



CHINA SPORTS INTERNATIONAL LIMITED

Incorporated in Bermuda
(Company Registration: 39798)

PROPOSED RENOUNCEABLE AND NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 168,425,000 SHARES AT AN ISSUE PRICE OF S\$0.10 EACH ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY 4 SHARES HELD AS AT THE BOOKS CLOSURE DATE

1. INTRODUCTION

- 1.1 The Board of Directors of China Sports International Limited (the “**Company**”) (the “**Directors**”) wishes to announce that the Company is proposing a renounceable and non-underwritten rights issue of up to 168,425,000 new ordinary shares of par value HK\$0.04 each in the capital of the Company (each, a “**Rights Share**”) at an issue price of S\$0.10 for each Rights Share (the “**Issue Price**”) and on the basis of one (1) Rights Share for every 4 existing ordinary shares of par value HK\$0.04 each in the capital of the Company (each, a “**Share**”) held by shareholders of the Company (each, a “**Shareholder**”) as at a time and date to be determined by the Directors for the purpose of determining the Shareholders' entitlements under the Rights Issue (the “**Books Closure Date**”), fractional entitlements to be disregarded (the “**Rights Issue**”).
- 1.2 The Rights Shares will be issued pursuant to the authority granted by the share issue mandate approved by the Shareholders at the annual general meeting held on 28 April 2009 (the “**Share Issue Mandate**”). The Share Issue Mandate authorised, amongst other things, the Directors to issue shares in the Company whether by way of rights, bonus or otherwise and/or make or grant offers, agreements or options (collectively, the “**Instruments**”) that might or would require shares to be issued provided that the aggregate number of shares and Instruments to be issued to existing Shareholders via a *pro rata* renounceable rights issue pursuant to the Share Issue Mandate shall not exceed 100% of the total number of issued shares (excluding treasury shares) as at 28 April 2009 (subject to certain adjustments provided in the Share Issue Mandate).
- 1.3 Stirling Coleman Capital Limited has been appointed by the Company as the manager for the Rights Issue (“**Manager**”). Pursuant to a placement agreement dated 30 June 2009 between the Company and the Manager (the “**Placement Agreement**”), the Manager has agreed to procure subscriptions and payment for the Committed Rights Shares which are not subscribed by the Shareholders under the Rights Issue. The “**Committed Rights Shares**” being an aggregate of up to 111,925,000 Rights Shares, being all the Rights Shares entitlements (but excluding the Entitled Rights Shares (as defined below).
- 1.4 The obligations of the Manager to procure subscribers and payment for the Committed Rights Shares at the Issue Price for each Committed Rights Share is conditional upon, amongst other things, approval being received from the SGX-ST for the listing and quotation of the Rights Shares and the due registration of the Offer Information Statement by the Company with the Monetary Authority of Singapore within 30 days from the date of the Placement Agreement, or such other date as the Parties may agree.

2. IRREVOCABLE UNDERTAKING

- 2.1 As at the date of this Announcement, Mr Lin Shaoxiong (the “**Undertaking Shareholder**”) holds 226,000,000 Shares, comprising approximately 33.55% of the aggregate number of issued Shares. Accordingly, the Undertaking Shareholder will be entitled to subscribe for an aggregate of 56,500,000 Rights Shares (the “**Entitled Rights Shares**”).
- 2.2 The Undertaking Shareholder has irrevocably undertaken to the Company, amongst other things, to:
- (i) subscribe and pay for, in accordance with the terms of the Rights Issue, the Entitled Rights Shares;
 - (ii) not make any application for excess Rights Shares under the Rights Issue; and
 - (iii) not, at least until after the Books Closure Date for the purpose of determining shareholders’ entitlements under the Rights Issue, sell, transfer or otherwise dispose of, or of any interest in, his Shares.

3. PROPOSED PRINCIPAL TERMS OF THE RIGHTS ISSUE

- 3.1 The Rights Issue is proposed to be offered on a renounceable basis to Shareholders whose registered addresses with the Company or The Central Depository (Pte) Ltd (“**CDP**”) as the case may be, are in Singapore as at the Books Closure Date, or who have, at least 5 market days prior to the Books Closure Date, provided to the Company or CDP as the case may be, addresses in Singapore for the service of notices and documents (“**Entitled Shareholders**”) on the basis of one (1) Rights Share for every 4 Shares held as at the Books Closure Date at the issue price of S\$0.10 for each Rights Share.
- 3.2 Fractional entitlements to any Rights Share will be disregarded and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and allocated to satisfy excess applications (if any) or disposed of or otherwise dealt with in such manner as the Directors in their absolute discretion, deem fit in the interests of the Company.
- 3.3 The issue price of S\$0.10 for each Rights Share represents a discount of approximately 33.3% to the last transacted price of S\$0.15 per Share on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 30 June 2009.
- 3.4 The Rights Shares are payable in full upon acceptance and/or application. The Rights Shares, when allotted and issued, will rank *pari passu* in all respect with the Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares. For this purpose, “**record date**” means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered or the securities account of Shareholders must be credited with Shares in order to participate in such dividends, rights, allotments or other distributions.
- 3.5 For practical reasons and in order to avoid any violation of securities legislation applicable in countries other than Singapore, the Rights Shares will NOT be offered to Shareholders who are not Entitled Shareholders (“**Foreign Shareholders**”). If it is practicable to do so, arrangements may, at the absolute discretion of the Company be made for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to the Foreign Shareholders to be sold “nil paid” on the SGX-ST as

soon as practicable after dealings in the provisional allotments of Rights Shares commence and the net proceeds arising therefrom will be dealt with in accordance with the terms set out in the offer information statement (“**OIS**”) to be issued by the Company in connection with the Rights Issue.

- 3.6 If such provisional allotments of Rights Shares cannot be or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP in connection therewith.
- 3.7 Entitled Shareholders are at liberty to accept, decline or otherwise renounce or trade their provisional allotments of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.
- 3.8 The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the OIS to be dispatched by the Company to Entitled Shareholders in due course.

4. PURPOSE OF THE RIGHTS ISSUE

- 4.1 Based on the current issued and paid-up share capital of HK\$26,948,000, comprising 673,700,000 Shares, with an issue price of S\$0.10 for each Rights Share and assuming that the Rights Issue is fully subscribed, the Company expects to raise approximately S\$16.2 million in net proceeds from the Rights Issue (after deducting expenses of approximately S\$0.6 million). The net proceeds from the Rights Issue will be used for future expansion and general working capital purposes of which a majority will be injected as capital into the Company’s wholly-owned subsidiary in China, Yeli Sports (China) Co., Ltd (“**Yeli China**”). Yeli China is a wholly-owned foreign entity and would be entitled to tax exemption subject to capital contribution being completed. Yeli China will use the injected capital for upgrading and expansion of distribution network, advertising and promotional expenses.
- 4.2 Pending the deployment of the net proceeds for the purposes mentioned above, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as Directors may deem appropriate.

5. APPROVAL

- 5.1 The Rights Issue is subject to, amongst other things, the following:-
 - (a) the approval in-principle of the SGX-ST for the listing and quotation of the Rights Shares on the Official List of the Main Board of the SGX-ST; and
 - (b) the lodgement of the OIS with the Monetary Authority of Singapore.
- 5.2 An application will be made to the SGX-ST for permission to deal in and for the listing and quotation of the Rights Shares on the Official List of the Main Board of the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course.

5.3 As the Company has obtained the Share Issue Mandate, **no further Shareholders' approval is required for the Rights Issue and the issuance of Rights Shares arising therefrom.**

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this Announcement, none of the Directors and substantial Shareholders have any interest, direct or indirect, in the Rights Issue (other than through their respective shareholdings in the Company).

7. MISCELLANEOUS

The initial public offering of the Company was sponsored by Stirling Coleman Capital Limited. Stirling Coleman Capital Limited assumes no responsibility for the contents of this announcement.

By order of the Board

Lin Shaoxiong
Chief Executive Officer

30 June 2009