboard on 30 December 2015, being the full market day on which the Subscription Agreement is signed. The Issue Price was arrived at on a willing-buyer, willing-seller basis. In agreeing to the Issue Price, the Directors have also taken into consideration the general market conditions and the value of the existing issued Shares.

The Subscription Shares, when issued and fully paid, shall be issued free from all claims, pledges, mortgages, charges, liens and encumbrances and shall rank *pari passu* in all respects with the existing issued Shares, except that they will not rank for any dividends, distributions or entitlements, the record date for which falls on or before their respective date(s) of issue.

Background on Subscribers

No Subscription agent has been appointed by the Company. The Subscribers are individuals known to the Company and Executive Directors, with investments in the apparels and shoes industry in China. Two of the Subscribers, namely Lai Zifang 赖子芳 and Lin Changqing 林长青 are shareholders and directors of 福建鑫华纺织科技有限公司 whilst Huang Huaan 黄华安 and Ding Mingxia 丁明霞 are shareholders and directors of 晋江市安利来工贸有限公司. Both 福建鑫华纺织科技有限公司 and 晋江市安利来工贸有限公司 supply raw materials to the Company. The Subscribers had previously indicated to the Executive Directors their interest in participating in the Company via the subscription of new Shares. The Directors are of the view that the Subscribers are sincere in holding the Subscription Shares as investment. There is no introducer fee or placement commission paid (or to be paid) by the Company in connection with the Proposed Subscription.

None of the Subscribers has participated in any previous issuance of Shares by the Company and none of Subscribers holds (directly or indirectly) and Shares as of date of this announcement.

Lai Zifang 赖子芳 is a China national businessman, shareholder and director of 福建鑫华纺织科技有限公司, a company incorporated in China whose principal activity is in the business of manufacturing non-woven industrial materials and fibers. He was introduced by Mr Lin Shaoxiong, the Executive Director of the Company (“Mr Lin”).

Huang Huaan 黄华安 is a China national businessman, shareholder and director of 晋江市安利来工贸有限公司, a company incorporated in China whose principal activity is in the business of manufacturing shoe materials, including shoes soles and shoes lining materials. He was introduced by Mr Lin.

Lin Changqing 林长青 is a China national businessman, shareholder and director of 福建鑫华纺织科技有限公司, a company incorporated in China whose principal activity is in the business of manufacturing non-woven industrial materials and fibers. He was introduced by Mr Lin.

Ding Mingxia 丁明霞 is a China national businesswomen, shareholder and director of 晋江市安利来工贸有限公司, a company incorporated in China whose principal activity is in the business of manufacturing shoe materials, including shoes soles and shoes lining materials. She was introduced by Mr Lin.

The Proposed Subscription is transacted on a willing-buyer-willing-seller basis. Each of the Subscribers has represented to the Company that they are subscribing for the Subscription Shares purely for the purposes of investment.

Pursuant to the Subscription Agreement, each Subscriber has represented, warranted and undertaken to and for the benefit of the Company, *inter alia*, that:-

- (a) he/she is not related to any of the Directors or substantial shareholders of the Company, and specifically that he/she is not an immediate family of any of the Directors or substantial shareholders of the Company;
- (b) save as disclosed, he/she does not have any other business connection or dealings (financial or otherwise) with the Group, the Directors and substantial shareholders of the Company;
- (c) he/she is subscribing for the Subscription Shares independently of the other Subscribers, notwithstanding that he/she may be acquainted with and may know the other Subscribers

through his/her business dealings as director and shareholder of 福建鑫华纺织科技有限公司 / 晋江市安利来工贸有限公司;

- (d) he/she is not any of the persons set out in Rule 812(1) of the Listing Manual;
- (e) he/she is not acting in concert with any other Subscribers (save for Lai Zifang 赖子芳 acting in concert with Lin Changqing 林长青 and Huang Huaan 黄华安 acting in concert with Ding Mingxia 丁明霞), or any of the Directors or substantial shareholders of the Company;
- (f) no commission nor discount in connection with the subscription of the Subscription Shares other than as disclosed in the Subscription Agreement will be received, directly or indirectly by him/her;
- (g) he/she has not purchased, sold or in any way traded with the Shares within six (6) months prior to the date of the Subscription Agreement; and
- (h) he/she is not subscribing for any of the Subscription Shares in trust or as a nominee.

None of the Subscribers has participated in any other subscription, placement of or issuance of Shares.

Each Subscriber has represented to the Company that he/she is subscribing for the Subscription Shares purely for the purposes of investment in particular to take part in the joint development of the breathable and waterproof membrane to be undertaken jointly by the Company, 福建鑫华纺织科技有限公司 and 晋江市安利来工贸有限公司. 福建鑫华纺织科技有限公司 was incorporated in 2012 and in 2014 was profiled as one of Fujian Province's most promising enterprise. Located in Tailing Fujian, it is a raw material supplier for the Company and its principal activities are the development and manufacturing of non-woven industrial materials and fibers. 晋江市安利来工贸有限公司 was incorporated in 2002 and located in Jinjiang Fujian. It is a supplier of processed shoe materials for the Company. Its principal activities are the manufacturing of processed shoe materials, including shoes soles and shoes lining materials.

The Company intends to jointly develop a synthetic breathable and waterproof membrane that is versatile, lightweight and durable as well. This can be achieved by blending with synthetic fibres to extract specific characteristics of existing materials like Nylon, Cotton, Acrylic and Elastane in order to create a new synthetic microporous membrane that is resistant to water. The result would be a breathable and waterproof membrane that can be used to line the shoe sole and upper material to create an ideal condition for the feet to stay comfortable and dry, while maintaining extraordinary breathability.

Whilst the Subscribers are investing in the joint development of breathable and waterproof membrane via the Group, the Subscribers will not be directly involved in the development of breathable and waterproof membrane or its commercial production later on, *inter alia*, as suppliers or potential suppliers. In addition, whilst the Subscribers are creditors and raw materials suppliers of the Group, they are not the major creditors or raw materials suppliers of the Group. Thus, Directors are of the view that participation by the Subscribers in the Proposed Subscription will not give rise to any material conflict of interest.

Authority for the Proposed Subscription

The 192,000,000 Subscription Shares will be allotted and issued pursuant to a general share issue mandate (the "**Share Issue Mandate**") obtained from shareholders of the Company (the "**Shareholders**") at an annual general meeting of the Company held on 30 April 2015 ("**2015 AGM**").

The Share Issue Mandate authorises Directors to allot and issue new Shares not exceeding 50% of the total number of issued Shares (excluding treasury Shares) as at the date of the 2015 AGM, of which the aggregate number of Shares to be issued, other than on a *pro-rata* basis to the

existing Shareholders of the Company shall not exceed 20% of the Company's total number of issued Shares (excluding treasury Shares).

As at the date of the 2015 AGM, the number of issued Shares was 961,538,000 and no Shares were previously issued under the Share Issue Mandate prior to the Proposed Subscription. As such, the total number of Shares that may be issued other than on a pro-rata basis pursuant to the Share Issue Mandate is 192,307,600 Shares. The proposed allotment and issuance of an aggregate of 192,000,000 Subscription Shares will fall within the limits of the Share Issue Mandate.

In addition, Directors were authorised under the Share Issue Mandate to issue Shares on a non pro-rata basis, and in exercising the authority conferred by the Share Issue Mandate the Company will comply, *inter alia*, with the requirements imposed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") from time to time and the Listing Manual which includes the issuance of Shares at a discount not exceeding 10% of the weighted average price of the Shares for trades done on SGX-ST for the full market day on which the Subscription Agreement in relation to such Shares is executed (or if not available, the weighted average price based on the trades done on the preceding market day up to the time the Subscription Agreement is signed).

The completion of the Proposed Subscription is conditional, *inter alia*, upon in-principle approval for the listing and quotation (the "**Listing Approval**") being obtained from the SGX-ST and not having been revoked or amended and, where such Listing Approval is subject to conditions, to the extent that any conditions for the listing of and quotation for the Subscription Shares on the Mainboard are required to be fulfilled on or before relevant completion date, they are so fulfilled.

3. USE OF NET PROCEEDS

The proceeds from the Proposed Subscription, after deducting estimated expenses, (the "**Net Proceeds**") will amount to approximately S\$1.58 million or RMB7.25 million based on exchange rate of S\$1:RMB4.5967 as at 30 December 2015.

The Company intends to utilise:-

- (a) up to approximately S\$1.58 million or 100% of the Net Proceeds to finance or fund the further development of the breathable and waterproof membrane.

The Net Proceeds may be used to fund, *inter alia*, (i) fees and expenses incurred or to be incurred in connection with project development of the breathable and waterproof membrane and marketing expenses; and (ii) the payment of any professional fees or expenses or any other transaction costs or expenses to be incurred in connection with any of the foregoing. Net Proceeds will not be used for repayment of any outstanding payables (if any) for supply of raw materials arising from the trade relationship between the Company and the Subscribers via 福建鑫华纺织科技有限公司 and 晋江市安利来工贸有限公司; and

- (b) the balance of the Net Proceeds for the Group's general corporate and working capital purposes.

Pending the deployment of the Net Proceeds for the purposes mentioned above, the Net Proceeds may be placed as deposits with financial institutions or invested in short-term money markets or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit in the interest of the Company.

As and when any material amount of the Net Proceeds is disbursed or deployed, the Company will make the necessary announcements on the SGXNET corporate announcement system (the "**SGXNET**") and subsequently provide a status report on the use of such Net Proceeds in its annual report.

Where the Net Proceeds have been used for working capital purposes, the Company does not have any specific details for its use, and will disclose a breakdown with specific details on how the Net Proceeds have been applied in subsequent announcements and status reports.

4. OTHER SALIENT TERMS OF SUBSCRIPTION

Conditions Precedent

Completion of the Proposed Subscription is conditional upon the fulfilment of, *inter alia*, the following conditions:

- (a) the Listing Approval being obtained from the SGX-ST and not having been revoked or amended and, where such Listing Approval is subject to conditions, to the extent that any conditions for the listing and quotation of the Subscription Shares on the Mainboard are required to be fulfilled on or before Subscription Completion Date (defined below under sub-section "**Completion**"), they are so fulfilled;
- (b) the allotment, issue and Subscription of the Subscription Shares to the Subscribers not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of this Agreement by any legislative, executive or regulatory body or authority of Singapore, Bermuda or elsewhere which is applicable to the Company or the Subscribers, save that if the allotment, issue or Subscription of the Subscription Shares is prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of this Agreement by any legislative, executive or regulatory body or authority of Singapore, Bermuda or elsewhere against one or more of the Subscribers, the Company may at its discretion choose to proceed with this Agreement with the other Subscribers;
- (c) the exemption under Section 272B(1) of the SFA being applicable to the Proposed Subscription under the Subscription Agreement and;
- (d) in the event that the Subscription Shares cannot be issued pursuant to the said Share Issue Mandate, the approval of a specific mandate by the Shareholders being obtained; and
- (e) the representations and warranties of the Company herein being true, accurate and correct in all material respects as if made on the Subscription Completion Date (defined below), with reference to the then existing circumstances and the Company having performed in all material respects all of its obligations under this Agreement which are required hereunder to be performed on or before the Subscription Completion Date.

If the conditions as stated above are not fulfilled not later than 90 calendar days from the date of the Subscription Agreement, the Subscription Agreement will terminate pursuant to the Subscription Agreement.

The Company shall notify the Subscribers of the Subscription Completion Date if the conditions as stated (a) and (d) (if applicable) above are satisfied. In the event and unless otherwise disputed by any party, prior to Subscription Completion Date, the condition as stated above shall be deemed to be satisfied. The Company shall ensure that there are no less than four (4) clear market days between the date of notification and the Subscription Completion Date.

Additional Listing Application

An application for the listing of and quotation for the Subscription Shares will be made to the SGX-ST. The Company will make the necessary announcement if Listing Approval is obtained.

Completion

The Subscription Agreement provides that each of the Subscribers shall pay to the Company the aggregate Issue Price for the relevant number of Subscription Shares to be issued to such

Subscriber (the “**Consideration**”) by way of a bank transfer or a bank draft to such bank account of the Company or its nominee within three (3) market days upon receipt of the Listing Approval.

Under the terms of the Subscription Agreement, it is provided that the completion of the Proposed Subscription shall take place on the date (“**Subscription Completion Date**”) notified by the Company upon fulfillment of the conditions precedent.

No prospectus or Offer Information Statement to be issued

The Proposed Subscription will be undertaken by way of private Subscription in accordance with Section 272B of the SFA. As such, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Subscription.

Shareholdings

The number of Shares held by the Directors, the substantial shareholders, the Subscribers and other shareholders of the Company before and after the completion of the Subscription, as well as their percentage shareholdings are as follows:-

	Number of Shares held before the Proposed Subscription	% of Existing Issued Share Capital ⁽¹⁾	Number of Shares held after the Proposed Subscription	% of Enlarged Issued Share Capital ⁽²⁾
<u>Directors</u>				
Lin Shaoxiong ⁽³⁾	282,500,000	29.38%	282,500,000	24.49%
Tham Hock Chee	150,000	0.02%	150,000	0.01%
Lim Kim Huat	-	0.00%	-	0.00%
Lin Shaoqin	-	0.00%	-	0.00%
<u>Other substantial Shareholders (excluding Directors)</u>				
OSIM International Limited	89,774,000	9.34%	89,774,000	7.78%
<u>Subscribers</u>				
Lai Zifang 赖子芳	0	0.00%	41,000,000	3.55%
Huang Huaan 黄华安	0	0.00%	55,000,000	4.77%
Lin Changqing 林长青	0	0.00%	55,000,000	4.77%
Ding Mingxia 丁明霞	0	0.00%	41,000,000	3.55%
Other existing Shareholders	589,114,000	61.27%	589,114,000	51.07%
TOTAL	961,538,000	100.00%	1,153,538,000	100.00%

Notes:

- (1) Based on the Existing Issued Share Capital comprising 961,538,000 Shares.
- (2) Based on the Enlarged Issued Share Capital comprising 1,153,538,000 Shares after taking into account the Existing Issued Share Capital of 961,538,000 Shares and the proposed issuance of the Subscription Shares.
- (3) Lin Shaoxiong’s Shares of 282,500,000 in the Share capital of the Company are held in the name of nominee, UOB Kay Hian Pte Ltd.
- (4) All discrepancies in the figures included herein between the listed and total amounts thereof are due to rounding. Accordingly, figures shown as total in this announcement may not be an arithmetic aggregation of the figures that precede them.
- (5) The shareholdings of Directors and substantial shareholder are based on the latest information available to the Company as at the date of this announcement.

Upon completion of the Proposed Subscription, none of the Subscribers will, individually, be interested in more than 5% of the Company's Enlarged Issued Share Capital.

5. **FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION**

Effects of the Proposed Subscription on the Group's issued and paid-up Share Capital

As at the date of this announcement, the issued and paid-up Share capital is approximately HK\$38,461,520 comprising 961,538,000 Shares. Upon completion of the Proposed Subscription and assuming that all the 192,000,000 Subscription Shares are issued, the Share capital will be increased by approximately 19.97% to approximately HK\$46,141,520 comprising 1,153,538,000 Shares.

Effects of the Proposed Subscription on consolidated net tangible assets ("NTA") per share

For illustrative purposes only, the following is an analysis of the effects of the Proposed Subscription on the NTA per share before and after adjustment to reflect the Subscription Shares based on the Group's audited consolidated balance sheet as at 31 December 2014 are as follows (for the purpose of calculating the NTA per share after the Proposed Subscription, it is assumed that the Proposed Subscription were completed on 31 December 2014):

	Before the Proposed Subscription	After the Proposed Subscription
NTA of the Group (RMB'000)	1,031,287	1,038,541 ⁽¹⁾
Number of Shares	961,538,000	1,153,538,000
NTA per Share (RMB)	1.07	0.90

Note:

(1) Figure derived from the Group NTA of approximately RMB1.03 billion as at 31 December 2014, after addition of estimated Net Proceeds of approximately S\$1.58 million or approximately RMB7.25 million (based on an exchange rate of S\$1: RMB4.5967 as at the date of this announcement).

Effects of the Proposed Subscription on consolidated earnings per Share ("EPS")

For illustrative purposes only, the following is an analysis of the effects of the Proposed Subscription on the EPS before and after adjustment to reflect the Subscription Shares based on the Group's audited consolidated statement of comprehensive income for the financial year ended 31 December 2014 ("FY2014") are as follows (for the purpose of calculating the EPS per share after the Proposed Subscription, it is assumed that the Proposed Subscription was completed on 1 January 2014) but without taking into account the effect of the use of the Net Proceeds on the earnings of the Group and that no returns are generated from the Net Proceeds:

	Before the Proposed Subscription	After the Proposed Subscription
Profit after tax (RMB'000)	10,599	10,599
Weighted average number of Shares	961,538,000	1,153,538,000
Profit after tax per Share (RMB)	0.011	0.009

6. **CONFIRMATION BY THE DIRECTORS**

Having regard to the existing banking facilities available to the Company and the Group, and taking into account the cash resources available to the Group, cash used in operating activities for the Group and barring unforeseen circumstances, the Directors are of the opinion, that the working capital available to the Group as at the date of this announcement is sufficient for its present requirements.

Having regard to the existing banking facilities available to the Company and the Group, and taking into account the Net Proceeds, the cash resources available to the Group, cash used in

operating activities for the Group and barring unforeseen circumstances, the Directors are of the opinion, that the working capital available to the Group as at the date of this announcement is sufficient for its present requirements.

The Directors further confirmed that as at the date of this announcement, they are not aware of any material information that may affect the Group's operations and financials which have not been previously disclosed.

7. OTHER DEVELOPMENTS IN RELATION TO THE COMPANY

To comply with the minimum trading price requirement, the Directors are still evaluating the available options and have considered, *inter alia*, conducting a share consolidation, acquisition and/or a transfer of the listing of the Company from the Mainboard of the SGX-ST to the Catalyst Board of the SGX-ST ("**Contemplated Transfer**"). Given the current circumstances, the Company intends to further explore the Contemplated Transfer and other options before, after or in parallel with the settlement of other outstanding issues.

Shareholders are advised to exercise caution when trading their Shares as there is no certainty or assurance as at the date of this announcement that the Contemplated Transfer or other option will be undertaken at all and if undertaken, the Contemplated Transfer or other option will be subject to the approval of the SGX-ST and other conditions. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

8. INTEREST OF THE DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

None of the Subscription Shares will be placed by the Company to any person who is a Director or a substantial Shareholder of the Company, or any other person falling within the categories set out in Rule 812(1) of the SGX-ST Listing Manual.

None of the Directors or substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Subscription (other than through their shareholdings in the Company).

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any Director who may have been delegated detailed supervision of the preparation of this announcement and/or the Proposed Subscription) collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Subscription, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading,

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context

10. DOCUMENTS AVAILABLE FOR INSPECTION

Whilst the registered office of the Company is in Bermuda, the office of the Company's share transfer agent is in Singapore. Taking into account that Singapore is more accessible than Bermuda, a copy of the Subscription Agreement will be made available for inspection during normal business hours at the office of the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited at 63 Cantonment Road, Singapore 089758, for a period of three (3) months from the date of this announcement.

11. TRADING CAUTION

Shareholders and potential investors should exercise caution when trading in the Shares, and where in doubt as to the action they should take, they should consult their financial, tax or other professional adviser immediately.

By Order of the Board

LIN SHAOXIONG
Chief Executive Officer

30 December 2015