

## **APPENDIX DATED 10 APRIL 2012**

**This Appendix is issued by China Sports International Limited (the “Company”). If you are in any doubt as to its contents or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

This Appendix is circulated to shareholders of the Company (“**Shareholders**”) together with the Company’s Annual Report (as defined in this Appendix). Its purpose is to provide Shareholders with information relating to and explaining to Shareholders the rationale for the proposed renewal of the 2011 Share Buy-back Mandate (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company to be held on 30 April 2012 at 9:00 a.m. at Sindora, Level 2, Crowne Plaza Changi Airport, 75 Airport Boulevard, Singapore 819664. The Notice of the Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

If you have sold or transferred all your shares in the Company, you should immediately forward this Appendix and the Annual Report with the Notice of the Annual General Meeting and the accompanying Proxy Form immediately to the purchaser, transferee or the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.



## **CHINA SPORTS INTERNATIONAL LIMITED**

(Incorporated in Bermuda on 27 March 2007)  
(Company Registration Number 39798)

### **APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 12 APRIL 2012 IN RELATION TO THE PROPOSED RENEWAL OF THE 2011 SHARE BUY-BACK MANDATE**

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## DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Appendix:

<b>“2011 Share Buy-back Mandate”</b>	:	General mandate obtained from the Shareholders at the AGM held on 28 April 2011 authorising the Directors to exercise all the powers of the Company to purchase or otherwise acquire Shares in accordance with the terms set out in the resolution authorising the same and subject to compliance with the Bermuda Companies Act and the rules and regulations of the SGX-ST
<b>“2012 AGM”</b>	:	Has the meaning ascribed to it in <b>Section 1.1 of this Appendix</b>
<b>“Act”</b>	:	The Companies Act (Cap 50) of Singapore, as amended, supplemented or modified from time to time
<b>“AGM”</b>	:	The annual general meeting of the Company
<b>“Annual Report”</b>	:	The Company’s Annual Report dated 10 April 2012 in respect of the financial year ended 31 December 2011
<b>“Average Closing Price”</b>	:	Has the meaning ascribed to it in <b>Section 2.3.4 of this Appendix</b>
<b>“Bermuda Companies Act”</b>	:	The Companies Act 1981 of Bermuda, as amended, supplemented or modified from time to time
<b>“Board”</b>	:	The board of Directors of the Company for the time being
<b>“Bye-laws”</b>	:	The bye-laws of the Company, as amended or modified from time to time
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers
<b>“Company”</b>	:	China Sports International Limited, an exempted company incorporated in Bermuda with limited liability
<b>“Directors”</b>	:	The directors of the Company for the time being, and <b>“Director”</b> means each or any of them
<b>“EPS”</b>	:	Earnings per share
<b>“FY”</b>	:	Financial year ended or ending 31 December
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“HK\$” or HK cents”</b>	:	Hong Kong dollars and Hong Kong cents respectively
<b>“Latest Practicable Date”</b>	:	3 April 2012, being the latest practicable date prior to the printing of this Appendix for the purpose of obtaining relevant information for inclusion in this Appendix
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time

<b>“Market Day”</b>	:	A day on which the SGX-ST is open for securities trading
<b>“Market Purchases”</b>	:	Has the meaning ascribed to it in Section <b>2.3.3 of this Appendix</b>
<b>“Maximum Price”</b>	:	Has the meaning ascribed to it in Section <b>2.3.4 of this Appendix</b>
<b>“Memorandum”</b>	:	The Memorandum of Association of the Company
<b>“NTA”</b>	:	Net tangible assets
<b>“Off-market Purchases”</b>	:	Has the meaning ascribed to it in Section <b>2.3.3 of this Appendix</b>
<b>“Proposed Share Buy-back Mandate”</b>	:	The proposed renewal of the 2011 Share Buy-back Mandate to authorise the Directors to exercise all the powers of the Company to purchase or otherwise acquire Shares in accordance with the terms set out in the Resolution 7 contained in the notice of the forthcoming 2012 AGM
<b>“Relevant Period”</b>	:	<p>The period commencing from the date of Resolution 7 is passed and expiring on the earliest of:</p> <ul style="list-style-type: none"> <li>(a) the date by which next AGM is held or required by law or the Bye-laws to be held;</li> <li>(b) the date on which the authority conferred by the Proposed Share Buy-back Mandate is revoked or varied by the Shareholders in general meeting; or</li> <li>(c) the date on which purchases or acquisitions of Shares pursuant to the Proposed Share Buy-back Mandate are carried out to the full extent mandated</li> </ul>
<b>“Resolution 7”</b>	:	Has the meaning ascribed to it in <b>Section 1.1 of this Appendix</b>
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	Registered holders of Shares
<b>“Shares”</b>	:	Ordinary shares of HK\$0.04 each in the capital of the Company
<b>“SIC”</b>	:	Securities Industry Council
<b>“Substantial Shareholder”</b>	:	A person who has an interest of 5% or more of the total issued share capital of the Company
<b>“%”</b>	:	Per centum or percentage
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents, respectively

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Bermuda Companies Act or the Listing Manual or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Act, Bermuda Companies Act or the Listing Manual or any statutory modification thereof, as the case may be. In particular:

- (a) the term “**treasury share**” shall have the meaning ascribed to it in the section 42B of the Bermuda Companies Act;
- (b) the term “**subsidiary**” shall have the meaning ascribed to it in section 5 of the Act; and
- (c) the term “**acting in concert**” shall have the meaning ascribed to it in the Code.

Any reference to a time of day shall be a reference to Singapore time unless otherwise stated.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

For the reader’s convenience, unless otherwise indicated, certain RMB amounts in this Appendix has been translated into S\$ and HK\$ based on an exchange rate of S\$1:RMB 5.016 and HK\$1:RMB 0.8107 (unless otherwise indicated). While we have taken reasonable actions to ensure that the indicated exchange rates are reproduced in their proper form and context in this Appendix and that the indicated exchange rates are extracted accurately and fairly, we have not conducted an independent review nor verified the accuracy or completeness of the indicated exchange rates. Such translations should not be construed as a representation that RMB or S\$ amounts or RMB or HK\$ amounts have been, could have been or could be converted into S\$ or RMB or HK\$ or RMB, as the case may be, at the rate indicated, any particular rate or at all.

Any discrepancies in the tables in this Appendix between the listed amounts and the totals thereof are due to rounding.

# CHINA SPORTS INTERNATIONAL LIMITED

(Incorporated in Bermuda on 27 March 2007)  
(Company Registration Number 39798)

## Directors:

Lin Shaoxiong	(Executive Chairman and Chief Executive Officer)
Lin Shaoqin	(Executive Director)
Lai Chin Yee	(Lead Independent Director)
Tham Hock Chee	(Independent Director)
Sim Hong Boon	(Independent Director)

## Registered Office:

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

10 April 2012

**To: The Shareholders of China Sports International Limited**

Dear Sir/Madam

## 1. INTRODUCTION

- 1.1 We refer to the notice of AGM dated 12 April 2012 in respect of the AGM to be held on 30 April 2012, at Sindora, Level 2, Crowne Plaza Changi Airport, 75 Airport Boulevard, Singapore 819664 at 9.00 a.m. ("**2012 AGM**") and the resolution 7 set out under "Special Business" in the Notice of the 2012 AGM ("**Resolution 7**").
- 1.2 At the AGM held on 28 April 2011, Shareholders had approved the grant of the 2011 Share Buy-back Mandate to enable the Company to purchase or otherwise acquire Shares in accordance with the terms of the resolution authorising the same. The rationale for, the authority and limitations on, and the financial effects of, the 2011 Share Buy-back Mandate were set out in the Appendix to the Notice of AGM dated 14 April 2011.
- 1.3 The authority conferred on the Directors under the 2011 Share Buy-back Mandate will expire on the conclusion of the forthcoming 2012 AGM.
- 1.4 Accordingly, the Directors propose to renew the 2011 Share Buy-back Mandate and seek the approval of Shareholders for the Proposed Share Buy-back Mandate. The Proposed Share Buy-back Mandate is set out in Resolution 7.
- 1.5 The purpose of this Appendix is to provide Shareholders with information relating to and explaining the rationale for the Proposed Share Buy-back Mandate.
- 1.6 The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinion expressed in this Appendix.

## 2. PROPOSED RENEWAL OF 2011 SHARE PURCHASE MANDATE

### 2.1 Background

The Company is seeking Shareholders' approval to authorise the Directors to purchase or acquire Shares up to the maximum number of Shares as set out in **Section 2.3.1 of this Appendix**. Any purchases or acquisitions of Shares by the Company would have to be made subject to the Memorandum and Bye-laws, the Bermuda Companies Act, the Listing Manual and the Code. It is also a requirement under the Listing Manual that a company that wishes to purchase or acquire its own shares should obtain approval of its shareholders at a general meeting. In this regard, approval is now being sought from Shareholders at the 2012 AGM for the Proposed Share Buy-back Mandate. An ordinary resolution will be proposed, pursuant to which the Proposed Share Buy-back Mandate will be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued Shares on the terms of the Proposed Share Buy-back Mandate.

If approved by the Shareholders at the 2012 AGM, the authority conferred by the Proposed Share Buy-back Mandate will continue to be in force until the date on which the next AGM is held or required to be held (whereupon it will lapse, unless renewed at such meeting) or the date on which the authority conferred by the Proposed Share Buy-back Mandate is revoked or varied by the Shareholders in a general meeting (if so revoked or varied prior to the next AGM) or the date on which the purchases or acquisitions of Shares pursuant to the Proposed Share Buy-back Mandate are carried out to the full extent mandated, whichever is the earliest.

Under the Bermuda Companies Act, a company incorporated in Bermuda, may if authorised to do so by its memorandum or bye-laws, purchase its own share provided that no such purchase may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The Bye-laws provide that the Company may purchase its own Shares. The Company has also complied with Rule 883(1) of the Listing Manual.

## **2.2 Rationale for the Share Buy-back Mandate**

The Proposed Share Buy-back Mandate will give the Directors the flexibility to purchase or acquire Shares if and when circumstances permit. The Directors believe that share buy-backs provide the Company and its Directors the flexibility to better manage the Company's share capital structure and cash reserves. In addition, it provides the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner.

The buy-back of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS of the Company, and will only be made when the Directors believe that such buy-backs would benefit the Company and its Shareholders.

Purchases or acquisitions of Shares pursuant to the Proposed Share Buy-back Mandate would only be made when the Directors believe that such purchases or acquisitions are in the best interests of the Company and in circumstances they believe would not have a material adverse effect on the financial position of the Company or the orderly trading of the Shares.

The approval of the Proposed Share Buy-back Mandate would give the Company the flexibility to undertake share purchases or acquisitions up to the 10% limit described in **Section 2.3.1 below** at any time, during the period when the Proposed Share Buy-back Mandate is in force (being the Relevant Period).

## **2.3 Authority and limits on the Proposed Share Buy-back Mandate**

The authority and limitations placed on the Proposed Share Buy-back Mandate, if renewed at the 2012 AGM, are substantially the same as previously approved by Shareholders at the previous AGM held on 28 April 2011. A summary of the authority and limits are set out below.

### **2.3.1 Maximum Number of Shares**

Only Shares that are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Proposed Share Buy-back Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares as at the date of the 2012 AGM at which the Proposed Share Buy-back Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions under the Bermuda Companies Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the capital reduction. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, on the basis of 961,538,000 Shares in issue (excluding treasury shares) as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2012 AGM, not more than 96,153,800 Shares (representing 10% of the issued ordinary share capital of the Company (excluding treasury shares) as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buy-back Mandate during the period referred to in **Section 2.3.2 below**.

### 2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2012 AGM at which the Proposed Share Buy-back Mandate is renewed up to:

- (a) the date on which the next AGM is held or required by law or the Bye-laws to be held;
- (b) the date on which the authority conferred by the Proposed Share Buy-back Mandate is revoked or varied by the Shareholders in a general meeting; or
- (c) the date on which the purchases or acquisitions of Shares pursuant to the Proposed Share Buy-back Mandate are carried out to the full extent mandated,

whichever is the earliest.

The authority conferred on the Directors by the Proposed Share Buy-back Mandate to purchase Shares may be renewed by the Shareholders in any general meeting of the Company.

### 2.3.3 Manner of Purchase or Acquisition of Shares

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) off-market purchases effected pursuant to an equal access scheme ("**Off-market Purchases**").

The Directors may impose such terms and conditions which are not inconsistent with the Proposed Share Buy-back Mandate, the Listing Manual, the Bermuda Companies Act and the Memorandum and Bye-laws, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-market Purchase must, however, satisfy all of the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers shall be the same, except that there shall be disregarded differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable) and differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.



Pursuant to the Listing Manual, if the Company wishes to make an Off-market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Code or other applicable take-over rules;
- (e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (f) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases.

#### 2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses (“**related expenses**”)) to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and
- (b) in the case of an Off-market Purchase, up to 120% of the Highest Last Dealt Price (as defined below),

(the “**Maximum Price**”) in either case, excluding related expenses.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last 5 Market Days, on which transactions in the Shares were recorded, immediately before the day of the Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Days;

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-market Purchase; and

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-market Purchase.

#### **2.3.5 Status of Purchased or Acquired Shares under Proposed Share Buy-back Mandate**

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares to the extent permitted under the Bermuda Companies Act, be deemed cancelled immediately on purchase, and all rights and privileges attached to that Share will expire on cancellation. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares but the cancellation of the purchased or acquired Shares shall not be taken as reducing the amount of the Company's authorised share capital.

All Shares purchased by the Company (other than treasury shares held by the Company to the extent permitted under the Bermuda Companies Act) will be automatically de-listed by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

### **2.4 Treasury Shares**

Under the Bermuda Companies Act, Shares purchased or acquired by the Company may be held as treasury shares if authorised to do so by the Memorandum or Bye-laws. The current Bye-laws permit the Company to hold the purchased Shares as treasury shares. If the Company holds the Shares as treasury shares, the Company must be entered in the Register of Members as the member holding such Shares.

#### **2.4.1 Maximum Limit**

While there is no specific maximum limit to the number of shares which a company can hold as treasury shares, a company may not acquire its own shares to be held as treasury shares if, as a result of the acquisition, all of the company's issued shares, other than the shares to be held as treasury shares, would be non-voting shares.

#### **2.4.2 Voting and other rights**

The Company cannot exercise any right in respect of treasury shares including any right to attend and vote at meetings and any purported exercise of such a right is void. In addition, no dividend shall be paid, and no other distribution (whether in cash or otherwise) of the Company's assets shall be made, to the Company in respect of treasury shares held by the Company. However, any allotment of Shares as fully paid bonus Shares in respect of treasury shares held by the Company is allowed and any such bonus Shares shall be treated as if they had been acquired by the Company at the time they were allotted.

#### **2.4.3 Disposal and cancellation**

Where Shares are held as treasury shares, the Company may at any time:

- (a) hold all or any of the treasury shares;
- (b) dispose of or transfer any or all of the treasury shares for cash or other consideration; or
- (c) cancel all or any of the treasury shares.

The Directors will also consider and decide whether to purchase or acquire Shares to satisfy share options granted under a share option or share award scheme, such as the Company's, "*China Sports Employee Share Option Scheme*".

#### 2.4.4 Reporting Requirements

The Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-market Purchase, on the second Market Day after the close of acceptance of the offer for the Off-market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(26) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of treasury shares sold, transferred, cancelled and/or used;
- (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of treasury shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and
- (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

#### 2.5 Sources of Funds

The Company may only apply funds for the purchase or acquisition of Shares as provided in the Bye-laws and the applicable laws and regulations in Bermuda. Under the Bermuda Companies Act, any purchase or acquisition of Shares pursuant to the Proposed Share Buy-back Mandate may only be paid out of the capital paid up on the purchased Shares or out of the funds of the Company which would be otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purposes of the purchase or acquisition. Currently, the Company does not intend to fund any purchase or acquisition of shares out of the proceeds of a fresh issue of Shares made for the purposes of the purchase or acquisition.

Any premium payable on such a purchase or acquisition over the par value of the Shares to be purchased must be provided for out of the funds of the Company which would otherwise be available for dividend or distribution or out of the Company's share premium account before the Shares are purchased. The Company may not purchase its Shares, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Company currently intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of Shares pursuant to the Proposed Share Buy-back Mandate. The Directors do not propose to exercise the Proposed Share Buy-back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Company and its subsidiaries.

## 2.6 Financial Effects

The financial effects on the Company and its subsidiaries arising from the purchases or acquisitions of Shares which may be made pursuant to the Proposed Share Buy-back Mandate will depend on, inter alia, whether the Shares are purchased or acquired out of capital and/or retained profits of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled.

The purchased shares may be cancelled or held as treasury shares. If the Shares are cancelled, the Company's total number of issued Shares and total issued share capital will be diminished by the nominal value of the Shares purchased. The NTA of the Company and its subsidiaries will be reduced by the aggregate purchase price paid by the Company for the Shares. If the Shares are held as treasury shares, the issued share capital of the Company will not be affected.

The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirements, the availability of financial resources and the expansion and investment plans of the Company and its subsidiaries, and the prevailing market conditions. The proposed Share Buy-back Mandate will be exercised with a view to enhance the EPS and/or the NTA value per Share and its subsidiaries.

### 2.6.1 Number of Shares Purchased or Acquired

Purely for illustrative purposes, on the basis of 961,538,000 issued Shares (excluding treasury shares) as at the Latest Practicable Date, and assuming no further Shares are issued or purchased, and no Shares are held by the Company as treasury shares, on or prior to the AGM, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares will entail a purchase or acquisition of 96,153,800 Shares.

### 2.6.2 Maximum Price Paid for Shares

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 96,153,800 Shares at the Maximum Price of S\$0.0517 per Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the SGX-ST for the 5 consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately S\$5.0 million excluding related expenses.

In the case of Off-market Purchases by the Company and assuming that the Company purchases or acquires 96,153,800 Shares at the Maximum Price of S\$0.0590 per Share (being the price equivalent to 120% of the Highest Last Dealt Price (and purely for illustration, the Highest Last Dealt Price shall be assumed to be equivalent to the Average Closing Price of the Shares traded on the SGX-ST for the 5 consecutive Market Days immediately preceding the Latest Practicable Date in the preceding paragraph), the maximum amount of funds required is approximately S\$5.7 million, excluding related expenses.

### 2.6.3 Illustrative Financial Effects

For illustration purposes, the tables set out in **Section 2.6.4 below** lists 8 possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Proposed Share Buy-back Mandate, based on the following assumptions:

- (a) The Maximum Price paid for Shares acquired or purchased is as stated in **Section 2.6.2 above**;
- (b) The Company has 961,538,000 issued Shares (excluding treasury shares) as at the Latest Practicable Date, and assuming no further Shares are issued or purchased, and no Shares are held by the Company as treasury shares, on or prior to the 2012 AGM; and

(c) As at 31 December 2011:

- (i) the Company has a share capital and a share premium of approximately RMB 36,570,000 and RMB 560,135,000 respectively aggregating RMB 596,705,000;
- (ii) the Company and its subsidiaries have retained profits of approximately RMB 477,105,000; and
- (iii) the Company and its subsidiaries have cash and cash equivalents of approximately RMB 828,438,000.

#### 2.6.4 Scenarios of Purchases or Acquisition of Shares

Set out below are 8 possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Proposed Share Buy-back Mandate, with the pro-forma financial effects detailed therein.

Table 1(i): Where Share Purchases or Acquisitions are Funded from Capital

Scenario	1(A)	1(B)	1(C)	1(D)
Type	Market	Market	Off-market	Off-market
Held as Treasury/ Cancelled	Held as treasury shares	Cancelled	Held as treasury shares	Cancelled
Maximum Price per Share (S\$)	0.0517	0.0517	0.0590	0.0590
Maximum Funds required* (S\$'000/RMB'000)	S\$4,967 RMB24,916	S\$4,967 RMB24,916	S\$5,677 RMB28,475	S\$5,677 RMB28,475
* On the basis of 961,538,000 Shares being in issue (excluding treasury shares) as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2012 AGM, we assume the maximum number of Shares to be purchased or acquired to be 96,153,800 Shares (representing 10% of the issued ordinary share capital of the Company (excluding treasury shares)).				

Table 1(ii)

	As per audited financial statements of the Company and its subsidiaries as at 31 December 2011	Pro-forma Financial Effects as at 31 December 2011 for Scenarios per Table 1(i)			
		1(A)	1(B)	1(C)	1(D)
Share Capital (RMB'000)	36,570	36,570	33,452	36,570	33,452
Share Premium (RMB'000)	560,135	560,135	538,337	560,135	534,778
Retained Profits (RMB'000)	477,105	477,105	477,105	477,105	477,105
Treasury Shares (RMB'000)	226	25,142	226	28,701	226
Other Reserves (RMB'000)	88,751	88,751	88,751	88,751	88,751
Total Equity (RMB'000)	1,162,335	1,137,419	1,137,419	1,133,860	1,133,860
NTA (RMB'000)	1,145,327	1,120,411	1,120,411	1,116,852	1,116,852
Current Assets (RMB'000)	1,139,957	1,115,041	1,115,041	1,111,482	1,111,482

	As per audited financial statements of the Company and its subsidiaries as at 31 December 2011	Pro-forma Financial Effects as at 31 December 2011 for Scenarios per Table 1(i)			
		1(A)	1(B)	1(C)	1(D)
Current Liabilities (RMB'000)	106,176	106,176	106,176	106,176	106,176
Cash and Cash Equivalents (RMB'000)	828,438	803,522	803,522	799,963	799,963
Total Borrowings (RMB'000)	80,000	80,000	80,000	80,000	80,000
Number of Shares ('000)	961,538	865,384	865,384	865,384	865,384
Weighted Average Number of Shares ('000)	961,841	865,687	865,687	865,687	865,687
<b>Financial Ratios</b>					
NTA per Share (RMB cents)	119.11	129.47	129.47	129.06	129.06
EPS (RMB cents)	5.25	5.84	5.84	5.84	5.84
Return on Equity (%)	4.35	4.44	4.44	4.46	4.46
Gearing Ratio	0.16	0.16	0.16	0.16	0.16
Current Ratio	6.12	5.99	5.99	5.97	5.97

Table 2(i): Where Share Purchases or Acquisitions are Funded by Retained Profits

Scenario	2(A)	2(B)	2(C)	2(D)
Type	Market	Market	Off-market	Off-market
Held as Treasury/ Cancelled	Held as treasury shares	Cancelled	Held as treasury shares	Cancelled
Maximum Price per Share (S\$)	0.0517	0.0517	0.0590	0.0590
Maximum Funds required (S\$'000/RMB'000)	S\$4,967 RMB24,916	S\$4,967 RMB24,916	S\$5,677 RMB28,475	S\$5,677 RMB28,475
* On the basis of 961,538,000 Shares being in issue (excluding treasury shares) as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2012 AGM, we assume the maximum number of Shares to be purchased or acquired to be 96,153,800 Shares (representing 10% of the issued ordinary share capital of the Company (excluding treasury shares)).				

Table 2(ii)

	As per audited financial statements of the Company and its subsidiaries as at 31 December 2011	Pro-forma Financial Effects as at 31 December 2011 for Scenario per Table 2(i)			
		2(A)	2(B)	2(C)	2(D)
Share Capital (RMB'000)	36,570	36,570	33,452	36,570	33,452
Share Premium (RMB'000)	560,135	560,135	560,135	560,135	560,135
Retained Profits (RMB'000)	477,105	477,105	455,307	477,105	451,748
Treasury Shares (RMB'000)	226	25,142	226	28,701	226
Other Reserves (RMB'000)	88,751	88,751	88,751	88,751	88,751
Total Equity (RMB'000)	1,162,335	1,137,419	1,137,419	1,133,860	1,133,860
NTA (RMB'000)	1,145,327	1,120,411	1,120,411	1,116,852	1,116,852
Current Assets (RMB'000)	1,139,957	1,115,041	1,115,041	1,111,482	1,111,482
Current Liabilities (RMB'000)	106,176	106,176	106,176	106,176	106,176
Cash and Cash Equivalents (RMB'000)	828,438	803,522	803,522	799,963	799,963
Total Borrowings (RMB'000)	80,000	80,000	80,000	80,000	80,000
Number of Shares ('000)	961,538	865,384	865,384	865,384	865,384
Weighted Average Number of Shares ('000)	961,841	865,687	865,687	865,687	865,687
<b>Financial Ratios</b>					
NTA per Share (RMB cents)	119.11	129.47	129.47	129.06	129.06
EPS (RMB cents)	5.25	5.84	5.84	5.84	5.84
Return on Equity (%)	4.35	4.44	4.44	4.46	4.46
Gearing Ratio	0.16	0.16	0.16	0.16	0.16
Current Ratio	6.12	5.99	5.99	5.97	5.97

Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical financial results of the Company and its subsidiaries for the financial year ended 31 December 2011, which is not necessarily representative of future financial performance.

The Company will take into account both financial factors (for example, cash surplus, debt position and working capital requirement) and non-financial factors (for example, equities market conditions and the performance of the Shares) in assessing the relative impact of a Share buy-back before proceeding with a buy-back.



Purchases of Shares by the Company pursuant to the Proposed Share Buy-back Mandate will only be made in circumstances where it is considered to be in the interests of the Company. It should be noted that purchases pursuant to the Proposed Share Buy-back Mandate may not be carried out to the full 10% as mandated. Further, the Directors do not propose to exercise the Proposed Share Buy-back Mandate, to such an extent as would have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

## 2.7 Listing Manual

While the Listing Manual does not expressly prohibit purchase of shares by a listed company during any particular time or times, the Company will not purchase any Shares pursuant to the Proposed Share Buy-back Mandate after a development which could have a material effect on the price of the Shares has occurred or has been the subject of a consideration and/or a decision of the Board until such time as such information has been publicly announced. In particular, in line with Rule 1207(18) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

2.7.1 **one month immediately preceding the announcement of the Company's full-year results; and**

2.7.2 **2 weeks immediately preceding the announcement of the Company's quarterly results.**

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities must be held by public shareholders. As at the Latest Practicable Date, approximately 64.63% of the issued Shares (excluding treasury shares) is held by public Shareholders. Accordingly, the Company is of the view that there are sufficient Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the 10% limit pursuant to the Proposed Share Buy-back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of the Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

## 2.8 Take-over Code Implications

The take-over implications arising from any purchase or acquisition by the Company of its Shares under the Code are set out below.

### 2.8.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Code. Consequently, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

### 2.8.2 Persons Acting in Concert

Under the Code, persons acting in concert ("**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.



Unless the contrary is established, the following persons, inter alia, will be presumed to be acting in concert, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Code.

### **2.8.3 Effect of Rule 14 and Appendix 2 of the Take-over Code**

In general terms, the effect of Rule 14 and Appendix 2 of the Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of 6 months.

Under Appendix 2 of the Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Proposed Share Buy-back Mandate.

#### 2.8.4 Exemption from Requirement to make General Offer granted by SIC

Based on the notifications received by the Company, our Executive Chairman and Chief Executive Officer, Lin Shaoxiong has, as at the Latest Practicable Date, 282,500,000 Shares, comprising 29.38% of the issued Share (excluding treasury shares). By the provisions of the Code, our Executive Director, Lin Shaoqin, who is the younger brother of Lin Shaoxiong, is deemed to be a party acting in concert with Lin Shaoxiong for the purpose of the Code. As at the Latest Practicable Date, Lin Shaoqin does not hold any Shares in our Company.

Assuming that the Company acquires 10% of its total issued Shares, or 96,153,800 Shares of the 961,538,000 issued Shares (excluding treasury shares), and assuming that the voting rights of Lin Shaoxiong and parties acting in concert with him in the Company in aggregate as at the Latest Practicable Date of 29.38% remain unchanged at the 2012 AGM, the voting rights of Lin Shaoxiong and his concert parties in the Company will increase from 29.38% (as at the date of the 2012 AGM) to 32.64% solely as a result of the Company buying back Shares pursuant to the Proposed Share Buy-back Mandate. Accordingly, a share buy-back carried out by the Company could result in Lin Shaoxiong and his concert parties being required to make a mandatory offer for all the Shares under Rule 14 of the Code.

The Company had, on 16 March 2012, written to the SIC in respect of inter alia the obligations under the Code of Lin Shaoxiong and his concert parties. The SIC on 29 March 2012 exempted Lin Shaoxiong and his concert parties from the requirement under Rule 14 to make a general offer for Shares held by other Shareholders in the event that their aggregate percentage of total voting rights in the Company increases to 30% or more as a result of any share buy-back carried out pursuant to the Proposed Share Buy-back Mandate, subject to the following conditions:

- (a) the circular to Shareholders on the resolution to approve the Proposed Share Buy-back Mandate contains advice to the effect that by voting for the Proposed Share Buy-back Mandate, shareholders of the Company are waiving their rights to a general offer at the required price from Lin Shaoxiong and his concert parties, who, as a result of the Company buying back its Shares, would increase their percentage of total voting rights to 30% or more; the names of Lin Shaoxiong and his concert parties and their voting rights at the time of the resolution and after the Share buy-back to be disclosed in the same circular;
- (b) the resolution to authorise the Proposed Share Buy-back Mandate to be approved by a majority of those shareholders of the Company present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the Share buy-back;
- (c) Lin Shaoxiong and his concert parties abstain from voting for and recommending shareholders of the Company to vote in favour of the resolution to authorise the Proposed Share Buy-back Mandate; and
- (d) Lin Shaoxiong and his concert parties not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the Proposed Share Buy-back Mandate is imminent and the earlier of:
  - (i) the date on which authority of the Proposed Share Buy-back Mandate expires; and
  - (ii) the date the Company announces it has bought back such number of Shares as authorised by the Proposed Share Buy-back Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with those purchased by the Company under the Proposed Share Buy-back Mandate, would cause them to incur an obligation to make a general offer under the Code.

If the Company ceases to buy-back Shares and the aggregate voting rights held by Lin Shaoxiong and his concert parties at such time is less than 30%, Lin Shaoxiong and his concert parties may acquire further voting rights in the Company. However, any increase in their percentage voting rights in the Company as a result of the share buy-back will be taken into account together with any voting rights acquired by Lin Shaoxiong and his concert parties (by whatever means) in determining whether they have increased their voting rights to 30% or more.

**Shareholders should note that by voting for the Proposed Share Buy-back Mandate, they are waiving their rights to a take-over offer by Lin Shaoxiong and his concert parties in the circumstances set out above. Such a take-over offer, if required to be made and had not been exempted by SIC, would have to be made in cash or be accompanied by a cash alternative at not less than the highest price (excluding stamp duty and commission) paid by Lin Shaoxiong and his concert parties for any Share within the preceding 6 months.**

Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Code would ensue as a result of a purchase of Shares by the Company pursuant to the Proposed Share Buy-back Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

## 2.9 Shares Purchased during the Previous 12 Months

Save as disclosed below, the Company has not purchased any Share in the 12 months preceding the Latest Practicable Date:

Date of Buy-back	Number of Shares Purchased	Purchase Price per Share (S\$)	Total Consideration*(S\$)
23 June 2011	100,000	0.065	6,543.09
1 July 2011	87,000	0.075	6,568.10
4 July 2011	100,000	0.075 (highest) 0.071 (lowest)	7,543.57
14 July 2011	100,000	0.073	7,343.47
15 July 2011	100,000	0.073	7,343.47
18 July 2011	100,000	0.073	7,343.47
<b>Aggregate</b>	<b>587,000</b>	<b>–</b>	<b>42,685.17</b>
* Including related expenses			

### 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in Shares as at the Latest Practicable Date are set out below:

	Number of Shares			
	Direct Interest	%	Deemed Interest	%
<b>Directors</b>				
Lin Shaoxiong	282,500,000	29.38	–	–
Lin Shaoqin	–	–	–	–
Lai Chin Yee	–	–	–	–
Tham Hock Chee	150,000	–	150,000	0.016
Sim Hong Boon	–	–	–	–
<b>Substantial Shareholder</b>				
Orkla ASA	57,362,469	5.97	–	–

### 4. DIRECTORS' RECOMMENDATIONS

Save for Lin Shaoxiong and Lin Shaoqin, the Directors are of the opinion that the Proposed Share Buy-back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 7, being the ordinary resolution relating to the Proposed Share Buy-back Mandate.

In light of the exemptions granted by the SIC on 29 March 2012 (referred to in **Section 2.8.4 above**), Lin Shaoxiong and his concert parties shall abstain from voting for and recommending Shareholders vote in favour of the Ordinary Resolution 7 to approve the Proposed Share Buy-back Mandate.

### 5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where the Appendix contains a profit forecast, the Directors are satisfied that the profit forecast has been stated after due and careful enquiry.

Where information in the Appendix 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 Appendix in its proper form and context

Yours faithfully  
For and on behalf of the Board of Directors  
of **CHINA SPORTS INTERNATIONAL LIMITED**

LIN SHAOXIONG  
Executive Chairman and Chief Executive Officer