



CHINA SPORTS INTERNATIONAL LIMITED
(Company Registration No: 39798)

Unaudited Results for the Second Quarter and the Six Months ended 30 June 2008

The initial public offering of China Sports International Limited was sponsored by Stirling Coleman Capital Limited (the "Manager"). The Manager assumes no responsibility for the contents of this announcement.

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.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE SECOND QUARTER AND THE SIX MONTHS ENDED 30 JUNE 2008

(RMB '000)	Second Quarter		Change %	Half Year		Change %
	2008	2007		2008	2007	
Revenue	465,854	310,552	50.0	868,712	521,842	66.5
Cost of sales	(360,657)	(240,638)	49.9	(674,704)	(410,752)	64.3
Gross profit	105,197	69,914	50.5	194,008	111,090	74.6
Other operating income	892	70	1,174.3	1,884	102	1,747.1
	106,089	69,984		195,892	111,192	
Selling and distribution expenses	(19,706)	(5,165)	281.5	(39,231)	(9,107)	330.8
Administrative expenses	(6,588)	(1,352)	387.3	(13,467)	(2,108)	538.9
Finance costs	(130)	(104)	25.0	(301)	(239)	25.9
Profit before income tax	79,665	63,363	25.7	142,893	99,738	43.3
Taxation	(20,948)	(16,370)	28.0	(37,835)	(26,180)	44.5
Profit after income tax	58,717	46,993	24.9	105,058	73,558	42.8
Gross profit margin	22.6%	22.5%		22.3%	21.3%	
Profit before income tax margin	17.1%	20.4%		16.4%	19.1%	
Profit after income tax margin	12.6%	15.1%		12.1%	14.1%	

The Group's operations are principally conducted in the People's Republic of China (PRC). Accordingly, the consolidated financial statements have been prepared in Chinese Renminbi, being the measurement currency of the Group.

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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)	Second Quarter		Change %	Half Year		Change %
	2008	2007		2008	2007	
(a) Income statement includes the following:						
Interest paid on borrowings	(130)	(104)	25.0	(301)	(239)	25.9
Depreciation of property, plant and equipment	(1,402)	(607)	131.0	(2,669)	(1,087)	145.5
Amortisation of land use rights	(16)	(16)	-	(32)	(32)	-
Amortisation of patents	(204)	-	100.0	(407)	-	100.0
Loss on disposal of property, plant and equipment	-	-	-	(41)	-	100.0
Lease payments under operating lease for leasehold buildings	(640)	(249)	157.0	(1,230)	(498)	147.0
Salaries and related costs						
- Director remuneration	(588)	(15)	3,820.0	(1,059)	(30)	3,430.0
- Key personnel	(328)	(49)	569.4	(609)	(99)	515.2
(b) Other operating income comprises:						
Exchange difference (net)	(52)	-	100.0	135	-	100.0
Interest income	944	70	1,248.6	1,749	102	1,614.7

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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.

(RMB '000)	Group		Company	
	Unaudited As at 30/06/2008	Audited As at 31/12/2007	Unaudited As at 30/06/2008	Audited As at 31/12/2007
Non-current assets				
Property, plant and equipment	82,099	60,384	11	4
Land use rights/patent	8,277	8,571	-	-
Investment in subsidiary	-	-	375,222	375,222
	<u>90,376</u>	<u>68,955</u>	<u>375,233</u>	<u>375,226</u>
Current assets				
Inventories	22,882	22,309	-	-
Trade receivables	231,399	215,636	-	-
Prepayments, other receivables and deposits	9,393	9,380	5	2
Amount due from subsidiary	-	-	-	31,327
Cash and cash equivalents	535,293	418,354	7,046	9,554
	<u>798,967</u>	<u>665,679</u>	<u>7,051</u>	<u>40,883</u>
Less: Current liabilities				
Trade and bills payables	125,595	62,234	-	-
Accrued liabilities and other payables	60,361	40,378	9,173	2,170
Interest-bearing bank borrowings	-	8,560	-	-
Provision for income tax	19,154	12,960	-	-
	<u>205,110</u>	<u>124,132</u>	<u>9,173</u>	<u>2,170</u>
Net current assets/(liabilities)	<u>593,857</u>	<u>541,547</u>	<u>(2,122)</u>	<u>38,713</u>
Non-current liabilities				
Deferred tax liabilities	1,794	1,794	-	-
Net assets	<u>682,439</u>	<u>608,708</u>	<u>373,111</u>	<u>413,939</u>
Share capital and reserves				
Share capital	26,419	26,419	26,419	26,419
Share premium	390,641	390,641	390,641	390,641
Merger reserves	801	801	-	-
Statutory reserves	47,184	35,833	-	-
Exchange reserves	(2,428)	(2,428)	330	330
Retained profits/(accumulated loss)	219,822	157,442	(44,279)	(3,451)
Shareholders' equity	<u>682,439</u>	<u>608,708</u>	<u>373,111</u>	<u>413,939</u>
Inventory turnover (days)	6	9		
Trade receivables turnover (days)	51	46		

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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 30/6/2008		As at 31/12/2007	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans	-	-	8,560	-
	-	-	8,560	-

Amount repayable after one year

	As at 30/6/2008		As at 31/12/2007	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans	-	-	-	-
	-	-	-	-

Details of any collateral

The interest-bearing loans as at 31 December 2007 were secured over the land use rights and buildings of our subsidiary Hengfa (Fujian) Light Industry Development Co., Limited. The loans were repaid during the second quarter of 2008.

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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.

(RMB '000)	Second Quarter		Half Year	
	2008	2007	2008	2007
Cash flows from operating activities				
Profit before income tax	79,665	63,363	142,893	99,738
Adjustments for:				
Interest income	(1,069)	(70)	(1,864)	(102)
Depreciation of property, plant and equipment	1,402	607	2,669	1,087
Amortisation of land use rights/patents	220	16	439	32
Interest expenses	130	104	301	239
Loss on disposal of property, plant and equipment	-	-	41	-
Exchange difference in translation	-	8	-	9
Operating profit before working capital changes	80,348	64,028	144,479	101,003
Inventories	1,421	(2,431)	(573)	(19,507)
Trade receivables and other receivables	33,934	(86,998)	(15,776)	(86,779)
Trade and bills payables	18,668	12,694	63,361	28,930
Accrued liabilities and other payables	5,510	4,406	19,982	8,456
Cash generated from/(used in) operations	139,881	(8,301)	211,473	32,103
Interest received	1,069	70	1,864	102
Interest paid	(130)	(104)	(301)	(239)
Income tax paid	(16,888)	(9,810)	(31,642)	(16,756)
Net cash generated from/(used in) operating activities	123,932	(18,145)	181,394	15,210
Cash flows from investing activities				
Purchases of property, plant and equipment	(20,928)	(4,899)	(24,568)	(8,844)
Cash used in investing activities	(20,928)	(4,899)	(24,568)	(8,844)
Cash flows from financing activities				
Dividend paid	(31,327)	-	(31,327)	-
Proceeds from bank borrowings	-	8,560	-	8,560
Issue of share expense	-	(172)	-	(214)
Repayment of bank borrowings	(8,560)	(6,000)	(8,560)	(6,550)
Proceeds from Issuance of new shares	-	18,157	-	18,157
Cash (used in)/ generated from financing activities	(39,887)	20,545	(39,887)	19,953
Net increase/(decrease) in cash and cash equivalents	63,117	(2,499)	116,939	26,319
Cash and cash equivalents at beginning of period	472,176	35,728	418,354	6,910
Cash and cash equivalents at end of period	535,293	33,229	535,293	33,229

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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	Merger Reserves	Exchange Reserves	Statutory Reserves	Retained Profits/ (Accumulated Loss)	Total
Group							
At 1 January 2007	18,874	66	-	-	20,302	17,884	57,126
Issue of shares	8,677	390,641	-	-	-	-	399,318
Transfer to merger reserves	-	-	801	-	-	-	801
Transfer to exchange reserves	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	15,531	(15,531)	-
Arising on translation differences	-	-	-	(2,428)	-	-	(2,428)
Adjustment of share capital arising from reorganisation	(1,132)	(66)	-	-	-	-	(1,198)
Net profit for the year	-	-	-	-	-	155,089	155,089
At 31 December 2007	26,419	390,641	801	(2,428)	35,833	157,442	608,708
At 1 January 2008	26,419	390,641	801	(2,428)	35,833	157,442	608,708
First and final dividend paid	-	-	-	-	-	(31,327)	(31,327)
Transfer to statutory reserves	-	-	-	-	11,351	(11,351)	-
Net profit for the period	-	-	-	-	-	105,058	105,058
At 30 June 2008	26,419	390,641	801	(2,428)	47,184	219,822	682,439
Company							
Incorporated on 27 March 2007	-	-	-	-	-	-	-
Issue of shares	26,419	390,641	-	-	-	-	417,060
Transfer to exchange reserves	-	-	-	330	-	-	330
Net loss for the year	-	-	-	-	-	(3,451)	(3,451)
At 31 December 2007	26,419	390,641	-	330	-	(3,451)	413,939
At 1 January 2008	26,419	390,641	-	330	-	(3,451)	413,939
First and final dividend paid	-	-	-	-	-	(31,327)	(31,327)
Net loss for the period	-	-	-	-	-	(9,501)	(9,501)
At 30 June 2008	26,419	390,641	-	330	-	(44,279)	373,111

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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 during the six months ended 30 June 2008 and no outstanding convertibles or treasury shares held as at 30 June 2008, except the sub-division of share mention below in 1 (d) (iii).

- 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 proceeding year.

	Number of shares	HK\$
Share capital as at 1 January 2008	336,850,000	26,948,000
Sub-division of one ordinary share into two ordinary shares dated 5 May 2008	673,700,000	26,948,000
Share capital as at 30 June 2008	673,700,000	26,948,000
	=====	=====

On 28 April 2008, the shareholders of the Company approved the subdivision of every one ordinary share of HK\$ 0.08 in the authorised and issued share capital of our Company into two ordinary shares of HK\$ 0.04 each in the capital of the Company.

- 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.

Not applicable.

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.

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

Not applicable.

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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 the most recently audited financial statement for the financial year ended 31 December 2007.

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.**

Not applicable.

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.**

	Second Quarter		Half Year	
	2008 [^]	2007 [*]	2008 [^]	2007 [*]
Profit after income tax (RMB'000)	58,717	46,993	105,058	73,558
Basic earning per share (RMB cents)	8.7	9.92	15.59	15.53

[^] The basic earnings per share is calculated based on profit after income tax divided by the weighted average ordinary shares during the period of 673,700,000 shares (after sub-division of shares approved at the Special General Meeting). There is no difference between the basic and diluted earnings per share.

^{*} For illustrative purposes, the basic earnings per share is calculated based on profit after income tax divided by the Pre-invitation ordinary shares of 473,700,000 were assumed to be issued throughout the reporting period. 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 issued share capital of the issuer at the end of the:-
 (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group Unaudited	Group Audited	Company Unaudited	Company Audited
	As at 30 June 2008	As at 31 Dec 2007	As at 30 June 2008	As at 31 Dec 2007
Net assets value per share based on existing issued capital as at the respective period (RMB cents)	101.30	180.71	55.38	122.88
Issued share capital at the end of financial year	673,700,000	336,850,000	673,700,000	336,850,000

Net asset value per share is computed based on the number of issued shares of 673,700,000 as at 30 June 2008 (31 December 2007: 336,850,000).

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 six months ended 30 June 2008 ("1H 08"), the Group recorded revenue of approximately RMB 868.7 million, an increase of approximately RMB 346.9 million or 66.5% over revenue of approximately RMB 521.8 million for the previous corresponding period. The increase in revenue was mainly attributable to the expansion of our distribution network, the increase in the average selling price of our footwear products and the increase in sales of YELI apparel.

Breakdown of Revenue by Business Lines:

(RMB million)	2Q 08	%	2Q 07	%	1H 08	%	1H 07	%
YELI products	390.8	84	230.9	74	709.3	82	386.6	74
OEM footwear	75.0	16	79.7	26	159.4	18	135.2	26
Total Sales	465.8	100	310.6	100	868.7	100	521.8	100

In 1H 08, sales of YELI products increased by approximately RMB 322.7 million as compared to 1H 07 mainly due to the successful implementation of our Group's strategy to increase the

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sale of our YELI products. The proportion of sales of YELI products over total sales increased to approximately 82% in 1H 08 from 74% in 1H 07.

Breakdown of YELI revenue by product segment:

(RMB million)	2Q 08	%	2Q 07	%	1H 08	%	1H 07	%
Footwear	304.7	78	179.1	78	555.6	78	304.9	79
Apparel	86.1	22	51.7	22	153.7	22	81.7	21
Total YELI	390.8	100	230.8	100	709.3	100	386.6	100

In 1H 08, our YELI apparel sales was approximately RMB 153.7 million which represented approximately 22% of our YELI revenue or approximately 17.6% of our total revenue as compared to only approximately 15.7% of our total revenue in FY2007.

Breakdown of YELI revenue by region:

(RMB million)	2Q 08	%	2Q 07	%	1H 08	%	1H 07	%
Domestic sales	341.1	87	194.2	84	623.4	88	320.1	83
Export sales	49.7	13	36.6	16	85.9	12	66.5	17
Total YELI	390.8	100	230.8	100	709.3	100	386.6	100

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

	1H 08	1H 07	Growth
Point of Sales	Over 2,250	Over 1,750	28.5%

* The above numbers were compiled by aggregating the number of sales outlets provided by each of our distributors.

Average selling price ("ASP") of footwear:

RMB	2Q 08	2Q 07	Growth	1H 08	1H 07	Growth
YELI	76.1	62.3	22.2%	73.9	61.0	21.1%
OEM	69.9	64.1	9.0%	67.3	63.0	6.8%

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The distribution network for our YELI products in PRC increased from over 1,750 sales points in 1H 07 to more than 2,250 sales points as at 30 June 2008. With the increasing awareness of our YELI brand, we were able to increase the ASP of our YELI footwear products in 1H 08 by approximately 21.8% over 1H 07. The ASP of OEM product had also increased by approximately 7.0% over 1H 07. It is our Group strategy to only maintaining the production of OEM products with higher margins and increased the ASP to offset the increased costs.

Cost of goods solds and gross profit margin

In line with the increase in revenue, our cost of sales increased by approximately RMB 263.9 million or 64.3% from approximately RMB 410.8 million in 1H 07 to approximately RMB 674.7 million in 1H 08.

The subcontracting cost of the footwear and apparel increased by approximately RMB 175.9 million or 109.4% from approximately RMB 160.8 million in 1H 07 to approximately RMB 336.7 million in 1H 08. The increase was mainly due to the increase in sales of apparel (production of which are completely outsourced) and increased in sales volume of footwear (part of its production were outsourced).

Our gross profit increased by approximately RMB 82.9 million or 74.6% from approximately RMB 111.1 million in 1H 07 to approximately RMB 194.0 million in 1H 08. Our gross profit margin increased from approximately 21.3% in 1H 07 to approximately 22.3% in 1H 08. The increase was mainly attributable to the increase in sales of our YELI apparel which had better margins and the increase in the ASP of our YELI footwear. The increase was partially offset by the decrease in OEM footwear gross profit margins as the increase in the ASP of OEM footwear was unable to cover the increase in cost for OEM footwear.

Gross Profit Margin:

	2Q 08	2Q 07	Growth	1H 08	1H 07	Growth
YELI – Footwear	21.8%	21.8%	-	21.8%	20.0%	1.8%
OEM – Footwear	11.9%	21.0%	(9.1)%	13.1%	19.3%	(6.2)%
YELI – Apparel	33.2%	32.3%	0.9%	33.2%	32.7%	0.5%

Other operating income

Other operating income mainly comprises of interest income from bank deposits. The increases was due to higher cash balances maintained during the period.

Operating expenses

Operating expenses increased by approximately RMB 41.5 million or 370.5% from approximately RMB 11.2 million in 1H 07 to approximately RMB 52.7 million in 1H 08. As a percentage of revenue, operating expenses has increased to approximately 6.1% in 1H 08 from approximately 2.2% in 1H 07.

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Selling and distribution costs increased by approximately RMB 30.1 million or 330.8% from approximately RMB 9.1 million in 1H 07 to approximately RMB 39.2 millions in 1H 08. The increase was due mainly to increase in advertising and promotion expenses of approximately RMB 29.8 million incurred in promoting our products to increase our YELI brand value. Selling and distribution costs accounted for approximately 4.5% of our revenue in 1H 08 up from approximately 1.7% in 1H 07.

Administrative expenses increased by approximately RMB 11.4 million or 542.9% from approximately RMB 2.1 million in 1H 07 to approximately RMB 13.5 million in 1H 08. The increase was due mainly to professional and consultancy expenses and expenses incurred for investor relationship and maintaining listing status of approximately RMB 2.6 million, increase in the payroll of key executives and the director's remuneration and headcounts and related expenses of approximately RMB 5.5 million, the withholding tax for proposed dividend by our Group's subsidiary charged by the PRC government of approximately RMB 1.7 million, the amortisation of the patent rights and depreciation of property, plant and equipment of approximately RMB 0.8 million and rental expense of approximately RMB 0.8 million incurred for our new office.

Finance costs

Finance costs in 1H 08 of approximately RMB 0.3 million, which was slightly higher than 1H 07. The increase was mainly due to higher interest rate charged by the bank.

Income Tax

Income tax expense increased by approximately RMB 11.6 million or 44.3% from approximately RMB 26.2 million in 1H 07 to approximately RMB 37.8 million in 1H 08. The increase was due mainly to the increase in profit before tax in 1H 08. The effective tax rate of 25% in 1H 08 represented a 2% lower than 1H 07 as a result of a reduction in PRC tax rate in 2008.

(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 Financial Position

Non Current Assets

Net book value of property, plant and equipment increased by approximately RMB 21.7 million from approximately RMB 60.4 million as at 31 December 2007 to approximately RMB 82.1 million as at 30 June 2008. This was mainly attributed to the extension of production floor (including acquisition of new production lines), the construction of staff quarter and the new management office in the factory.

Land use rights and intangible assets decreased by approximately RMB 0.3 million from approximately RMB 8.6 million as at 31 December 2007 to approximately RMB 8.3 million as at 30 June 2008 due to the amortisation of land use rights, patent and other intangible assets.

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Current Assets

Inventories, comprised mainly of raw materials, increased slightly by approximately RMB 0.6 million from approximately RMB 22.3 million as at 31 December 2007 to approximately RMB 22.9 million as at 30 June 2008. The increase was mainly to cope with the increased production to meet expected increase in demand from customers in the coming quarter.

Trade receivables increased from approximately RMB 215.6 million as at 31 December 2007 to approximately RMB 231.4 million as at 30 June 2008 due mainly to the increase in our revenue and longer credit terms given to our distributors to align with market conditions.

As at 30 June 2008, we had cash and cash equivalents of approximately RMB 535.3 million. The increase in cash and cash equivalents was due mainly to the net cash generated from operating activities. (Please refer to the statement of cash flow on page 5 for further details).

Current Liabilities

Trade payables and bills payables increased from approximately RMB 62.2 million as at 31 December 2007 to approximately RMB 125.6 million as at 30 June 2008 due to the increase in purchases of raw material to cope with increased production in order to meet the anticipated increase in demand from customers and the better payment terms from the suppliers.

Accrued liabilities and other payables (included wages payables, accrued utilities expenses) increased from approximately RMB 40.4 million as at 31 December 2007 to approximately RMB 60.4 million as at 30 June 2008. The increase was consistent with the increase in the level of activities.

As at 30 June 2008, there were no bank borrowings as we had repaid all the bank borrowings of approximately RMB 8.6 million during the second quarter.

9. Use of IPO Proceeds

The following table details the utilisation of IPO proceeds up to 30 June 2008:

No	Planned Usage	IPO Proceeds (RMB million)	Cumulative Amount used (RMB million)	Balance (RMB million)
1.	Acquisition and/or construction of new manufacturing facilities, addition of new production lines and upgrading of manufacturing facilities	110.1	81.2	28.9
2.	Advertising and promotion activities	40.0	40.0	0.0
3.	Expansion of distribution network and increase of sales channel	40.0	9.9	30.1
4.	Enhance product design and development efforts	30.0	12.7	17.3
5.	General working capital	153.7	153.7	0.0
		<u>373.8</u>	<u>297.5</u>	<u>76.3</u>

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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 Group believes that major sporting events such as the on-going 2008 Beijing Olympic Games, the 2010 Guangzhou Asian Games and 2011 Shenzhen World University Games will increase awareness and participation of sports in the PRC. At the same time, the sustained growth of the PRC economy which resulted in higher purchasing power will continue to underpin demand for sporting goods in the PRC.

Specifically, the prospects for the Group's key market in the PRC, sports fashion market remains bright. Recent market trend suggests that the sports fashion market in the PRC has been growing faster than the overall sporting goods market as consumers increasingly use sportswear as casual wear. This trend is likely to continue in the next few years as sports fashion wear is able to meet the demand for comfort use as everyday wear and for functional use during sporting activities.

To capitalize on potential growth opportunities, the Group will continue to focus on network expansion, product development and enhancement as well as enhancing brand value through advertising and promotion.

The Group added approximately 150 new point of sales in 2Q 08 with total point of sales reaching approximately 2,250 as at the end of June 2008. Majority of the point of sales added in 2Q 08 were the new generation specialty stores located at street level and with larger display area. We believe the larger new generation specialty stores will help to increase YELI brand visibility and provide a good platform to introduce our expanding product range for footwear and apparels as well as the impending launch of our new accessories product line.

Since expanding our in-house product development team in 2007, it has enhanced our ability to introduce new and broader range of footwear and apparel with trendy and fashionable designs, which we believe will appeal to our target consumers. During the trade-fairs held in 2Q 08, we introduced more than 100 new footwear designs and approximately 200 new apparel designs and have received encouraging orders from our distributors.

In 2008, we will continue to increase our advertising and promotion expenses to strengthen YELI brand value and enhance brand visibility. We will continue to leverage on various forms of advertising avenues and promotional activities, including TV commercials, online advertising, out-door advertising and sponsorships to grow our YELI brand value and market share.

We have established co-operation with two of the leading websites in the PRC www.sohu.com and www.sports.cn to promote YELI brand awareness. In addition to HunanTV, we started to advertise through the national TV channel CCTV. This will provide additional platform to increase YELI brand visibility and attract new distributors from other provinces in the PRC which are not penetrated by us yet.

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The Group is pleased to inform that its wholly owned subsidiary, Yeli (China) Co., Ltd ("Yeli China") qualifies as a wholly-owned foreign entity and will be entitled to tax exemption from the second half of 2008 until December 2009. The Group's own YELI brand related business will be progressively transferred to Yeli China. Since YELI related business accounts for a significant part of the Group's sales and net profit, the tax savings are expected to positively impact the net profit of the Group during the second half of 2008 and during the financial year 2009.

Barring unforeseen circumstances, we are optimistic about our performance for the remaining period of the financial year.

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/recommended, a statement to that effect.

No dividend has been recommended for the six months ended 30 June 2008.

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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.**

BUSINESS SEGMENTS

The Group is engaged in only one business segment which is the design, manufacture and sales of sports fashion footwear and the design and sales of sports fashion apparel which has identical risk and returns.

GEOGRAPHICAL SEGMENTS

All of our assets and liabilities are located in the PRC, as such no geographical segment results are presented.

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.**

Breakdown of Revenue by Geographical Regions which classified based on the PRC customers where we sold the goods to:

(RMB million)	2Q 08	%	2Q 07	%	1H 08	%	1H 07	%
Domestic Sales	323.4	69	194.3	63	623.4	72	320.1	61
Export Sales	142.4	31	116.3	37	245.3	28	201.7	39
Total Sales	465.8	100	310.6	100	868.7	100	521.8	100

17. **Interested Person Transaction**

There is no interested person transaction entered into by the Company or by the Group during the six months ended 30 June 2008.

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18. Negative Assurance

Statement Pursuant to SGX Listing Rule 705(4) 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 second quarter and for the six months ended 30 June 2008 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 August 2008

BY ORDER OF THE BOARD

Lin Shaoxiong
Chief Executive Officer
14 August 2008

