



CHINA SPORTS INTERNATIONAL LIMITED

Incorporated in Bermuda
(Company Registration: 39798)

COMPANY GRANTED LICENSE TO BREATHEABLE SHOES TECHNOLOGY

A. INTRODUCTION

We refer to our announcement released on 14 May 2011 (Announcement 00010) where we disclosed that the intellectual property utilised in our breathable shoes (the “**Technology**”) belong to Mr Lin Yongjian (林永健) (the “**Licensor**”), the father of Mr Lin Shaoxiong (林少雄), our Chairman and Chief Executive Office; and Mr Lin Shaoqin (林少钦), our Executive Director. As stated in the announcement, Mr Lin Yongjian had on a goodwill basis allowed our Group (being the China Sports International Limited (the “**Company**”, or “**we**”), together with its subsidiaries) to utilize the Technology till 30 September 2011.

We are pleased to announce that the Company has on 10 December 2011 entered into a Technology License Contract (the “**Contract**”) with Mr Lin Yongjian (the “**Licensor**”) underwhich the Company has been granted the license to use the Technology by the Licensor.

B. PRINCIPAL TERMS OF THE AGREEMENT

Pursuant to the Contract, the Company has been granted a worldwide exclusive license to use the Technology for the manufacture and sale of products using the Technology (the “**Products**”) for the period of 15 months commencing from 1 October 2011. The Company is entitled to sub-license the use of the Technology to its related corporations.

The license fee for the License comprises a sign-on fee (RMB5 million) and a royalty fee. The royalty fee is a percentage of the revenue generated from the sale of Products; 2% from 1 October 2011 till 31 December 2011; and 5% thereafter. The licence fee is capped at RMB 55,865,750, being the amount equivalent to 5% of the net asset value of the Group, based on its last audited accounts.

If the Contract is terminated by reason of Mr Lin Shaoxiong ceasing to be the Chairman or controlling shareholder of the Company, an additional license fee is payable in relation to Products for which orders had been received but which are manufactured after the termination of the Contract. The additional license fee is equivalent to 10% of the revenue.

The terms of the Contract were arrived at negotiations on arms' length basis.

C. RATIONALE FOR THE LICENSING; BENEFIT TO GROUP

The Group has been manufacturing and distributing its range of breathable shoes utilising the Technology. The Licensor had granted the Group the license to use the Technology on a goodwill basis till 30 September 2011. The Company has now entered into this Contract so that the Group can continue utilising the Technology for the Products.

D. STATEMENT OF AUDIT COMMITTEE

The audit committee of the Company is of the view that the Contract is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

E. CURRENT TOTAL VALUE OF INTERESTED PERSON TRANSACTIONS FOR FY2011

Based on the audited financial statements of the Company, the net tangible asset of the Group as at 31 December 2010 was RMB 1,099,899,000. It is anticipated that the total value of all interested person transactions of the Licensor with the Company and its subsidiaries and associates will exceed the relevant threshold of 3.0% of the latest audited net tangible asset value of the Group. In the premises, this announcement is made pursuant to under Rule 905(1) of the Listing Manual.

For the financial year to be ended 31 December 2011 (“FY11”), as at the date of this announcement, total value of all all interested person transactions entered into the Group with the Licensor (aside from the Contract) is nil. (Pursuant to Rule 905(3) of the Listing Manual, the total values indicated in this section exclude any transactions which are less than S\$100,000 in value.) With regard to the Contract, the sign-on fee (RMB5 million) will be paid within 10 days of the execution of the Contract; and the royalty fee will be computed and paid only after the audited accounts of FY11 have been issued.

BY ORDER OF THE BOARD
LIN SHAOXIONG
CHIEF EXECUTIVE OFFICER
12 December 2011