



**CHINA SPORTS INTERNATIONAL LIMITED**  
(Company Registration No: 39798)

**Unaudited Results for the Third Quarter and Nine Months ended 30 September 2011**

**PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The Group's (the "Group" being China Sports International Limited (the "Company") and its subsidiaries) operations are principally conducted in the People's Republic of China ("PRC" or "China"). Accordingly, the consolidated financial statements have been prepared in Chinese Renminbi ("RMB" or "Renminbi"), being the measurement currency of the Group.

**CONSOLIDATED INCOME STATEMENT  
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2011 (in RMB)**

(RMB '000)	Third Quarter		Change %	Nine Months		Change %
	Unaudited 2011	Unaudited 2010		Unaudited 2011	Unaudited 2010	
	Revenue	225,065	274,850	(18.1)	745,788	963,038
Cost of sales	(172,806)	(221,196)	(21.9)	(578,898)	(804,665)	(28.1)
Gross profit	52,259	53,654	(2.6)	166,890	158,373	5.4
Other operating income	1,317	844	56.0	3,614	2,403	50.4
Selling and distribution expenses	(30,319)	(27,007)	12.3	(71,085)	(60,640)	17.2
Administrative expenses	(12,674)	(6,813)	86.0	(32,782)	(24,288)	35.0
Finance costs	(998)	(366)	172.7	(2,802)	(1,056)	165.3
Profit before income tax	9,585	20,312	(52.8)	63,835	74,792	(14.7)
Taxation	(3,778)	(6,476)	(41.7)	(22,236)	(21,816)	1.9
Profit for the period	5,807	13,836	(58.0)	41,599	52,976	(21.5)
Gross profit margin	23.2%	19.5%		22.4%	16.4%	
Profit before income tax margin	4.3%	7.4%		8.6%	7.8%	
Net profit margin	2.6%	5.0%		5.6%	5.5%	

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**STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND NINE MONTHS  
ENDED 30 SEPTEMBER 2011 (in RMB)**

(RMB '000)	Third Quarter		Change	Nine Months		Change
	Unaudited	Unaudited		Unaudited	Unaudited	
	2011	2010	%	2011	2010	%
Profit for the period	5,807	13,836	(58.0)	41,599	52,976	(21.5)
Other comprehensive income for the period						
- exchange difference arising from consolidation	1,372	981	39.9	4,369	1,636	167.1
Total comprehensive income for the period	7,179	14,817	(51.5)	45,968	54,612	(15.8)

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**1(a)(ii) Other Information**

The Group's profit before income tax is arrived at after (charging)/crediting the following:-

(RMB '000)	Third Quarter		Change %	Nine Months		Change %
	2011	2010		2011	2010	
(a) Income statement includes the following:						
Interest paid on borrowings	(998)	(661)	51.0	(2,802)	(1,056)	165.3
Depreciation of property, plant and equipment	(7,825)	(1,735)	351.0	(12,880)	(11,680)	10.3
Amortisation of land use rights	(91)	(91)	-	(273)	(198)	37.9
Amortisation of intangible assets	(12)	(7)	71.4	(35)	(53)	(34.0)
Property, plant and equipment written off	-	-	-	(13)	-	N.M.
Lease payments under operating lease for leasehold buildings	(440)	(990)	(55.6)	(1,545)	(2,595)	(40.5)
Salaries and related costs						
- Director remuneration	(651)	(590)	10.3	(1,843)	(1,843)	-
- Key personnel	(321)	(248)	29.4	(1,015)	(962)	5.5
Exchange loss	(2,738)	2,705	(201.2)	(4,173)	1,420	N.M.
(b) Other operating income comprises:						
Government subsidies	-	-	-	220	-	100.0
Interest income	1,298	844	53.8	3,375	2,403	40.4

N.M. = Not Meaningful

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**1(b)(i) A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.**

**Statement of Financial Position**

<b>(RMB '000)</b>	<b>Group Unaudited As at 30/9/2011</b>	<b>Group Audited As at 31/12/2010</b>	<b>Company Unaudited As at 30/9/2011</b>	<b>Company Audited As at 31/12/2010</b>
<b>Non-current assets</b>				
Property, plant and equipment	116,257	65,214	76	70
Land use rights/Intangible assets	17,218	17,416	-	-
Long term deposits	45,000	-	-	-
Advances to contractors	30,000	30,000	-	-
Deferred tax asset	5,000	5,000	-	-
Investment in subsidiary	-	-	510,567	510,567
	<u>213,475</u>	<u>117,630</u>	<u>510,643</u>	<u>510,637</u>
<b>Current assets</b>				
Inventories	23,683	28,721	-	-
Amount due from subsidiary	-	-	71,330	62,233
Trade receivables	251,308	277,234	-	-
Prepayments, other receivables and deposits	57,611	24,834	90	17
Pledged bank deposits	34,630	23,975	-	-
Cash and cash equivalents	853,867	924,004	22,577	70,983
	<u>1,221,099</u>	<u>1,278,768</u>	<u>93,997</u>	<u>133,233</u>
<b>Less: Current liabilities</b>				
Trade and bills payables	180,652	163,977	-	-
Amount owing to director	1,550	9,074	1,550	9,074
Accrued liabilities and other payables	14,361	58,640	3,242	3,428
Amount due to a subsidiary	-	-	6,415	22,214
Interest-bearing bank borrowings	55,000	35,000	-	-
Provision for income tax	13,386	5,015	-	-
	<u>264,949</u>	<u>271,706</u>	<u>11,207</u>	<u>34,716</u>
<b>Net current assets/(liabilities)</b>	<u>956,150</u>	<u>1,007,062</u>	<u>82,790</u>	<u>98,517</u>
<b>Non current liabilities</b>				
Deferred tax liabilities	<u>12,822</u>	<u>7,377</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>1,156,803</u>	<u>1,117,315</u>	<u>593,433</u>	<u>609,154</u>
<b>Share capital and reserves</b>				
Share capital	36,570	36,570	36,570	36,570
Share premium	560,135	560,135	560,135	560,135
Treasury shares	(226)	-	(226)	-
Merger reserves	801	801	-	-
Statutory reserves	78,271	78,271	-	-
Paid-in capital from exchange differences	330	330	330	330
Exchange reserves	6,600	2,231	-	-
Retained earnings	474,322	438,977	(3,376)	12,119
<b>Shareholders' equity</b>	<u>1,156,803</u>	<u>1,117,315</u>	<u>593,433</u>	<u>609,154</u>
Inventory turnover (days)	10	10		
Trade receivables turnover (days)	76	71		

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**1(b)(ii) Aggregate amount of Group's borrowings and debt securities.****Amount repayable in one year or less, or on demand**

	As at 30/9/2011		As at 31/12/2010	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	95,110	-	47,950	-
Interest-bearing loans	55,000	-	35,000	-
	<u>150,110</u>	<u>-</u>	<u>82,950</u>	<u>-</u>

**Amount repayable after one year**

	As at 30/9/2011		As at 31/12/2010	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	-	-	-	-
Interest-bearing loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Details of any collateral**

The bills payable and interest-bearing loan for our subsidiary, Hengfa (Fujian) Light Industry Development Co., Ltd. ("Hengfa"), as at 30 September 2011 are secured by the land use rights and buildings of Hengfa. The bills payables as at 30 September 2011 and as at 31 December 2010 are also guaranteed by bank deposits.

The bills payable and interest-bearing loan for our subsidiary, YELI Sports (China) Co., Ltd. ("YELI China"), as at 30 September 2011 and as at 31 December 2010 are secured by the land use rights and buildings of Hengfa. The bills payables as at 30 September 2011 and as at 31 December 2010 are also guaranteed by bank deposits.

Mr. Lin Shaoxiong and Mr. Lin Yongjian (Mr. Lin Shaoxiong's and Mr. Lin Shaoqin's father, and a director of Hengfa) have jointly provided a personal guarantee to secure our banking facility. We have not paid either of them any form of consideration for the provision of the personal guarantee.

Mr. Lin Shaoxiong has provided a personal guarantee to secure the banking facility of YELI China. We have not paid him any form of consideration for the provision of the personal guarantee.

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**1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Statement of Cash Flows**

(RMB '000)	Third Quarter		Nine Months	
	Unaudited 2011	Unaudited 2010	Unaudited 2011	Unaudited 2010
<b>Cashflows from operating activities</b>				
Profit before income tax	9,585	20,312	63,835	74,792
Adjustments for:				
Interest income	(1,298)	(844)	(3,375)	(2,403)
Depreciation of property, plant and equipment	7,825	1,735	12,880	11,680
Amortisation of land use rights/intangible assets	103	98	308	251
Property, plant and equipment written off	-	-	13	-
Interest expenses	998	366	2,802	1,056
Exchange difference in translation	3,898	-	5,237	-
Operating profit before working capital changes	21,111	21,667	81,700	85,376
(Increase) / decrease in inventories	(4,893)	3,207	5,038	(5,235)
Decrease / (increase) in trade receivables and other receivables	22,693	50,800	(6,851)	(153,113)
(Decrease) / increase in trade payables	(35,643)	12,191	(30,485)	35,144
(Decrease) / increase in accrued liabilities and other payables	(4,074)	7,509	(43,874)	11,288
Cash (used in) / from operations	(806)	95,374	5,528	(26,540)
Interest received	1,298	844	3,375	2,403
Interest paid	(998)	(366)	(2,802)	(1,056)
Income tax paid	(2,740)	(5,970)	(8,420)	(22,320)
<b>Net cash (used in) / from operating activities</b>	<b>(3,246)</b>	<b>89,882</b>	<b>(2,319)</b>	<b>(47,513)</b>
<b>Cashflows from investing activities</b>				
Acquisition of land use rights/intangible assets	-	-	(110)	(15,000)
Investment in unlisted shares	(45,000)	-	(45,000)	-
Purchases of property, plant and equipment	(30,203)	(12)	(63,936)	(65)
<b>Net cash used in investing activities</b>	<b>(75,203)</b>	<b>(12)</b>	<b>(109,046)</b>	<b>(15,065)</b>
<b>Cashflows from financing activities</b>				
Increase / (decrease) in amount owing to director	643	783	(7,524)	(32,916)
Increase in bills payable	12,130	2,125	47,160	44,456
Proceeds from placement of shares	-	-	-	101,215
Purchase of treasury shares	(192)	-	(226)	-
Proceeds from bank loans	-	-	55,000	15,000
Repayment of bank loans	-	-	(35,000)	-
Payment of dividend	-	-	(6,254)	-
Increase in pledged deposits	185	(1,223)	(10,655)	(20,709)
<b>Net cash from financing activities</b>	<b>12,766</b>	<b>1,685</b>	<b>42,501</b>	<b>107,046</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(65,683)</b>	<b>91,555</b>	<b>(68,864)</b>	<b>44,468</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>922,211</b>	<b>850,755</b>	<b>924,004</b>	<b>897,187</b>
<b>Effects of exchange rate fluctuation</b>	<b>(2,661)</b>	<b>981</b>	<b>(1,273)</b>	<b>1,636</b>
<b>Cash and cash equivalents at end of period</b>	<b>853,867</b>	<b>943,291</b>	<b>853,867</b>	<b>943,291</b>

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<b>(RMB '000)</b>	<b>Unaudited 2011</b>	<b>Unaudited 2010</b>	<b>Unaudited 2011</b>	<b>Unaudited 2010</b>
<b>Analysis of the balances of cash and cash equivalents</b>				
Cash and bank balances	853,867	943,291	853,867	943,291
Cash and cash equivalents per share (Cents)	<u>88.80</u>	<u>98.04</u>	<u>88.80</u>	<u>98.04</u>
Number of shares at balance sheet date	961,538,000	962,125,000	961,538,000	962,125,000

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**1(d)(i) A statement (for the Group and Company) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

(RMB '000)	Share Capital	Share Premium	Treasury Share	Merger Reserves	Paid in capital from exchange differences	Currency translation reserve	Statutory Reserve	Retained Profits/ (Accumulated Loss)	Total
<b>Group</b>									
At 1 January 2010	32,352	463,138	-	801	330	(1,097)	70,075	380,879	946,478
Total comprehensive income for the year	-	-	-	-	-	3,328	-	66,294	69,622
Issuance of share capital	4,218	101,201	-	-	-	-	-	-	105,419
Cost of share capital issued	-	(4,204)	-	-	-	-	-	-	(4,204)
Transfer to statutory reserve	-	-	-	-	-	-	8,196	(8,196)	-
At 31 December 2010	36,570	560,135	-	801	330	2,231	78,271	438,977	1,117,315
At 1 January 2011	36,570	560,135	-	801	330	2,231	78,271	438,977	1,117,315
Purchase of treasury shares	-	-	(226)	-	-	-	-	-	(226)
Payment of dividend	-	-	-	-	-	-	-	(6,254)	(6,254)
Total comprehensive income for the period	-	-	-	-	-	4,369	-	41,599	45,968
At 30 September 2011	36,570	560,135	(226)	801	330	6,600	78,271	474,322	1,156,803
<b>Company</b>									
At 1 January 2010	32,352	463,138	-	-	330	-	-	(23,717)	472,103
Issuance of share capital	4,218	101,201	-	-	-	-	-	-	105,419
Cost of share capital issued	-	(4,204)	-	-	-	-	-	-	(4,204)
Total comprehensive income for the period	-	-	-	-	-	-	-	35,836	35,836
At 31 December 2010	36,570	560,135	-	-	330	-	-	12,119	609,154
At 1 January 2011	36,570	560,135	-	-	330	-	-	12,119	609,154
Purchase of treasury shares	-	-	(226)	-	-	-	-	-	(226)
Payment of dividend	-	-	-	-	-	-	-	(6,254)	(6,254)
Total comprehensive income for the period	-	-	-	-	-	-	-	(9,241)	(9,241)
At 30 September 2011	36,570	560,135	(226)	-	330	-	-	(3,376)	593,433

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**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no new shares issued in the nine months ended 30 September 2011 and no outstanding convertibles held as at 30 September 2011.

**Treasury shares**

During the third quarter of 2011, the Company purchased 487,000 ordinary shares of par value HK\$0.04 each, under the share buyback mandate, from the market. As at 30 September 2011, the Company holds 587,000 treasury shares (30 September 2010: Nil).

	Company		Company	
	30 Sep 2011	30 Sep 2010	30 Sep 2011	30 Sep 2010
	Number of shares		RMB '000	
<b>Issued and fully paid</b>				
At beginning of period	100,000	-	34	-
Acquired during period	487,000	-	192	-
At end of period	<u>587,000</u>	<u>-</u>	<u>226</u>	<u>-</u>

**1(d)(iii) To show the total number of issued shares (excluding treasury shares) as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares (excluding treasury shares) as at 30 September 2011 and as at 31 December 2010 were 961,538,000 and 962,125,000 fully-paid ordinary shares of par value HK\$0.04 each, respectively.

**1(d)(iv) A statement showing all sales, transfers disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and use of treasury shares during the nine months ended 30 September 2011.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have not been audited or reviewed by the Company's auditors.

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- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computations for the current reporting period consistent with those of the most recent audited financial statement as at 31 December 2010.

The new and revised Financial Reporting Standards ("FRS"s) which took effect from the current financial year are now assessed to have no material impact to the results of the Group and of the Company for the year ending 31 December 2011.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There are no changes in accounting policies and methods of computation.

- 6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Third Quarter		Nine Months	
	2011	2010	2011	2010
Profit after income tax (RMB'000)	5,807	21,835	41,599	60,976
Basic earnings per share (RMB cents)	0.60	2.27	4.32	6.83
Diluted earnings per share (RMB cents)	0.60	2.27	4.32	6.83

The basic earnings per share is calculated based on profit after income tax divided by the weighted average number of ordinary shares during the three months ended 30 September 2011 and the nine months ended 30 September 2011, being 961,941,835 shares and 961,589,086 shares, respectively. The weighted average number of ordinary shares for the three months ended 30 September 2010 and nine months ended 30 September 2010 were 962,125,000 shares and 892,674,451 shares, respectively, for comparative purposes.

There is no difference between the basic and diluted earnings per share.

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7. **Net asset value (for the Group and the Company) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>As at 30 Sep 2011</b>	<b>As at 31 Dec 2010</b>	<b>As at 30 Sep 2011</b>	<b>As at 31 Dec 2010</b>
Net asset value as at the end of the respective period (RMB'000)	1,156,803	1,117,315	593,433	609,154
Issued share capital	961,538,000	962,125,000	961,538,000	962,125,000
Net asset value per share (RMB cents)	120.31	116.13	61.72	63.31

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

**Commentary on Financial Results****Revenue**

For the three months ended 30 September 2011 ("3Q 11"), the Group recorded revenue of approximately RMB 225.1 million, a decrease of approximately RMB 49.8 million or 18.1% over revenue of approximately RMB 274.9 million for the previous corresponding period ("3Q 10"). For the nine months ended 30 September 2011, ("9M 11"), revenue decreased by approximately RMB 217.2 million or 22.6% to RMB 745.8 million from RMB 963.0 million in the previous corresponding period ("9M 10").

The decrease in revenue in 3Q 11 and 9M 11 was mainly attributable to the increasing competition in the industry, especially for footwear products which had resulted in weaker demand for our products; and accordingly, our distributors, aware of the intensified competition, became more prudent when placing their orders for footwear and apparel products.

**CHINA SPORTS INTERNATIONAL LIMITED****Unaudited Results for the Third Quarter and Nine Months ended 30 September 2011***Breakdown of Revenue by Business Lines:*

(RMB million)	3Q 11	%	3Q 10	%	9M 11	%	9M 10	%
Footwear	168.7	74.9	186.4	67.8	504.0	67.6	715.8	74.3
Apparel	49.9	22.2	81.4	29.6	221.4	29.7	228.4	23.7
Accessories	6.5	2.9	7.1	2.6	20.4	2.7	18.8	2.0
Total Revenue	225.1	100.0	274.9	100.0	745.8	100.0	963.0	100.0

*Breakdown of footwear revenue by segment:*

(RMB million)	3Q 11	%	3Q 10	%	9M 11	%	9M 10	%
YELI footwear	132.9	78.8	136.9	73.4	399.4	67.2	479.9	67.0
OEM footwear	35.8	21.2	49.5	26.6	104.6	20.8	235.9	33.0
Total footwear	168.7	100.0	186.4	100.0	504.0	100.0	715.8	100.0

**Footwear**

In 9M 11, footwear products recorded approximately RMB 504.0 million in sales representing a decrease of approximately RMB 211.8 million or 29.6% over sales of footwear products of approximately RMB 715.8 million in 9M 10. In 3Q 11, our Group recorded footwear revenue of approximately RMB 168.7 million, a decrease of approximately RMB 17.7 million or 9.5% over revenue of approximately RMB 186.4 million in 3Q 10.

The decrease in 9M 11 and 3Q 11 of footwear revenue was mainly due to more intense competition in the footwear business in the PRC which had resulted in weaker demand for our products; and accordingly, our distributors, aware of the intensified competition, became more prudent when placing their orders for footwear products. These factors have resulted in the decrease in revenue in YELI footwear products as compared to previous corresponding period. However, our Group had set up more YELI specialty stores in the current financial year which was favourable to accelerating the growth of our sales which resulted in the portion of YELI footwear revenue over total footwear revenue increasing to 67.2% and 78.8% in 9M 11 and in 3Q 11, up from 67.0% and 73.4% in 9M 10 and 3Q 10 respectively.

In 9M 11, our Group recorded OEM footwear revenue of approximately RMB 104.6 million, a decrease of approximately RMB 131.3 million or 55.6% over revenue of approximately RMB 235.9 million in 9M 10. In 3Q 11, our Group recorded OEM footwear revenue of approximately RMB 35.8 million, a decrease of approximately RMB 13.7 million or 27.7% over revenue of approximately RMB 49.5 million in 3Q 10.

The decrease in 9M 11 and 3Q 11 of OEM footwear revenue was mainly due to the decrease in lower margin orders from certain OEM customers. The portion of OEM footwear revenue over total footwear revenue had decreased to 20.8% and 21.2% in 9M 11 and in 3Q 11, down from 33.0% and 26% in 9M 10 and in 3Q 10 respectively.

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### Unaudited Results for the Third Quarter and Nine Months ended 30 September 2011

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#### Apparel

In 9M 11, our YELI apparel sales has slightly decreased to approximately RMB 221.4 million which represented approximately 34.5% and 29.7% of our YELI revenue and of our total revenue respectively as compared to approximately 31.4% and 23.7% of our YELI revenue and our total revenue in 9M 10.

The weaker consumer demand as well as the distributors being more prudent when placing orders, have affected the revenue for YELI apparel. In 3Q 11, our Group recorded apparel revenue of approximately RMB 49.9 million, a decrease of approximately RMB 31.5 million or 38.7% over revenue of approximately RMB 81.4 million in 3Q 10.

#### Accessories

In 9M 11, our YELI accessories sales was approximately RMB 20.4 million which represented 3.2% and 2.7% of our YELI revenue and our total revenue in 9M 11, as compared to approximately 2.6% and 2.0% of our YELI revenue and our total revenue in 9M 10. This was mainly attributed to more of YELI specialty stores being opened.

Our Group recorded accessories revenue of approximately RMB 6.5 million in 3Q 11, a decrease of approximately RMB 0.6 million or 8.5% as compared to 3Q 10 of approximately RMB 7.1 million. This was mainly attributed to weaker consumer demand and distributors being more prudent when placing orders have affected the revenue for YELI accessories.

*Number of sales outlets for our YELI products in the PRC:*

	9M 11	9M 10	Growth
Points-of-sale	Over 1,930*	Over 2,020*	(4)%
YELI specialty stores	Over 710	Over 690	3%

\* The above number of points-of-sale was compiled by aggregating the number of sales outlets provided to us by each of our distributors. The number of points-of-sale includes YELI specialty stores.

The distribution network for our YELI products in the PRC decreased by approximately 4% from over 2,020 points-of-sale as at 30 September 2010 to over 1,930 points-of-sale as at 30 September 2011. Over the same period, the number of specialty stores increased by 3% from over 690 to over 710. The Group will continue to execute its strategy to improve the mix of our points-of-sale. Due to the positive response to the new range of YELI breathable shoes, the Group's distributors have started to open more counters and shops-in-shops in first-tier and second-tier cities to increase the brand awareness of YELI. Going forward, the Group will continue to encourage distributors to set up more counters and shops-in-shops in first-tier and second-tier cities to complement YELI specialty stores in third-tier and forth-tier cities which provide better image and platform to display the entire range of YELI products including footwear, apparel and accessories.

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**Cost of goods sold and gross profit margin**

In line with the decrease in revenue, our cost of sales decreased by approximately RMB 225.8 million or 28.1% from approximately RMB 804.7 million in 9M 10 to approximately RMB 578.9 million in 9M 11.

With the lower revenue, subcontracting cost (including raw materials) of the footwear products, apparel and accessories decreased by approximately RMB 57.5 million or 18.6% from approximately RMB 308.5 million in 9M 10 to approximately RMB 251.0 million in 9M 11. The production of apparel and accessories are completely outsourced and more of the production of footwear products is being shifted back from subcontractors to our factories for better quality control and to tighten the subcontracting costs in order to achieve better gross margin.

In line with the revenue decrease in 3Q 11 as compared to 3Q 10, our cost of sales decreased by approximately RMB 48.4 million or 21.9% from approximately RMB 221.2 million in 3Q 10 to approximately RMB 172.8 million in 3Q 11.

*Gross profit margin by product segment:*

	<b>3Q 11</b>	<b>3Q 10</b>	<b>Growth</b>	<b>9M 11</b>	<b>9M 10</b>	<b>Growth</b>
Footwear	21.5%	12.8%	8.7%	18.1%	10.6%	7.5%
Apparel	31.8%	34.9%	(3.1)%	33.7%	35.1%	(1.4)%
Accessories	7.0%	19.1%	(12.1)%	7.2%	13.6%	(6.4)%
Overall GP margin	23.2%	19.5%	3.7%	22.4%	16.4%	6.0%

*Gross profit margin by product segment:*

	<b>3Q 11</b>	<b>2Q 11</b>	<b>Growth</b>
Footwear	21.5%	19.4%	2.1%
Apparel	31.8%	33.5%	(1.7)%
Accessories	7.0%	7.7%	(0.7)%
Overall GP margin	23.2%	23.5%	(0.3)%

Our gross profit increased by approximately RMB 8.5 million or 5.4% from approximately RMB 158.4 million in 9M 10 to approximately RMB 166.9 million in 9M 11. Our overall gross profit margin increased from approximately 16.4% in 9M 10 to 22.4% in 9M 11. In 3Q 11 our gross profit margin increased to 23.2% from approximately 19.5% in 3Q 10. On a quarter-on-quarter basis, our gross profit margin slightly decreased from 23.5% in 2Q 11 to 23.2% in 3Q 11.

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### Unaudited Results for the Third Quarter and Nine Months ended 30 September 2011

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The increase of the gross profit margin of our footwear in the current quarter was mainly attributable to the higher gross profit margin registered for the newly launched YELI breathable shoes. The gross profit margin of YELI apparel in 3Q 11 has decreased 3.1% as compared to 3Q 10 while the gross profit margin of YELI apparel in 9M 11 has decreased 1.4% as compared to 9M 10. The decreases of gross profit margin of YELI apparel were mainly attributed to higher unit subcontracting cost and higher unit raw material costs. The gross profit margin for YELI accessories in 3Q 11 and 9M 11 were approximately 7.0% and 7.2% as compared to of approximately 19.1% and 13.6% in 3Q 10 and 9M 10, respectively. The decrease of gross profit margin for YELI accessories were mainly attributable to higher unit subcontracting cost and higher unit raw material costs.

#### Other operating income

Other operating income mainly comprises interest income from bank deposits. The increase in other operating income in 3Q 11 and 9M 11 are mainly due to more interest income derived from higher bank balances recorded in 3Q 11 and 9M 11 as compared to 3Q 10 and 9M 10, respectively.

#### Operating expenses

In total, operating expenses which comprise selling and distribution expenses and administrative expenses increased by approximately RMB 19.0 million or 22.4% from approximately RMB 84.9 million in 9M 10 to approximately RMB 103.9 million in 9M 11. As a percentage of revenue, operating expenses increased to approximately 13.9% in 9M 11 from approximately 8.8% in 9M 10.

The main increase in total operating expenses came from selling and distribution costs which increased by approximately RMB 10.5 million or 17.2% from approximately RMB 60.6 million in 9M 10 to approximately RMB 71.1 million in 9M 11 and increased by approximately RMB 3.3 million or 12.3% from approximately RMB 27.0 million in 3Q 10 to approximately RMB 30.3 million in 3Q 11. The increase was due to more resources being deployed for the new advertising and promotional programme to promote the newly launched breathable shoes and providing new outlet fixtures for new specialty stores and changing the existing specialty stores to the new design and layout in the current financial year. In addition, there was a significant increase in the depreciation charge in relation to the newly purchased sales outlet fixtures amounted to approximately RMB 6.1 million and 7.7 million in 3Q 11 and 9M 11, respectively.

Administrative expenses increased by approximately RMB 8.5 million or 35.2% from approximately RMB 24.3 million in 9M 10 to approximately RMB 32.8 million in 9M 11. The increase of administrative expenses in 3Q 11 by approximately RMB 5.9 million from approximately RMB 6.8 million in 3Q 10 to approximately RMB 12.7 million in 3Q 11. The increase in administrative expenses in 3Q 11 and 9M 11 was mainly due to higher headcount and salaries and higher social security cost in PRC subsidiaries. The increase of the headcount was in accordance with the on-going plans to expand and enhance the Group's product range as well as future expansion plans of the Group. Despite the challenging market conditions which resulted in lower sales and selling prices for footwear products, the Group has been focusing on improving its gross profit margin by intensifying efforts on product development for YELI footwear and apparel products. In addition, the exchange loss incurred of approximately RMB 2.7 million and RMB 4.2 million in 3Q 11 and 9M 11, respectively, contributed to the substantial increase of administrative expenses.

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#### Finance costs

Finance costs in 9M 11 increased by approximately RMB 1.7 million or 165.3% from approximately RMB 1.1 million in 9M 10 to approximately RMB 2.8 million in 9M 11 and increased by approximately RMB 0.6 million or 172.7% from approximately RMB 0.4 million in 3Q 10 to approximately RMB 1.0 million in 3Q 11. The increase was due to higher amount of outstanding bank loans and increased interest rate in 9M 11 and 3Q 11 as compared to 9M 10 and 3Q 10, respectively

#### Income tax

Despite a lower profit before tax for the 9 months 2011, income tax expense has increased by approximately RMB 0.4 million or 1.9% from approximately RMB 21.8 million in 9M 10 to approximately RMB 22.2 million in 9M 11. The increased income tax expenses were as a result of the making of provision for withholding tax on PRC after-tax profit so that dividends could be distributed by the PRC subsidiaries. There was no such provision for the 9M 10. Accordingly, the effective tax rate had increased by approximately 5.7% to 34.9% when comparing 9M 11 with 9M 10. The effective tax rate would be 25.0% for 9M 10 without taking into consideration the withholding tax.

Income tax expenses decreased by approximately RMB 2.7 million or 41.7% from approximately RMB 6.5 million in 3Q 10 to approximately RMB 3.8 million in 3Q 11. The decrease was in line with the decrease of profit before income tax as compared to 3Q 10.

**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

#### Commentary on Statement of Financial Position

##### Non Current Assets

Net book value of property, plant and equipment increased by approximately RMB 51.1 million from approximately RMB 65.2 million as at 31 December 2010 to approximately RMB 116.3 million as at 30 September 2011. This was mainly attributed to the purchase of new outlet fixtures for specialty stores of approximately RMB 30.2 million. The additions were partially offset by the depreciation charge on the property, plant and equipment during the period.

Land use rights and intangible assets decreased by approximately RMB 0.1 million from approximately RMB 17.3 million as at 31 December 2010 to approximately RMB 17.2 million as at 30 September 2011. This was mainly attributed to the amortisation of land use rights, patent and other intangible assets which offset the increase of intangible assets.

In 3Q 11, there was an increase of RMB 45 million in long-term deposit which is set aside for the proposed acquisition of Jinjiang Guosheng Shoe Material Company Limited as announced earlier.

##### Current Assets

Inventories, comprised mainly raw materials and finished goods, decreased by approximately RMB 5.0 million from approximately RMB 28.7 million as at 31 December 2010 to approximately RMB 23.7 million as at 30 September 2011. The decrease was due to more finished goods being shipped out to customers by the end of 3Q 11.

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Trade receivables decreased from approximately RMB 277.2 million as at 31 December 2010 to approximately RMB 251.3 million as at 30 September 2011. The trade receivables balance was kept at current level in order to offer competitive credit terms to our distributors under the existing market conditions. Our trade receivables turnover days were in the range of 71 to 80 days.

Aging of trade receivables is set out as follows:

	(RMB million)	
Current (less than 30 days) –	84.5	33.6%
31 to 60 days –	85.4	34.0%
61 to 90 days –	81.4	32.4%
Total	251.3	100.0%

Other receivables and prepayment increased from approximately RMB 24.8 million as at 31 December 2010 to approximately RMB 57.6 million as at 30 September 2011. The increase in balances was mainly due to the advance payments made to suppliers to secure the increase of raw materials prices.

As at 30 September 2011, we had cash and cash equivalents of approximately RMB 853.9 million. The decrease in cash and cash equivalents was due mainly to the fact that the net cash used in investing activities was higher than net cash generated from financing activities. (Please refer to the pages 18 and 19 for further details).

The cash and cash equivalents were mainly bank deposits denominated in RMB and Singapore Dollars. As at 30 September 2011, we did not enter into any financial derivative arrangements because our operations are mainly in PRC and the main operational currency is RMB.

#### **Current Liabilities**

Trade payables and bills payables increased from approximately RMB 164.0 million as at 31 December 2010 to approximately RMB 180.7 million as at 30 September 2011. This was due to longer credit term secured from suppliers in order to match the extended credit term granted to customers as mentioned earlier.

Accrued liabilities, other payables (included wages payables, accrued utilities expenses), deferred tax liability and amount owing to director decreased from approximately RMB 67.7 million as at 31 December 2010 to approximately RMB 15.9 million as at 30 September 2011. The net decrease was mainly attributable to the repayment of outstanding loan from Mr. Lin Shaoxiong of approximately RMB 7.5 million and the repayment of other payables, the payment of sales rebates and accrued liabilities of approximately RMB 44.4 million during the financial period.

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As at 30 September 2011, we had bank borrowings of approximately RMB 55.0 million. The increase in the amount of bank loans as compared to 31 December 2010 was due to a new bank loan of RMB 20.0 million being obtained in January 2011. The Group increased its bank loans by RMB 20 million as a result of a packaged deal offered by the bank for granting higher limits of bills payable (increased from approximately RMB 43.0 million to RMB 95.1 million) to the Group. The Group issues bills payable to its suppliers in order to get longer credit terms from the suppliers. Normally, the credit terms offered by the Group's suppliers are 30 days and the payment is made in cash or cheque. If the Group paid by bills payable to its suppliers, the Group would be able to get longer credit terms ranging from 60 to 90 days due to better credibility of the bank.

#### **Commentary on Statement of Cash Flows**

##### **Net Cash used in Operating Activities**

Operating cashflow before working capital changes decreased by approximately RMB 3.7 million from approximately RMB 85.4 million in 9M 10 to approximately RMB 81.7 million in 9M 11. While the operating cashflow before working capital changes slightly decreased by approximately RMB 0.9 million from approximately RMB 22.0 million in 3Q 10 to approximately RMB 21.1 million in 3Q 11. The decrease was mainly due to the decrease in operating profit in 3Q 11 and 9M 11 as compared to the corresponding periods in 2010.

Profit generated during the period, coupled with the decrease in inventories was offset by the decrease in trade payables, accrued liabilities and other payables and the increase in prepayments, other receivables and deposits, has resulted in net cash used in operating activities in 9M 11.

Net cash used in operating activities in 3Q 11 were mainly due to the profit generated in the current quarter is lower than the decrease in trade payables, accrued liabilities and other payables as well as the increase in inventories. The cash outflow was partially offset by the decrease in account receivables of approximately RMB 24.9 million.

##### **Net Cash used in Investing Activities**

Net cash used in investing activities was approximately RMB 109.0 million and RMB 75.2 million in 9M 11 and 3Q 11, respectively. In 3Q 11, the net cash used in investing activities was mainly attributable to deposit placed in relation to the proposed investment in Jinjiang Guosheng Shoe Material Company Limited of RMB 45.0 million and the purchase of property, plant and equipment of approximately RMB 30.2 million. The total amount of property, plant and equipment acquired/purchased for the nine months ended 30 September 2011 were approximately RMB 63.9 million.

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#### Net Cash from in Financing Activities

Net cash from financing activities was of approximately RMB 42.5 million in 9M 11. This was mainly due to net proceeds from bank loans obtained of RMB 20 million in 1Q 11 together with the increase in bills payables of approximately RMB 47.2 million in 9M 11. The above was offset by the settlement of an amount owing to Mr Lin Shaoxiong of approximately RMB 7.5 million, the payment of dividend of approximately RMB 6.3 million, the purchase of treasury shares of approximately RMB 0.2 million and the increase in pledged deposits of approximately RMB 10.7 million in 9M 11.

Net cash from financing activities was of approximately RMB 12.8 million in 3Q 11. The positive net cash from financing was as a result of an increase in settlement made by - bills payables of - approximately RMB 12.1 million in 3Q 11. In addition, there was an increase in advances from a director of approximately RMB 0.6 million and an increase in pledged deposits of approximately RMB 0.2 million which were offset by the purchase of treasury shares of approximately RMB 0.2 million in 3Q 11.

#### 9. Use of Placement Proceeds

As previously announced, with the termination of our distribution rights for the Federation Internationale de Football Association's ("FIFA") collection of football, lifestyle clothing and accessories (the "FIFA Products"), the Directors had changed the use of the balance proceeds from a placement.

The following table sets out the details the utilisation of placement proceeds up to 30 September 2011:

No.	Planned Usage	Placement Proceeds (RMB million)	Cumulative amount used (RMB million)	Balance (RMB million)
1.	Penetrate kids-wear market in the PRC: Research & Development ("R&D") and setting up distribution network, including setting up "YELI" kids-wear specialty stores	50.0	0.0	50.0
2.	Penetrate kids-wear market in the PRC: Advertising and promotional expenses for YELI kids-wear	20.0	0.0	20.0
3.	Development of online shopping platform	27.9	0.0	27.9
		97.9	0.0	97.9

#### 10. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

**11. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

The economy in China maintained steady growth and China continued to witness rapid development in the first three quarters of 2011. Gross Domestic Product of China went up by 9.4% on a year-on-year basis and China's retail sales of consumer goods rose 17.0% year-on-year (real growth of 11.3%) to RMB 13.08 trillion. Urban and rural residents' per capita disposable income continued to increase steadily, with a higher real growth of 13.6% for rural residents than 7.8% for urban residents. With urbanisation accelerating and consumption power continuing to increase, the Group believes that China's sportswear industry will continue to grow steadily. Also, with the changing demand for sporting goods in the low-to-mid price range to the mid-to-high price range, the Group will further improve our products and strive for continuous growth of YELI brand in the sportswear market.

The new generation breathable shoes with enhanced features and functionality have received positive response from our distributors and market. This new range of breathable shoes have enabled us to differentiate our products from the competitors and offer gross profit margin improvement with higher selling price range. In view of the growing consumer affluence in the PRC, the Group will leverage on this new range of shoes to enhance YELI brand visibility and improve traffic flow to YELI specialty stores.

The Group will continue to execute its strategy to improve the mix of our points-of-sale. Due to the positive response to the new range of YELI breathable shoes, the Group's distributors have started to open more counters and shops-in-shops in first-tier and second-tier cities to increase the brand awareness of YELI. Going forward, the Group will continue to encourage distributors to set up more counters and shops-in-shops in first-tier and second-tier cities to complement YELI specialty stores in third-tier and fourth-tier cities which provide better image and platform to display the entire range of YELI products including footwear, apparel and accessories.

The Group has successfully rolled out its third generation YELI specialty stores boasting a newer and modern layout. Our distributors who operate older stores are encouraged to either refurbish or relocate to larger stores in order to enhance YELI brand image.

Currently, the PRC kids-wear market is highly fragmented with no dominant brand. However, the Group believes there is huge growth potential in the kids-wear market, due in part to growing consumer affluence and the one-child policy in the PRC, resulting in more parents being able and willing to buy quality products for their children. We intend to penetrate the kids-wear market. We intend to leverage on the positive market response to the new range of "YELI" breathable shoes for adults, and to introduce a new range of "YELI" breathable shoes for children. Though the initial focus is on children footwear (including "YELI" breathable shoes), we plan to eventually develop a new range of children apparel to complement the footwear offering.

In view of the rapid growth in online shopping in the PRC market as well as the change in consumer shopping habits, we plan to establish our own on-line shopping platform (in addition to YELI brick-and-mortar stores). With this platform, our customer base will not be limited to the geographic areas in which we have points-of-sale. We will be able to capture a larger group of consumers throughout, as well as beyond, China.

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**Unaudited Results for the Third Quarter and Nine Months ended 30 September 2011**

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The Group will continue to consider opportunities to capitalise on the market expansion, including strategic co-operations, expanding and upgrading YELI specialty stores and supporting our distributors.

Barring any unforeseen circumstances, the Group is expected to remain profitable in FY2011.

**12. Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

None.

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

***(c) Date payable***

Not applicable.

***(d) Books closure date***

Not applicable.

**13. If no dividend has been declared/recommendeded, a statement to that effect.**

Not applicable.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**14. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**16. A breakdown of sales.**

Not applicable.

**17. Interested Person Transactions**

As stated in paragraph 1(b)(ii) above:

- Mr. Lin Shaoxiong and Mr. Lin Yongjian have jointly provided a personal guarantee to secure our banking facility. We have not paid either of them any form of consideration for the provision of the personal guarantee.
- Mr. Lin Shaoxiong has provided a personal guarantee to secure the banking facility of YELI China. We have not paid him any form of consideration for the provision of the personal guarantee.

As mentioned to our Announcement dated 14 May 2011, Mr. Lin Yongjian, Mr. Lin Shaoxiong's father, is the owner of certain intellectual property utilised in our breathable shoes. Mr. Lin Yongjian has on a goodwill basis allowed our Group utilise his intellectual property till 30 September 2011. We are negotiating with Mr. Lin Yongjian for a formal license to be granted for the use of his intellectual property.

**18. Negative Assurance**

**Statement Pursuant to SGX Listing Rule 705(5) of the Listing Manual**

The Directors of the Company hereby confirm that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results of the Company and of the Group for the third quarter and nine months ended 30 September 2011 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lin Shaoxiong  
Chief Executive Officer

Lin Shaoqin  
Executive Director

Singapore  
14 November 2011

**BY ORDER OF THE BOARD**

**Lin Shaoxiong**  
**Chief Executive Officer**  
**14 November 2011**