



CHINA SPORTS INTERNATIONAL LIMITED

(Incorporated in Bermuda)

(Company Registration: 39798)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

The Board of Directors (the “**Board**”) of China Sports International Limited (the “**Company**”) refers to the Result Announcement for the third quarter ended 30 September 2016 released on 14 November 2016. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 21 November 2016 (each, a “**SGX Query**”) as follows:

SGX Query 1

We refer to page 1 of the Results Announcement. Please provide the following information:-

- (a) Provide breakdown and explain material costs of RMB117.268 million ‘Cost of Sales’
- (b) Provide breakdown of RMB13.288 million ‘Selling and distribution expenses’ and explain for significant expenses.
- (c) Provide breakdown of RMB34.554 million ‘Administrative expenses’ and whether any impairment loss is made.

Company’s Response to SGX Query 1

- (a) Breakdown of cost of sales RMB117.268 million

Cost of sales	Amount (RMB million)
Opening Inventory	17.633
Cost of Manufacturing*	235.842
Closing Inventory	(7.710)
Total	117.268

*Cost of manufacturing consist of cost of direct materials/indirect materials, direct labour cost and manufacturing overhead.

- (b) Breakdown of selling and distribution expenses RMB13.288 million into significant expenses:

S&D expenses	Amount (RMB million)
Advertising	6.132
Salaries and related cost	2.481
Product sales tax supplement	0.737
Royalties	2.972
Others	0.966
Total	13.288

- (c) Breakdown of Administrative expenses RMB34.554 million into significant expenses:

Administrative expenses	Amount (RMB million)
Salaries and related cost	5.032
Prepayment - academic researcher researching	27.008
Others	2.514
Total	34.554

There were no impairment loss incurred for the financial period ended 30 September 2016.

SGX Query 2

We note that the Company had in FY2015 written off its bad debts. Directors have fiduciary duty to safeguard assets of Company. We note that Revenue for 3Q2016 amounted to RMB48.611 million. However, Trade Receivables amounted to RMB102.002 million. Please provide the following information:-

- (a) Why is Company not collecting from its customers when sales are made.
- (b) What steps have the Board of Directors taken to protect interest of Company and shareholders to ensure that customers are bona fide and will pay for the products received.
- (c) Provide identity of major customers, their balance, aging and what steps Company has taken with respect to each of these customers in its collections.

Company's Response to SGX Query 2

- (a) Our distributors generally have credit terms of 90-120 days and we have no cash sales for our products but through distributorship and OEM orders with credit term given.
- (b) We have strengthen our collection policy on long due trade receivables since Q32015 that we have request our existing customers to pay off at least 50% of the outstanding amount due in prior quarter and request for down payment from new customers in order to delivery of goods in future and the practice remained to-date and the general collection rate of outstanding balances carried forward previous quarter is about 55% in 3Q2016. In the other hand, Management are constantly monitoring our existing distributor creditworthiness and policy in placed for new customer acceptance process.

- (c) We set out below details of outstanding balances from the major customers for 3Q2016. For purposes of this response, the Company has deemed customers which outstanding trade receivables as at the end of 3Q2016 are more than 5% of the total gross trade receivables as being “major” customers.

No.	Name*	Amount (million RMB)	%	Aging
1	重庆优购商贸有限公司 Chongqing Youkou Trading Co., Ltd.	8.2	8%	Less than 90 days
2	福建凯亿贸易有限公司 Fujian Kaiyi Trading Co., Ltd.	8.1	8%	Less than 90 days
3	大庆卓利经贸有限公司 Daqing Zuoli Trading Co., Ltd.	6.5	6%	Less than 90 days
4	福建迈联贸易有限公司 Fujian Mailian Trading Goods Co., Ltd.	6.3	6%	Less than 90 days
5	Others [#]	72.9	70%	Less than 90 days
		2.1	2%	Less than 120 days
Total gross receivables		102.0	100.0%	
Notes: * The English names set out above are transliteration of the Chinese names; and may not be the legal names of the respective customers. # These comprise 19 customers.				

SGX Query 3

Please provide update on the Company’s appointment of a replacement Chief Financial Officer.

Company’s Response to SGX Query 3

We are currently interviewing with few potential candidates and we will make necessary announcement of appointment of CFO in due course.

SGX Query 4

We refer to page 14 of the Results Announcement. We note the impairment loss on trade receivables of approximately RMB 487.4 million. Please provide the following information:-

- (a) Details on the underlying sales, when the sales were made, the amount, aging, outstanding since when.
- (b) Details on the name, type of customers and whether they are major customers and whether they are still the Company’s customers.
- (c) How much of the Company’s sales in 2015 and 2016 were from these customers.

- (d) Reasons why these customers are unable to pay
- (e) Provide details on the Company's statement that it has tried all ways of collecting trade receivables and in what ways.

Company's Response to SGX Query 4

- (a) We set out below details of the impairment loss on trade receivables of approximately RMB 487.4 million

Underlying Sales in FY 2014 (1) (RMB million)	Underlying sales in 9M2015 (2) (RMB million)	Value Added Tax (3) (RMB million)	Total (1)+(2)+(3) (RMB million)
324.5	92.1	70.8	487.4

Breakdown of impairment loss on trade receivables over 90 days:

Aging	Amount (RMB million)
90 to 180 days	-
181 to 270 days	-
271 to 365 days	-
More than one year to 2 years	276.9
More than 2 years to 3 years	210.5
Total	487.4

- (b) We set out below details of impairment loss from the major customers for 9M2015. For purposes of this response, the Company has deemed customers which outstanding trade receivables as at the end of 9M2015 are more than 5% of the total gross trade receivables as at the end of 9M2015 as being "major" customers. There are no sales made to the distributors below after 3Q2016.

No.	Name*	Amount (million RMB)	%
1	昆明铄航贸易有限公司 Kunming Shuohang Trading Co., Ltd.	34.3	6.26%
2	河南创荣商贸有限公司 Henan Chuangrong Trading Goods Co., Ltd.	34.1	6.23%
3	西安铮锋体育用品有限公司 Xi'an Zhengfeng Sporting Goods Co., Ltd.	32.3	5.89%
4	沈阳菲仕杰商贸有限公司 Shenyang Feishijie Trading Co., Ltd.	30.7	5.60%
5	广州新行派体育用品有限公司 Guangzhou Xinhangpai Sporting Goods Co., Ltd.	28.6	5.23%
6	Others [#]	327.4	70.79%
	Total Impairment loss [^]	487.4	100.00%

- (c) We set out below details of sales in FY2015 and 9M2016 of these major customers.

No.	Name*	FY2015 (million RMB)	9M2016 (million RMB)
1	昆明铄航贸易有限公司 Kunming Shuohang Trading Co., Ltd.	NIL	NIL
2	河南创荣商贸有限公司 Henan Chuangrong Trading Goods Co., Ltd.	3.9	NIL
3	西安铮锋体育用品有限公司 Xi'an Zhengfeng Sporting Goods Co., Ltd.	NIL	NIL
4	沈阳菲仕杰商贸有限公司 Shenyang Feishijie Trading Co., Ltd.	NIL	NIL
5	广州新行派体育用品有限公司 Guangzhou Xinhangpai Sporting Goods Co., Ltd.	NIL	NIL
5	Others [#]	88.2	NIL
<p>Notes:</p> <p>* The English names set out above are transliteration of the Chinese names; and may not be the legal names of the respective customers.</p> <p># These comprise 33 customers.</p> <p>^ 77% of the trade receivables relate to YELI footwear and 23% related to OEM customers.</p>			

- (d) We cannot conclude the reasons of these customers unable to pay because majority of them are not contactable through phone/email/customer visit as well as we are being informed that from some of them the outstanding balances will not be paid in foreseeable future due to poor economic and low demand of sport footwear.
- (e) 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. We have successful written back the bad debts amounting to RMB 6.8 million which reduce the total bad debt from RMB 487.4 million to RMB 480.6 in 4Q2015.

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 Query 5

We refer to page 14 of the Results Announcement. We note the Group has incurred approximately RMB66.5 million to help to subsidize the distributors in closing their stores which mainly comprise of restoration fee in 9M15 which resulting a significant drop in selling and distribution expenses in 3Q16 and 9M16. Please provide the following information:-

- (a) Provide breakdown in selling and distribution expenses, and the breakdown in subsidy for shoes closure.
- (b) Why does the Company has to subsidise distributors to close their shops?
- (c) Does the Company track how these subsidies are spent?
- (d) Did these customers/distributors fully pay for all previous sales to them?
- (e) To disclose identity of these distributors, subsidies paid to them, the amount of sales to these distributors in FY2015 and the amount of outstanding trade receivables due from them.
- (f) Has the Company collected all outstanding debts? If not why?
- (g) Have sales on breathable shoes been fully collected and have commissions been paid for all sales.

Company's Response to SGX Query 5

- (a) Breakdown of selling and distribution expenses RMB87.969 million

9M2015

S&D expenses	Amount (RMB million)
Advertising	10.810
Salaries and related cost	2.165
Product sales tax supplement	0.983
Subsidies to distributors	66.500
Royalties	6.543
Others	0.968
Total	87.969

Breakdown in subsidy for shoes closure

Type of Shop	No. of Closure in FY2015	Closure not entitled subsidise*	Closure entitle to subsidise#	Restoration cost subsidise/unit (million RMB)	Total Restoration cost (million RMB)
Point-of-Sales	865	(315)	550	0.09	49.5
Specialty Stores	120	(36)	84	0.202	17.0

Notes:

* Type of shop operated under those distributors with bad debts impaired in FY2015

Type of Shop operated under on-going distributors with healthy collection record

- (b) As per part of the terms and condition in addendum supplemented to the sales agreements with our distributors, we have agreed to subsidised them during the transition period of closing down those selling points and speciality stores which deemed with low economic value (poor of number of customers visit/ daily sales) and encouraging our distributors to close down inefficient specialty stores and instead set up more shops and counters within departmental stores in first, second and third-tier cities in the PRC.
- (c) Our sales personnel have follow up closely with the distributors who entitled the subsidies.
- (d) Yes, there are no bad debts from those distributors entitled the subsidies in FY2015 till 9M2016.
- (e) We set out below details of subsidies paid to major distributors, the amount of sales to these distributors in FY2015 and the amount of outstanding trade receivables due from them at 3Q2016. The Company has deemed customers which outstanding trade receivables as at the end of 3Q2016 are more than 5% of the total gross trade receivables as being “major”

No.	Name*	Amount Subsidize (million RMB)	Sales in FY 2015 (million RMB)	Outstanding balances 3Q2016 (million RMB)
1	重庆优购商贸有限公司 Chongqing Youkou Trading Co., Ltd.	14.5	3.2	8.2
2	福建凯亿贸易有限公司 Fujian Kaiyi Trading Co., Ltd.	13.2	2.9	8.1
3	大庆卓利经贸有限公司 Daqing Zuoli Trading Co., Ltd.	12.3	3.0	6.5
4	福建迈联贸易有限公司 Fujian Mailian Trading Goods Co., Ltd.	11.8	3.7	6.3
5	Others [#]	14.7	6.1	11.5
Total subsidies		66.5		
Notes: * The English names set out above are transliteration of the Chinese names; and may not be the legal names of the respective customers. # These comprise 3 customers.				

- (f) Outstanding debts from the distributors as at 31 September 2016 were within the credit term 90-120 days and there are no indication come to our attention that those debts will be impaired.
- (g) Royalties on breathable shoes are still payables as at 30 September 2016 due to bad debt incurred on the sales of FY14 and FY15.

SGX Query 6

We refer to page 15 of the Results Announcement. We note the Group's implementation of a more tightening credit control to both new and existing distributors in the collection. Please elaborate on these controls. Who review these controls and whether the Board is updated?

Company's Response to SGX Query 6

Please refer to our response in SGX Query 2(b) and 4(e).

SGX Query 7

We refer to page 16 of the Results Announcement. We note that the advance payment to a marketing agency of approximately RMB 27.53 million and RMB 9 million prepayment made to an academic researcher to conduct a long term strategic course for key management. Please provide the following information:-

- (a) Details of the advance prepayment, the agreement and identity of the marketing agency.
- (b) Details of the academic researcher – name, qualification and background.
- (c) What is the academic researcher researching on and when is the research due.
- (d) Details on the terms of the research agreement and contract and when the agreement and contract was signed, outcome of research and successes to-date.

Company's Response to SGX Query 7

- (a) Prepayment for the marketing agency (XIAMEN DATENG NETWORK SOLUTION CO., LTD) related to development of online shopping platform" included production of the advertisements and setup for internet sales over the various e-commerce platforms including T-mall, Tao Bao, shop.qq.com. The services agreement was signed on October 2014 and valid until October 2016 and extended agreement was signed on September 2016 to extend the services to December 2017.
- (b) The academic researcher was 上海智邑咨询有限公司 which provide business transformation solutions that are sustainable, practical and will deliver high performance to fully maximize the potential of the organization. The academic researcher has a few professional teams with more than 20 years of marketing and business development, strategic management and fund raising experiences in South East Asia and PRC in different industries in F&B, packaging, retail marketing and so on and they have notable achievements in leading few MNC successful accelerated growth into the enterprise.
- (c),(d) The agreement was signed on July 2015 with contract sum of RMB 54 million which covered eighteen months period till Dec 2016. The academic researcher researching on long term strategic for the sustainable of the Group for key management and

invited distributors (including more than 150 personnel) to assist our Group in analysing the strategic opportunities, effectiveness and profitability of the Group which also included an on-going monitoring programme for eighteen months till December 2016.

SGX Query 8

We refer to page 17 of the Results Announcement. We note that trade payables and bills payable decreased from approximately RMB19.5 million as at 31 December 2015 to approximately RMB14.2 million as at 30 September 2016 due to prompt payment made to suppliers to secure better trade terms. Please provide the following information:-

- (a) How much better are the trade terms. To quantify
- (b) How much has the Company saved.

Company's Response to SGX Query 8

(a),(b) 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 Query 9

We refer to page 17 of the Results Announcement. We note that accrued liabilities, other payables (included wages payables, accrued utilities expenses) and amount owing to a director decreased from approximately RMB 58.2 million as at 31 December 2015 to approximately RMB 44.3 million as at 30 September 2016. Please provide the following information:-

- (a) Who is the director in which the amount was owing to.
- (b) What expenses are paid and provide breakdown.
- (c) How much has been repaid to director

Company's Response to SGX Query 9

- (a) CEO Mr. Lin Shaoxiong and Director Mr. Lin Shaoqin amounting to RMB 8.9 million
- (b) The amount owing to director amounting to RMB 8.9 million as at 30 June 2015 comprise of approximately RMB 8.2 million due to the directors for their emoluments and RMB 0.7 million for the professional fee paid on behalf of the Group.
- (c) No repayment to directors as at 30 September 2016

SGX Query 10

We refer to page 17 of the Results Announcement. We note the amount due to the director which help to make payment of certain professional expenses for the group. Please provide the following information:-

- (a) Disclose what these "professional expenses" refer to.

- (b) To explain why the director has to make payment of certain professional fees for the Group when the Company has cash balance of RMB133.461 million.
- (c) What are the terms of the advances from director. To quantify the professional fees and identity of the professionals. Are they related to the directors, controlling shareholder or their associates?

Company’s Response to SGX Query 10

- (a) Professional expenses related to payment made to corporate secretary, audit fee, corporate advisory and share issue expenses.
- (b) Directors made the payment to professionals when they were travel to Singapore for some instances.
- (c) Amount owing to directors are unsecured, interest fee and repayable on demand. Those professional fee amounting to RMB 0.7 million related to corporate secretary, audit fee, and corporate advisory and SGX. Directors have no related to the directors, controlling shareholders or their associates of the professionals.

SGX Query 11

We refer to page 19 of the Results Announcement. We note that the Group has taken various measures and initiatives to develop better differentiated products and such measures include streamlining of distribution network. Please provide the following information:-

- (a) Elaborate on the Company’s efforts to develop better differentiated products and outcome of its products.
- (b) Disclose how many outlets and the distribution network available to the Company.

Company’s Response to SGX Query 11

- (a) Our Group has taken various measures to develop better differentiated products, and to improve our retail channel management and operational efficiency to face these challenging times in the market as well as the streamlining of distribution networks through reduction of inefficient stores and the establishment of more shops and counters within departmental stores. Such measures include leveraging on its breathable shoes technology and the change in product positioning with added emphasis on casual fashion wear and kid-wear which including secure the image right of popular cartoon’s image right for our products and also we are in the midst to obtain other popular cartoon’s image rights in order to enhance the competitive power of our kid-wears in forthcoming year.
- (b) Number of sales outlets for our YELI products in the PRC:

	9M 16
Points-of-sale	Over 330*
YELI specialty stores	Over 35

We also produce footwear on an OEM basis for various international brands and export to different countries in Europe, Asia and South America through our OEM customers.

SGX Query 12

We refer to page 20 of the Results Announcement. We note that the Group will strategically move to sustain its market share and continue to invest in product design and development in response to market trends as well as to better differentiate its products from competitors. Please elaborate on this.

Company's Response to SGX Query 12

Please refer to our response in SGX Query 11(a).

SGX Query 13

We refer to page 21 of the Results Announcement on "Interested Person Transactions". Please provide the following information:-

- (a) Did the Company seek shareholders' approval for the Interested Person Transactions. To provide details.
- (b) Who is Hengfa? Provide details of this banking facility and use of proceeds. When was it taken? How is Hengfa relevant to the Company
- (c) How long is the patent? When does it expire? What is the patent and why is use of the patent necessary since they are breathable shoes in market without need for patent.
- (d) Provide details of licensing agreement. If it was signed in 2011 and is not approved by shareholders, please confirm that all payments under this agreement signed in 2011 has not exceeded 5% of Company's net tangible asset
- (e) Provide the basis for the amount of "RMB55,865,721" for calculation of the royalty fee and demonstrate how the percentage is in line with industry and conducted on arm's length basis and not prejudicial to the interest of minority shareholders.
- (f) To provide basis for the amount of "RMB50,217,550".
- (g) Were any payments/accruals made in FY2015 and FY2016 under the 2015 Extended Term? How long is the patent held by Mr Lin Yongjian. To provide details of the patent and has the patent terminated? If so, why is the Company still paying royalty fees? Please explain.
- (h) Quantify payments of royalties made since 2011 to-date. To disclose corresponding revenue for relevant financial years since 2011. How much sales of breathable shoes have been written off since FY2011 to-date. Please tabulate by financial year
- (i) We note that the Company has stated in its 6 September 2016 announcement that the Group and the licensor have agreed that payment of royalties would be subject to the collection on the relevant trade receivables. Please confirm if this agreement is still valid and how long will this agreement stays.

Company's Response to SGX Query 13

- (a) AC performed its functions and responsibilities including review all IPTs to ensure compliance with Chapter 9 of the Listing Manual of the SGX-ST and review all other existing and future IPTs not having been approved by the Shareholders to ensure that they are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and minority Shareholders;
- (b) The Company's significant subsidiary is Hengfa (Fujian) Light Industry Development Co., Ltd. and there are no banking facility obtained since beginning of year 2016 and the short-term borrowing detail have been disclosed in annual audited account of FY2013, FY2014 and FY2015 which published in SGXNET.
- (c) Mr. Lin Yongjian (林永建), Mr Lin Shaoxiong's father, is the owner of certain intellectual property utilised in our breathable shoes and relevant details of the patent was first announced on 14 May 2011 and we are still using the technology in our products to-date. We are not aware that they are breathable shoes in market without need for patent and we are not in the position to comment whether the same type technology of breathable shoes was being used by other manufacturer. Please refer to announcement on 1 February 2012 regarding the outcome of legal action taken by YELI breathable shoes in regarding of patent Infringement Lawsuit.
- (d) On 12 December 2011, our Group entered into a licensing agreement with Mr Lin Yongjian under which our Group was licensed to utilise the technology relating to breathable shoes (the "License").

The royalty fee payable for the License was calculated as a percentage of the revenue generated from the sale of breathable shoes; being 5% from 1 January 2012. The licence fee (including the sign-on fee and the royalty fee for the term of the License) was capped at RMB 55,865,721, being the amount equivalent to 5% of the net asset value of our Group, based on 2010 audited accounts.

The term of the License had since been extended further by another agreement (the "2014 Extension Agreement"). With the extended term, the License will conclude on 31 December 2014 (the "2014 Extended Term").

During the 2014 Extended Term, the royalty fee will continue to be on computed in the same manner. However, the aggregate royalty fee for the 2014 Extended Term together with other transactions entered into with Mr Lin Yongjian during FY2014, is subject to a cap of RMB50,217,550, equivalent to 5% of the net tangible asset value of our Group, based on our latest audited financial statements for the financial year ended 31 December 2013. The royalty fee for the 2014 Extended Term will be computed and paid only after our audited accounts for the 2014 Extended Term had been issued. All other terms and conditions remain unchanged for the 2014 Extended Term.

The term of the License had been extended further by another agreement (the "2015 Extension Agreement") for another 12 months in which the License will conclude on 31 December 2015 (the "2015 Extended Term"). All other terms and conditions remain unchanged for the 2015 Extended Term. The 2015 Extended Term is still valid and shall be automatically extended for next subsequent year if neither Party announces termination of this Agreement. Company confirmed that all payments under this agreement signed in 2011 has not exceeded 5% of Company's net tangible asset.

- (e) The basis for the amount was 5% of the net tangible asset value of our Group, based on our audited financial statements for the financial year ended 31 December 2010. In accordance with the terms of the License, the amount of royalties is 5% percent of the revenue generated from the sale of breathable shoes and there is no other similar technology in the industry available for us to do the sourcing and comparison. The audit committee of our Company is of the view that the Agreement is on normal commercial terms and is not prejudicial to the interests of our Company and its minority shareholders.
- (f) The basis for the amount was 5% of the net tangible asset value of our Group, based on our latest audited financial statements for the financial year ended 31 December 2013.
- (g) We have made the accruals amounting to RMB 8.2 million and RMB 2.9 million respectively for FY2015 and HY2016 and no payment made since FY2015. 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. However, the Licensor had on a goodwill basis allowed the Group to utilize the Design Patent free of charge since 1 July 2016 and the consent letter was obtained from Mr. Lin Yong Jian in 3Q2016.
- (h) Breakdown of payments of royalties made since 2011 to-date with corresponding revenue for relevant financial years since 2011 and sales of breathable shoes have been written off since FY2011 to-date. Please tabulate by financial year:

Financial Year	Royalties paid (RMB million)	Underlying Revenue of royalties paid (RMB million)	Underlying sales written off (RMB million)
FY2011	1.1	220	NIL
FY2012	24.3	486	NIL
FY2013	30.1	602	NIL
FY2014	2.9	58	635
FY2015	NIL	NIL	163
9M2016	NIL	NIL	NIL

- (i) In accordance to consent letter received from Licensor (refer to our response SGX query 13(g)). The Licensor has agreed that payment of royalties would be subject to the collection on the relevant trade receivables until further written notice.

SGX Query 14

We refer to page 22 of the Results Announcement. We note the Company's response in its announcement on 6 September 2016 that royalties have not been paid for years ended 31 December 2014 and 2015. Please provide the breakdown of RMB2.97 million, the period (i.e. the financial year) and the collection of its breathable shoes sales.

Company's Response to SGX Query 14

Royalties accrued for the financial period under review was RMB 2.97 million and no accrual of royalties since 1 July 2016 due to Licensor had on a goodwill basis allowed the Group to utilize the Design Patent free of charge since 1 July 2016.

Financial Year	Royalties accrued (RMB million)	Underlying Revenue of royalties paid (RMB million)	Collection of sales (RMB million)
FY2016 January-June	2.97	59.4	59.4

BY ORDER OF THE BOARD

Lin Shaoxiong
Executive Chairman and Chief Executive Officer
28 November 2016