



**CHINA SPORTS INTERNATIONAL LIMITED**

**Incorporated in Bermuda**

**(Company Registration: 39798)**

---

**RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF RESULTS  
FOR FINANCIAL PERIOD ENDED 31 MARCH 2015**

---

In response to the queries raised by the Singapore Exchange Limited (“SGX”) in its email in connection with our announcement of unaudited results for the second quarter ended 30 June 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 refer to the impairment loss on trade receivables of RMB 299 million. Please provide the following information:-*

- (a) Whether they are major customers.*
- (b) Do they relate to the breathable shoes where royalties are payable to interested person*
- (c) Whether Company will be claiming royalties paid.*
- (d) Provide details on the Company’s statement that it has tried all ways of collecting trade receivables.*

**Company’s Response:**

- (a) All of the trade receivables are from major customers of our Group. For the purposes of this response, if a customer contributed at least 5% of the revenue of our Group for 1H 15, he is considered our “major customer”.
- (b) Approximately 70% of the trade receivables impaired relate to breathable shoes. We have not paid royalties to the interested person with regard these impaired trade receivables.
- (c) Based on the terms of the License, the amount of royalties is a percentage of the revenue generated from the sale of breathable shoes. As a result, royalties for any financial year is only payable in the succeeding financial year, after the audited financial statements of our Group have been issued. The License does not have any provision that allows our Group to claim back royalties already paid. Nevertheless, [with the licensor’s consent], our Group has, in light of the rate of collections and impairment on trade receivables, not paid royalties accrued for financial years ended 31 December 2014 and 2015. Our Group and the licensor have agreed that payment of royalties would be subject to our collection on the relevant trade receivables.

- (d) When a customer does not pay on time, our sales personnel would contact to remind them to settle their outstanding invoices with us. This process would be repeated periodically over the period of a few months. If a customer still fails to settle his outstanding invoices despite these reminders, the matter would be escalated to our sales manager and also our Chief Executive Officer, Mr Lin Shaoxiong. Either of them would personally visit the customer to ask for settlement. If payment is still not received after the meeting, our Group would issue a demand letter for payment. Thereafter, if necessary, we would instruct lawyers to issue a letter of demand on our behalf.

In view of the fact that the trade receivables have been outstanding for some time, and the current economic and financial environment in China, for prudence, we have made the impairment.

**SGX's Query 2:**

*We refer to page 16 of the Results Announcement. We note that a RMB 55 million refundable deposit was paid to the Anhui government in relation to the proposed acquisition of land in Suzhou, Anhui Province to construct the Company's new plant and the Company will negotiate with the Administrative Committee of the SETDZ on the Suzhou Project. Please provide the following information:-*

- (a) *When was the refundable deposit paid and whether the Company has announced this.*
- (b) *When did negotiation commence and what are the consequences if this is not agreed.*
- (c) *Provide full details of Company's obligation under the sale & purchase agreement for the Suzhou project.*

**Company's Response:**

- (a) The refundable deposit was paid in 31 January 2013 and was first announced on 14 August 2013, when we released our announcement, *Unaudited Results for Second Quarter and the Six Months ended 30 June 2013*.
- (b) As stated in our Results Announcement, we had just formed the view that the Suzhou Project might be too aggressive and that we would negotiate with ACSETDZ for the repayment of the deposit. We have thus yet to commence such negotiations. As indicated in our Results Announcement, we would release a detailed announcement regarding the Suzhou Project upon completion of the negotiations (including the consequences, whether the negotiations were successful or not) in due course.
- (c) The acquisition of the land is subject to a tender process. The tender not having been called, the sale and purchase agreement has yet to be executed.

**SGX's Query 3:**

*We refer to page 17 of the Results Announcement. We note that trade payables and bills payable decreased from approximately 147.5 million as at 31 December 2014 to approximately RMB 35.2 million as at 30 June 2015 due to prompt payment made to suppliers to secure better terms and less purchases during 1H15. Please quantify the reduction in cost/discount given due to this prompt payment.*

**Company's Response:**

Generally, if we paid a supplier promptly, we would negotiate a discount on invoice for which payment was tendered. On average, we get a discount of about 5%.

**SGX’s Query 4:**

*We refer to page 17 of the Results Announcement. We note that amount owing to a director increased from approximately RMB 68 million as at 31 December 2014 to approximately RMB 69.9 million as at 30 June 2015 mainly due to the director helping to make payment of certain operating expenses of the subsidiaries. Please provide breakdown of the use of proceeds and terms of the loan.*

**Company’s Response:**

The amount owing to a director comprise approximately RMB7 million due to the director for his emoluments. The balance of approximately RMB61.9 million was utilised by the Group as follows:

Use	Amount (RMB’000)
Accrued liabilities <sup>(1)</sup>	8,211
VAT payables	1,006
Other payables <sup>(2)</sup>	53,597
<b>Notes:</b>	
(1) This includes salary payables of approximately RMB7.6 million.	
(2) This includes royalty payable under the License of RMB37.2 million..	

The advances by the director are non-interest bearing and would be repayable upon demand.

**SGX’s Query 5:**

*We note the Company’s statement on page 19, paragraph that there is no variance from the prospect statement as compared to the actual results. Please explain if loss is due to RMB 299 million impairment loss on trade receivable, why was profit warning only issued on 11 August 2015.*

**Company’s Response:**

The loss was due to the loss on impairment of trade receivables of RMB299 million.

The profit warning was issued on 11 August 2015 after (i) the Group had explored various ways to obtain payment (see our description in our response to SGX’s Query 1(d)); (ii) assessment by the executive team on collectability of the trade receivables invoice by invoice; (iii) considering by the executive team of the economic and financial situation in China; and (iv) discussions with our auditors.

**BY ORDER OF THE BOARD  
LIN SHAOXIONG**

**CHIEF EXECUTIVE OFFICER**

**19 August 2015**