CHINA SPORTS INTERNATIONAL LIMITED
Incorporated in Bermuda
(Company Registration: 39798)

RESPONSE TO SGX QUERY ON ANNOUNCEMENT OF RESULTS FOR THE FOURTH QUARTER AND THE YEAR ENDED 31 DECEMBER 2014

In response to the queries raised by the Singapore Exchange Limited ("**SGX**") in its email on 17 March 2015 in connection with our announcement of unaudited results for the fourth quarter and the year ended 31 December 2014 on 1 March 2015 (the "**Results Announcement**"), we wish to provide additional information as follows. Page references in this announcement are references to the relevant page in the Results Announcement. Terms defined in the Results Announcement shall bear the same meaning in this announcement.

SGX's Query 1:

We note on page 1 and 16 of the Company's financial results that 'Administrative expenses' has increased by 741.4% from RMB8.817 million in FY2013 to RMB74.186 million in FY2014 due to 'impairment loss from trade receivables and interest receivables'. Please provide the following information:-

(a) To clarify 'trade receivables' from whom
(b) To clarify why 'trade receivables' is impaired and the reason for non-payment and why it is so significant
(b) To explain the nature of 'interest receivables' and clarify 'interest receivables' from whom
(c) To clarify why 'interest receivables' was to be impaired.

Company's Response:

The increase in administrative expenses was mainly due to impairment losses from trade receivables and interest receivables of RMB 61.4 million and RMB 4.6 million respectively.

Impairment losses from trade receivables
The impairment loss from trade receivables was as a result of default in payment from two customers in Wuhan despite various legal letters having been issued by our Group. While we are not able to speculate about the reason(s) for non-payment from the customers, we would like to clarify that as our Group's outstanding trade receivables balance consists of mainly 30 to 40 major distributors from various provinces, the default in payment from any one of these distributors could constitute approximately 3% to 8% of the outstanding trade receivables balance. In this case, the total impairment loss incurred was approximately 12.5% of the total receivables outstanding as at 31 December 2014.

Impairment loss from interest receivables
On 1 March 2014, our Group announced the termination of the proposed acquisition of 10% equity in Jinjiang Guosheng Shoe Material Co., Ltd. (please refer to SGXNET announcement dated 1 March 2014 for further details).

With the termination, our Group was refunded in full the deposit advanced in FY 2014. Our Group should also have received an additional amount of approximately RMB 4.6 million, being equivalent to 4.5% per annum of the deposit advanced from the date of payment of the deposit to the date of repayment of the deposit. This amount was recognised as interest income in FY 2013. However, despite the deposit having been fully refunded in FY 2014, our Group encountered difficulties in the collection of the outstanding interest. As such, an impairment loss on the interest receivables was recognised in FY 2014 on ground of prudence.

SGX's Query 2:

We note on page 27 of the Company's financial results that the Company has announced in August 2013 that the term of the License had been extended for 12 months commencing from 1 July 2013 based on an agreement in August 2013 (the "2013 Extension Agreement") and under the 2013 Extension Agreement, the royalty fees continued to be computed on the same terms as set out in the License. Please provide the following information:

(a) To clarify what are the 'same terms as set out in the Licence' and whether this has been disclosed.
(b) To clarify how is the 'same terms as set out in the Licence' on arms' length etc

Company's Response:

As disclosed on page 26 and 27 of the Results Announcement, on 12 December 2011, our Group announced that it had entered into a licensing agreement with Mr Lin Yongjian under which our Group had been licensed to utilise the technology relating to breathable shoes (the "**License**") for a period of 15 months commencing from 1 October 2011.

The royalty fee payable for the License was calculated as a percentage of the revenue generated from the sale of breathable shoes; being 2% from 1 October 2011 till 31 December 2011; and 5% from 1 January 2012.

Upon the expiry of the Licence on 31 December 2012, our Group has on 26 February 2013 announced that we had signed an agreement with Mr Lin Yongjian to extend the term of the License for 6 months (1 January 2013 till 30 June 2013). The royalty fee to be paid during the extended period continued to be on the same terms as set out in the License (being 5% of the revenue generated from the sale of breathable shoes).

The above Licence was further extended in August 2013 (for 12 months commencing 1 July 2013) and August 2014 (for 6 months commencing 1 July 2014) on the same terms as set out in the License (being 5% of the revenue generated from the sale of breathable shoes).

Based on the existing Licence, the aggregate royalty fees payable for FY 2014 is subject to a cap of approximately RMB 50.2 million, equivalent to 5% of our latest audited net tangible assets value of our Group as at 31 December 2013.

The terms of the Licence were arrived at negotiations on arms' length basis (please refer to SGXNET announcement dated 12 December 2011 for further details).
SGX's Query 3:

We note on page 27 of the Company's financial results that royalty fees paid to Lin Yongjian amounted to RMB31.7 million. Please provide the following information.

(a) How much sales were attributed to this royalty fee paid?
(b) To provide details of the patent held by Lin Yongjian.
(c) How much is the royalty fees as a percentage of the group's latest audited net tangible assets. To show the computation. To clarify whether the Company has complied with Rule 917 of the Listing Manual.

Company's Response:

The Company had licensed the use of technology in relation to breathable shoes belonging to Mr Lin Yongjian since April 2010. The technology comprises utility model patents for Highly Efficient Breathable Shoe (高效呼吸透气保健鞋). After almost two years of using the technology (including R&D undertaken by us to commercialise the technology), on 12 December 2011, our Group announced that it had entered into a licensing agreement with Mr Lin Yongjian under which our Group had been licensed to utilise the technology relating to breathable shoes (the "**License**") (please refer to SGXNET announcement dated 14 May 2011 & 12 December 2011 for further details). The license was extended from time to time as set out above.

As mentioned above, the royalty fee payable in FY 2014 of approximately RMB 31.7 million was calculated based on 5% percentage of the revenue generated from the sale of breathable shoes. The royalty fee will be paid only after the audited accounts of FY 2014 have been issued.

The royalty fee payable was approximately 3.1% of the Group's unaudited net tangible assets as at 31 December 2014 and of the Group's latest audited net tangible assets as at 31 December 2013.

In compliance with Rule 917 of the Listing Manual, an announcement was made on 12 December 2011 upon entering the licensing agreement with Mr Lin Yongjian under which our Group was licensed to utilise the technology relating to breathable shoes. The amount of royalty fee payable to Lin Yongjian was disclosed in our quarterly results announcement since 4Q 2011.

BY ORDER OF THE BOARD
LIN SHAOXIONG
CHIEF EXECUTIVE OFFICER

19 MARCH 2015