



CHINA SPORTS INTERNATIONAL LIMITED
(Company Registration No: 39798)

Unaudited Results for the Second Quarter and the Six Months ended 30 June 2009

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 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.

CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2009

(RMB '000)	Second Quarter		Change %	Half Year		Change %
	Unaudited 2009	Unaudited 2008		Unaudited 2009	Unaudited 2008	
Revenue	524,279	465,854	12.5	1,054,727	868,712	21.4
Cost of sales	(440,273)	(360,657)	22.1	(882,213)	(674,704)	30.8
Gross profit	84,006	105,197	(20.1)	172,514	194,008	(11.1)
Other operating income	1,261	892	41.4	1,149	1,884	(39.0)
	85,267	106,089		173,663	195,892	
Selling and distribution expenses	(29,190)	(19,706)	48.1	(43,895)	(39,231)	11.9
Administrative expenses	(6,937)	(6,588)	5.3	(13,276)	(13,467)	(1.4)
Finance costs	(273)	(130)	110.0	(852)	(301)	183.1
Profit before income tax	48,867	79,665	(38.7)	115,640	142,893	(19.1)
Taxation	(12,628)	(20,948)	(39.7)	(29,739)	(37,835)	(21.4)
Profit for the period	36,239	58,717	(38.3)	85,901	105,058	(18.2)
Gross profit margin	16.0%	22.6%		16.4%	22.3%	
Profit before income tax margin	9.3%	17.1%		11.0%	16.4%	
Net profit margin	6.9%	12.6%		8.1%	12.1%	

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2009

(RMB '000)	Second Quarter		Change %	Half Year		Change %
	Unaudited 2009	Unaudited 2008		Unaudited 2009	Unaudited 2008	
Profit for the period	36,239	58,717	(38.3)	85,901	105,058	(18.2)
Other comprehensive income / (expenses) for the period						
Exchange differences on translating foreign operations	(21)	-	(100.0)	(22)	-	(100.0)
Total comprehensive income for the period	36,218	58,717		85,879	105,058	

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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 %
	2009	2008		2009	2008	
(a) Income statement includes the following:						
Interest paid on borrowings	(273)	(130)	110.0	(852)	(301)	183.1
Depreciation of property, plant and equipment	(8,739)	(1,402)	523.3	(17,468)	(2,669)	554.5
Amortisation of land use rights	(16)	(16)	-	(32)	(32)	-
Amortisation of intangible assets	(6)	(204)	(97.1)	(12)	(407)	(97.1)
Loss on disposal of property, plant and equipment	-	-	-	-	(41)	(100.0)
Lease payments under operating lease for leasehold buildings	(615)	(640)	(3.9)	(1,230)	(1,230)	-
Salaries and related costs						
- Director remuneration	(554)	(588)	(5.8)	(1,101)	(1,059)	4.0
- Key personnel	(256)	(328)	(22.0)	(670)	(609)	10.0
(b) Other operating income comprises mainly:						
Exchange (loss)/gain	207	(52)	NM#	(273)	135	NM#
Interest income	745	944	(21.1)	1,149	1,749	(34.3)

NM = 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

(RMB '000)	Group Unaudited As at 30/6/2009	Group Audited As at 31/12/2008	Company Unaudited As at 30/6/2009	Company Audited As at 31/12/2008
Non-current assets				
Property, plant and equipment	90,253	106,227	27	18
Land use rights/Intangible assets	2,868	2,864	-	-
Investment in subsidiary	-	-	406,705	406,617
	93,121	109,091	406,732	406,635
Current assets				
Inventories	25,055	26,156	-	-
Amount due from subsidiary	-	-	34,001	34,001
Trade receivables	278,584	281,216	-	-
Prepayments, other receivables and deposits	9,391	9,469	14	18
Pledged bank deposits	3,000	3,000	-	-
Cash and cash equivalents	692,438	544,597	3,609	4,252
	1,008,468	864,438	37,624	38,271
Less: Current liabilities				
Trade and bills payables	165,081	107,278	-	-
Amount owing to director	52,587	17,779	41,107	6,299
Accrued liabilities and other payables	37,886	36,834	3,757	1,764
Interest-bearing bank borrowings	10,000	40,901	-	33,901
Amount due to subsidiary	-	-	1,840	-
Provision for income tax	6,889	8,370	-	-
	272,443	211,162	46,704	41,964
Net current assets/(liabilities)	736,025	653,276	(9,080)	(3,693)
Net assets	829,146	762,367	397,652	402,942
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	64,169	55,437	-	-
Exchange reserves	(2,355)	(2,377)	330	330
Retained earnings/Accumulated losses	349,471	291,446	(19,738)	(14,448)
Shareholders' equity	829,146	762,367	397,652	402,942
Inventory turnover (days)	5	6		
Trade receivables turnover (days)	48	42		

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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 30/6/2009		As at 31/12/2008	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	3,000	-	6,000	-
Interest-bearing loans	10,000	-	40,901	-
	<u>13,000</u>	<u>-</u>	<u>46,901</u>	<u>-</u>

Amount repayable after one year

	As at 30/6/2009		As at 31/12/2008	
	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 as at 30 June 2009 and as at 31 December 2008 and interest-bearing loan for Hengfa (Fujian) Light Industry Development Co., Ltd. ("Hengfa") are secured over the land use rights and buildings of our subsidiary Hengfa. The bills payable and interest-bearing bank loan are still outstanding as at 30 June 2009.

The interest-bearing loan for China Sports International Limited amounting to approximately RMB 33.9 million as at 31 December 2008 was secured by a charge over the shares owned by Mr. Lin Shaoxiong, the Executive Director, Chief Executive Officer and Chairman of the Company and Mr. Li Tung Kwo, then a substantial shareholder of the Company. The said interest-bearing bank loan of the Company has been fully settled as at 30 June 2009.

The bills payable are guaranteed by bank deposits for securing the payment to suppliers.

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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.

Amortisation of land use rights/intangible assets	22	220	44	439
Interest expenses	273	130	852	301
Loss on disposal of property, plant and equipment	-	-	-	41
Exchange difference in translation	(21)	-	(22)	-
Operating profit before working capital changes	57,133	80,348	132,833	144,479
Increase / (decrease) in inventories	3,338	1,421	1,101	(573)
(Decrease) / increase in trade receivables and other receivables	(68,183)	33,934	2,710	(15,776)
Increase in trade and bills payables	22,447	18,668	60,803	63,361
(Decrease) / increase in accrued liabilities and other payables	(317)	5,510	1,052	19,982
Cash generated from operations	14,418	139,881	198,499	211,473
Interest received	745	1,069	1,149	1,864
Interest paid	(273)	(130)	(852)	(301)
Income tax paid	(17,111)	(16,888)	(31,220)	(31,642)
Net cash (used in) / generated from operating activities	(2,221)	123,932	167,576	181,394
Cashflows from investing activities				
Acquisition of land use rights/intangible assets	-	-	(46)	-
Purchases of property, plant and equipment	(9)	(20,928)	(1,495)	(24,568)
Net cash used in investing activities	(9)	(20,928)	(1,541)	(24,568)
Cashflows from financing activities				
Increase in amount owing to director	27,667	-	34,807	-
Dividend paid	(19,100)	(31,327)	(19,100)	(31,327)
Decrease in bills payable	-	-	(3,000)	-
Bank loans obtained	-	(8,560)	-	(8,560)
Repayment of bank loans	(25,947)	-	(30,901)	-
Net cash used in financing activities	(17,380)	(39,887)	(18,194)	(39,887)
Net (decrease) / increase in cash and cash equivalents	(19,610)	63,117	147,841	116,939
Cash and cash equivalents at beginning of period	712,048	472,176	544,597	418,354
Cash and cash equivalents at end of period	692,438	535,293	692,438	535,293

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(RMB '000)	Second Quarter		Half Year	
	Unaudited 2009	Unaudited 2008	Unaudited 2009	Unaudited 2008
Analysis of the balances of cash and cash equivalents				
Cash and bank balances	692,438	535,293	692,438	535,293
Cash and cash equivalents per share (Cents)	<u>102.78</u>	<u>79.46</u>	<u>102.78</u>	<u>79.46</u>
Number of shares at balance sheet date	673,700,000	673,700,000	673,700,000	673,700,000

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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	Merger Reserves	Exchange Reserves	Statutory Reserve	Retained Profits/ (Accumulated Loss)	Total
Group							
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	-	-	-	-	19,604	(19,604)	-
Total comprehensive income for the year	-	-	-	51	-	184,935	184,986
At 31 December 2008	26,419	390,641	801	(2,377)	55,437	291,446	762,367
At 1 January 2009	26,419	390,641	801	(2,377)	55,437	291,446	762,367
First and final dividend paid	-	-	-	-	-	(19,100)	(19,100)
Transfer to statutory reserves	-	-	-	-	8,732	(8,732)	-
Total comprehensive income for the period	-	-	-	22	-	85,857	85,879
At 30 June 2009	26,419	390,641	801	(2,355)	64,169	349,471	829,146
Company							
At 1 January 2008	26,419	390,641	-	330	-	(3,452)	413,938
First and final dividend paid	-	-	-	-	-	(31,327)	(31,327)
Total comprehensive income for the year	-	-	-	-	-	20,331	20,331
At 31 December 2008	26,419	390,641	-	330	-	(14,448)	402,942
At 1 January 2009	26,419	390,641	-	330	-	(14,448)	402,942
First and final dividend paid	-	-	-	-	-	(19,100)	(19,100)
Total comprehensive income for the period	-	-	-	-	-	13,810	13,810
At 30 June 2009	26,419	390,641	-	330	-	(19,738)	397,652

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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 outstanding convertibles or treasury shares held as at 30 June 2009 and 31 December 2008.

There were no changes to the issued and paid-up capital of the Company since the end of the previous reported on up to 30 June 2009.

On 30 June 2009 and subsequently on 24 July 2009, the Group announced a proposed renounceable underwritten rights issue of 168,425,000 ordinary shares at an issue price of S\$ 0.10 each on the basis of one rights share for every four existing ordinary shares ("Rights Issue"). Upon completion of the Rights Issue, the Company's total issued shares will be 842,125,000 ordinary shares of HK\$ 0.04 each fully paid.

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 Company's total issued shares as at 30 June 2009 and as at 31 December 2008 was 673,700,000 ordinary shares of HK\$0.04 each fully paid. There was no movement in the issued and paid-up capital of the Company after 31 December 2008.

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 those of the most recent audited financial statement as at 31 December 2008 except for the adoption of the new and revised Financial Reporting Standards ("FRS") as mentioned in paragraph 5 below.

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.**

The new and revised Financial Reporting Standards ("FRSs") which took effect from the current financial year are now assessed to have no material impact to the results or the opening balances of the accumulated profit of the Group and of the Company for the year ending 31 December 2009. The Company will also report its segmental results for the year ending 31 December 2009.

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	
	2009	2008	2009	2008
Profit after income tax (RMB'000)	36,239	58,717	85,901	105,058
Basic earnings per share (RMB cents)	5.4	8.7	12.75	15.59

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. The weighted average ordinary shares during the period for 2Q 08 are assumed to be 673,700,000 shares. 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.

	Group	Group	Company	Company
	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2009	As at 31 Dec 2008	As at 30 June 2009	As at 31 Dec 2008
Net asset value as at the end of the respective period (RMB'000)	829,147	762,367	397,652	402,942
Issued share capital at the end of financial period/year	673,700,000	673,700,000	673,700,000	673,700,000
Net asset value per share (RMB cents)	123.07	113.16	59.03	59.81

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 June 2009 ("2Q 09"), the Group recorded revenue of approximately RMB 524.2 million, an increase of approximately RMB 58.4 million or 12.5% over revenue of approximately RMB 465.8 million for the previous corresponding period ("2Q 08"). For the six months ended 30 June 2009 ("1H 09"), revenue increase by approximately RMB 186.0 million or 21.4% to RMB 1,054.7 million from RMB 868.7 million in the previous corresponding period ("1H 08").

The increase in revenue in in both 2Q 09 and 1H 09 was mainly attributable to:

- (i) the upgrade and opening of more of our specialty stores;
- (ii) the increase in sales of YELI apparel; and
- (iii) the launch of YELI accessories in August 2008;

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Breakdown of Revenue by Business Lines:

(RMB million)	2Q 09	%	2Q 08	%	1H 09	%	1H 08	%
Footwear :	408.9	77.9	379.7	81.5	824.9	78.2	715.0	82.3
Apparel	113.0	21.6	86.1	18.5	222.9	21.1	153.7	17.7
Accessories	2.4	0.5	0.0	0.0	6.9	0.7	0.0	0.0
Total Sales	524.3	100.0	465.8	100.0	1,054.7	100.0	868.7	100.0

In 1H 09, sales of footwear products had recorded of approximately RMB 824.9 million, an increase of approximately RMB 109.9 million or 15.4% over sales of footwear products of approximately RMB 715.0 million for 1H 08. The increase was due mainly to the successful implementation of our Group's strategy to build up awareness and enhance our YELI brand value. The proportion of YELI footwear revenue over total footwear revenue had increased to 80.6% in 1H 09 up from 77.7% in 1H 08.

Breakdown of footwear revenue by segment:

(RMB million)	2Q 09	%	2Q 08	%	1H 09	%	1H 08	%
YELI footwear	277.8	67.9	304.7	80.2	665.0	80.6	555.6	77.7
OEM footwear	131.1	32.1	75.0	19.8	159.9	19.4	159.4	22.3
Total footwear	408.9	100.0	379.7	100.0	824.9	100.0	715.0	100.0

In 1H 09, our YELI apparel sales was approximately RMB 222.9 million which represented approximately 24.9% and 21.1% of our YELI revenue and of our total revenue respectively as compared to only approximately 21.7% and 17.6% of our YELI revenue and our total revenue in 1H 08. Our YELI accessories was launched in August 2008 and recorded revenue of approximately RMB 6.9 million in 1H 09 which represented 0.8% and 0.7% of our YELI revenue and our total revenue in 1H 09 respectively.

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

	1H 09	1H 08	Growth
Points of sale	Over 2,135*	Over 2,250*	(5)%
YELI specialty stores	Over 450	Over 285	58%

* The above number of points of sale were compiled by aggregating the number of sales outlets provided to us by each of our distributors. The number of points of sale included YELI specialty stores.

The distribution network for our YELI products in PRC decreased 5% from over 2,250 points of sale in 1H 08 to over 2,135 points of sale as at 30 June 2009 as the Group continued to execute its strategy to improve the mix of its points of sale, by reducing the number of shops-

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in-shops while adding more specialty stores which are more visible and can carry a wider range of our products. Over the same period, the number of specialty stores increased by 58% from over 285 to over 450. With the increasing number of YELI specialty stores, we were able to expand the varieties of our products sold to the consumers.

Cost of goods sold and gross profit margin

In line with the increase in revenue, our cost of sales increased by approximately RMB 207.5 million or 30.8% from approximately RMB 674.7 million in 1H 08 to approximately RMB 882.2 million in 1H 09.

The subcontracting cost (including raw materials) of the footwear products, apparel and accessories increased by approximately RMB 17.4 million or 5.2% from approximately RMB 336.7 million in 1H 08 to approximately RMB 354.1 million in 1H 09. The increase was mainly due to the increase in sales of apparel and accessories (production of which were completely outsourced) and increase in sales volume of footwear products (part of its production were outsourced).

Gross profit margin by product segment:

	2Q 09	2Q 08	Growth	1H 09	1H 08	Growth
Footwear	8.7%	19.8%	(11.1)%	10.3%	19.8%	(9.5)%
Apparel	42.5%	33.2%	9.3%	39.1%	33.2%	5.9%
Accessories	9.7%	-	N/A	7.6%	-	N/A
Overall GP margin	16.0%	22.0%	(6.0)%	16.4%	22.0%	(5.6)%

Our gross profit decreased by approximately RMB 21.5 million or 11.1% from approximately RMB 194.0 million in 1H 08 to approximately RMB 172.5 million in 1H 09. Our gross profit margin decreased from approximately 22.3% in 1H 08 to 16.4% in 1H 09. The decrease of the gross profit margin of our YELI footwear products were mainly attributable to higher subcontracting costs and the decrease of the average selling price of the footwear products for maintaining a competitive pricing for distributors to capture more market share for our YELI products. The gross profit margin of YELI apparel has improved as compared to the 1Q 09. The pickup of the gross profit margin is result of the Group continuous efforts placed on research and development on our YELI apparels. The low gross profit contributed by our YELI accessories was due mainly to high overheads arising from the initial setup and development cost incurred for this new range of product. The gross profit margin for our YELI accessories is expected to improve upon achieving optimum sales quantities. As more YELI specialty stores being opened, the sales volume placed will increase progressively and the gross profit margin of the accessories will increase accordingly.

Other operating income

Other operating income comprises of interest income from bank deposits. The decrease in other operating income in 1H 09 is mainly due to lower interest rate as compared to 1H 08.

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Operating expenses

In total, operating expenses which comprise selling and distribution expenses and administrative expenses increased by approximately RMB 4.4 million or 8.3% from approximately RMB 52.7 million in 1H 08 to approximately RMB 57.2 million in 1H 09. As a percentage of revenue, operating expenses decreased to approximately 5.4% in 1H 09 from approximately 6.0% in 1H 08.

The main increase came from selling and distribution costs which increased by approximately RMB 4.7 million or 11.9% from approximately RMB 39.2 million in 1H 08 to approximately RMB 43.9 millions in 1H 09. The increase was due mainly to the various the new advertising and promotion programme, featuring the Group's newly appointed spokespersons **Fahrenheit (飞轮海)** launched in 2Q 09.

Administrative expenses of approximately RMB 13.3 million in 1H 09 was comparable to its corresponding period in 2008.

Finance costs

Finance costs in 1H 09 increased by approximately RMB 0.6 million or 183.1% from approximately RMB 0.3 million in 1H 08 to approximately RMB 0.9 million in 1H 09. The increase was due mainly to higher amount of outstanding bank loan in 1H 09 as compared to 1H 08.

Income tax

Income tax expense decreased by approximately RMB 8.1 million or 21.4% from approximately RMB 37.8 million in 1H 08 to approximately RMB 29.7 million in 1H 09. The decrease was due mainly to the decrease in profit before tax in 1H 09. The effective tax rate of 25.7% in 1H 09 which is 0.8% lower than 1H 08 is the result of the expenses incurred outside PRC which is non-deductible for income tax is lower compared to its corresponding period 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 decreased by approximately RMB 15.9 million from approximately RMB 106.2 million as at 31 December 2008 to approximately RMB 90.3 million as at 30 June 2009. This was mainly attributed to depreciation of the property, plant and equipment incurred.

Land use rights and intangible assets as at 30 June 2009 was around the level as at 31 December 2008. This was mainly attributed to the increase in intangible assets offsetting the amortisation of land use rights, patent and other intangible assets.

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Current Assets

Inventories, comprised mainly of raw materials, decreased by approximately RMB 1.1 million from approximately RMB 26.2 million as at 31 December 2008 to approximately RMB 25.1 million as at 30 June 2009. The decrease was temporary fluctuation and the level of raw material is sufficient to cope with the demand from customers in the coming quarter.

Trade receivables increased from approximately RMB 281.2 million as at 31 December 2008 to approximately RMB 278.6 million as at 30 June 2009. The decrease in balances was mainly due to the Group's effort in collection from the customers. The Group has extended the credit terms of our customers in order to accelerate the growth of business activities with the consideration of the credit exposure.

As at 30 June 2009, we had cash and cash equivalents of approximately RMB 692.4 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 pages 6 and 7 for further details).

The cash and cash equivalents were mainly bank deposits denominated in RMB. As at 30 June 2009, 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 107.3 million as at 31 December 2008 to approximately RMB 165.1 million as at 30 June 2009. The Group is getting more favourable terms of payment to suppliers.

Accrued liabilities and other payables (included wages payables, accrued utilities expenses) increased from approximately RMB 36.8 million as at 31 December 2008 to approximately RMB 37.9 million as at 30 June 2009 where the increase is consistent with the the increase in the level of activities.

The increase in the amount owing to director of approximately RMB 33.9 million was due to a foreign currency loan provided by Mr. Lin Shaoxiong, our Executive Director and CEO of the Company, to the Company for the settlement of an interest-bearing bank loan. This foreign currency loan is interest free with no fixed term of repayment.

As at 30 June 2009, there were bank borrowings of RMB 10.0 million obtained by Hengfa. The decrease in the amount of the bank borrowings as compared to 31 December 2008 was due to settlement of the bank loan obtained by China Sports International Limited in 2Q 09.

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The following table details the utilisation of IPO proceeds up to 30 June 2009:

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	83.0	27.1
2.	Advertising and promotion activities	40.0	40.0	0.0
3.	Expansion of distribution network and increase of sales channel	40.0	40.0	0.0
4.	Enhance product design and development efforts	30.0	19.3	10.7
5.	General working capital	153.7	153.7	0.0
		373.8	336.0	37.8

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.

For the year to date, we faced intense competition, resulting in pressure on our gross profit margin and profitability despite revenue growth. We expect the second half of the current financial year to remain challenging. To maintain our competitive edge and to capitalise on potential growth opportunities during this challenging time, our Group will continue to focus on our strategy of product development, strengthening our YELI brand value through advertising and promotion ("A&P") activities and improving and upgrading our distribution network.

After confirming the appointment of one of Asia's hottest boy bands, Fahrenheit (飞轮海) as YELI (野力) brand spokespersons in February 2009, our Group had intensified our A&P activities in 2Q 09 to fully maximise and leverage on Fahrenheit's popularity with our target consumer group to promote our YELI brand in China. In April 2009, Fahrenheit was invited to attend a press conference and our Group's trade fair in Hangzhou. The new promotion efforts featuring Fahrenheit had been launched through various media. The publicity generated from the public events and the new advertising campaign is expected to increase YELI brand awareness in China.

In 1H 09, our Group had actively executed our strategy to improve the mix of our points of sale, by reducing the number of shops-in-shops while adding on more specialty stores. As at June 2009, the number of specialty stores had exceeded 450 compared to approximately 285 as at June 2008 while the number of shops-in-shops had decreased to approximately 1,685 as at

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June 2009 from approximately 1,965 as at June 2008. This move is important as these specialty stores which are mostly located at street level and have larger display area provides a better image and platform to display the entire range of YELI products including footwear, apparel and accessories. The higher margin YELI apparel accounted for about 21.1% of our Group's revenue in 1H 09 up from 17.7% last year. We intend to continue to improve our product mix in favour of YELI apparel by increasing the number of specialty stores further during the second half of 2009.

Since the engagement of Fahrenheit, we had received positive feedback from our distributors expressing their interest to expand points of sale further, especially in the form of specialty stores. We intend to grow the total number of specialty stores to 500 by the end of 2009. In addition to spending on our A&P activities, we may have to allocate substantial cash resources towards the expansion of our specialty stores network.

We are presently in talks with the local government of Jinjiang to acquire an industrial plot for the construction of a new manufacturing facility, for which approval is pending. Upon receipt of the approval, we may have to incur significant capital expenditure outlay for this investment.

On 30 June 2009 and 24 July 2009, we announced a proposed renounceable underwritten rights issue of 168,425,000 ordinary shares at an issue price of S\$0.10 each on the basis of one rights share for every four existing ordinary shares ("Rights Issue"). The Rights Issue will raise approximately S\$16.1 million in net proceeds, of which approximately S\$15.0 million or RMB70.8 million will be injected into our wholly-owned subsidiary in China, Yeli Sports (China) Co., Ltd to meet its capital injection deadline of 13 December 2009.

The Rights Issue proceed will be used to upgrade and expand our Group's distribution network, fund the A&P activities to promote the YELI brand and general working capital purposes.

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.

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13. If no dividend has been declared/recommended, 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

Our Executive Director and CEO, Mr. Lin Shaoxiong and Mr. Li Tung Kwo, then a substantial shareholder of the Company has jointly pledged their shares to secure a term loan for the Company. We have not paid any form of consideration to Mr. Lin Shaoxiong and Mr. Li Tung Kwo for the provision of the share pledge.

Our Executive Director and CEO, Mr. Lin Shaoxiong and Mr. Lin Yongjian (the father of Mr. Lin Shaoxiong and Mr. Lin Shaoqin and a director of our wholly-owned subsidiary Hengfa (Fujian) Light Industry Development Co., Ltd.) have jointly provided a personal guarantee to secure our banking facility. We have not paid any form of consideration to Mr. Lin Shaoxiong and Mr. Lin Yongjian for the provision of the personal guarantee.

Our Executive Director and CEO, Mr. Lin Shaoxiong had provided personal loans for the working capital of Theme Way Limited, our wholly-owned subsidiary in Hong Kong and for the repayment of bank loan of the Company. We have not paid any form of consideration or interest to Mr. Lin Shaoxiong on his loans. There is no fixed repayment term for these loans.

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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 second quarter and for the six months ended 30 June 2009 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 2009

BY ORDER OF THE BOARD

Lin Shaoxiong
Chief Executive Officer
14 August 2009