



CHINA SPORTS INTERNATIONAL LIMITED
(Company Registration No: 39798)

Unaudited Results for the Fourth Quarter and the Year ended 31 December 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.

STATEMENT OF PROFIT AND LOSS FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2008 (in RMB)

(RMB '000)	Fourth Quarter		Change %	Full Year		Change %
	2008	2007		2008	2007	
Revenue	505,120	349,275	44.6	1,859,712	1,207,050	54.1
Cost of sales	(422,520)	(270,956)	55.9	(1,473,461)	(942,796)	56.3
Gross profit	82,600	78,319	5.5	386,251	264,254	46.2
Other operating income	574	7,589	(92.4)	3,256	8,184	(60.2)
Selling and distribution expenses	(41,446)	(25,375)	63.3	(113,903)	(42,768)	166.3
Administrative expenses	3,722	(11,011)	(133.8)	(18,341)	(16,485)	11.3
Other operating expenses	(6,076)	(19)	31,878.9	(6,076)	(19)	31,878.9
Finance costs	(460)	(172)	167.4	(904)	(594)	52.2
Profit before income tax	38,914	49,331	(21.1)	250,283	212,572	17.7
Taxation	(8,675)	(14,947)	(42.0)	(65,348)	(57,483)	13.7
Profit after income tax	30,239	34,384	(12.1)	184,935	155,089	19.2
Gross profit margin	16.4%	22.4%		20.8%	21.9%	
Profit before income tax margin	7.7%	14.1%		13.5%	17.6%	
Profit after income tax margin	6.0%	9.8%		9.9%	12.8%	

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)	Fourth Quarter		Change %	Full Year		Change %
	2008	2007		2008	2007	
(a) Income statement includes the following:						
Interest paid on bank loans	(460)	(172)	167.4	(904)	(594)	52.2
Depreciation of property, plant and equipment	(26,467)	(832)	3,081.1	(34,152)	(2,658)	1,184.9
Amortisation of land use rights	(15)	(15)	-	(63)	(63)	-
Amortisation of intangible assets	(271)	(136)	99.3	(823)	(136)	505.1
Property, plant and equipment written off	(852)	-	NM	(893)	-	NM
Gain on disposal of property, plant and equipment	-	73	NM	-	73	NM
Intangible asset written off	(5,056)	-	NM	(5,056)	-	NM
Lease payments under operating lease for leasehold buildings	(615)	(871)	29.4	(2,460)	(1,618)	52.0
Salaries and related costs						
- Director remuneration	5,256	(496)	(1,159.7)	(4,325)	(1,396)	209.8
- Key personnel	(262)	(105)	149.5	(1,133)	(658)	72.2
(b) Other operating income comprises:						
Exchange (loss)/gain	(264)	6,817	(103.9)	(127)	6,817	(101.9)
Interest income	699	699	-	3,244	1,294	150.7

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.

(RMB '000)	Group		Company	
	Unaudited As at 31/12/2008	Audited As at 31/12/2007	Unaudited As at 31/12/2008	Audited As at 31/12/2007
Non-current assets				
Property, plant and equipment	106,227	60,384	18	4
Land use rights/Intangible assets	2,864	8,571	-	-
Investment in subsidiary	-	-	406,617	375,222
	<u>109,091</u>	<u>68,955</u>	<u>406,635</u>	<u>375,226</u>
Current assets				
Inventories	26,156	22,309	-	-
Amount due from subsidiary	-	-	34,001	31,327
Trade receivables	281,216	215,636	-	-
Prepayments, other receivables and deposits	9,469	9,380	18	2
Pledged bank deposits	3,000	-	-	-
Cash and cash equivalents	544,597	418,354	4,252	9,554
	<u>864,438</u>	<u>665,679</u>	<u>38,271</u>	<u>40,883</u>
Less: Current liabilities				
Trade and bills payables	107,278	62,234	-	-
Amount owing to director	17,779	756	6,299	756
Accrued liabilities and other payables	36,834	39,622	1,764	1,415
Interest-bearing bank loans	40,901	8,560	33,901	-
Provision for income tax	8,370	12,960	-	-
	<u>211,162</u>	<u>124,132</u>	<u>41,964</u>	<u>2,171</u>
Net current assets/(liabilities)	<u>653,276</u>	<u>541,547</u>	<u>(3,693)</u>	<u>38,712</u>
Non current liabilities				
Deferred tax liabilities	<u>-</u>	<u>1,794</u>	<u>-</u>	<u>-</u>
Net assets	<u>762,367</u>	<u>608,708</u>	<u>402,942</u>	<u>413,938</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	55,437	35,833	-	-
Exchange reserves	(2,377)	(2,428)	330	330
Retained earnings	291,446	157,442	(14,448)	(3,452)
Shareholders' equity	<u>762,367</u>	<u>608,708</u>	<u>402,942</u>	<u>413,938</u>
Inventory turnover (days)	6	6		
Trade receivables turnover (days)	42	40		

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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 31/12/2008		As at 31/12/2007	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	6,000	-	-	-
Interest-bearing bank loans	40,901	-	8,560	-
	<u>46,901</u>	<u>-</u>	<u>8,560</u>	<u>-</u>

Amount repayable after one year

	As at 31/12/2008		As at 31/12/2007	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	-	-
Interest-bearing bank loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Details of any collateral

The bills payable of RMB 6 million (FY2007: nil) are guaranteed by bank deposits of RMB 3 million.

The interest-bearing bank loans of RMB 7 million (FY2007: 8.6 million) of our wholly owned subsidiary, Hengfa (Fujian) Light Industry Development Co., Limited are secured over its land use rights and buildings.

The interest-bearing bank loan of approximately RMB 33.9 million (FY2007: nil) of our Company are secured jointly over the shares owned by Mr. Lin Shaoxiong, the Executive Director and Chief Executive Officer of the Company and Mr. Li Tung Kwo, a substantial shareholder of the Company.

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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)	Fourth Quarter		Full Year	
	2008	2007	2008	2007
Cashflows from operating activities				
Profit before income tax	38,914	49,331	250,283	212,572
Adjustments for:				
Interest income	(699)	(699)	(3,244)	(1,294)
Depreciation of property, plant and equipment	26,467	832	34,152	2,658
Amortisation of land use rights/intangible assets	286	151	886	199
Gain on disposal on property, plant and equipment	-	(73)	-	(73)
Property, plant and equipment written off	852	-	893	-
Intangible asset written off	5,056	-	5,056	-
Interest expenses	460	172	904	594
Exchange difference in translation	51	(2,622)	51	(1,628)
Operating profit before working capital changes	71,387	47,092	288,981	213,028
Inventories	(3,642)	1,918	(3,847)	(12,400)
Trade receivables and other receivables	(36,926)	(34,346)	(65,669)	(134,615)
Trade and bills payables	(35,009)	(11,345)	39,044	17,164
Accrued liabilities and other payables	(38,314)	10,693	(2,935)	14,942
Cash generated from (used in) operations	(42,504)	14,012	255,574	98,119
Interest received	699	699	3,244	1,294
Interest paid	(460)	(172)	(904)	(594)
Income tax paid	(19,143)	(16,549)	(71,732)	(49,675)
Net cash generated from (used in) operating activities	(61,408)	(2,010)	186,182	49,144
Cashflows from investing activities				
Acquisition of land use rights/intangible assets	(62)	-	(235)	(6,015)
Proceeds from disposal of fixed assets	-	493	-	492
Increase in pledged deposits*	(3,000)	-	(3,000)	1,540
Purchases of property, plant and equipment	(28,717)	(28,875)	(80,741)	(30,708)
Net cash used in investing activities	(31,779)	(28,382)	(83,976)	(34,691)
Cashflows from financing activities				
Increase in amount owing to director	17,023	-	17,023	-
Dividend paid	-	-	(31,327)	-
Increase in bills payable	6,000	-	6,000	-
Bank loans obtained	33,901	-	40,901	8,560
Repayment of bank loans	-	-	(8,560)	(8,150)
Issue of new shares	-	-	-	398,121
Net cash generated from financing activities	56,924	-	24,037	398,531
Net increase (decrease) in cash and cash equivalents	(36,263)	(30,392)	126,243	412,984
Cash and cash equivalents at beginning of period / year	580,860	448,746	418,354	5,370
Cash and cash equivalents at end of period / year	544,597	418,354	544,597	418,354

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(RMB '000)	Fourth Quarter		Full Year	
	2008	2007	2008	2007
Analysis of the balances of cash and cash equivalents				
Cash and bank balances	544,597	418,354	544,597	418,354
Net Cash per share (Cents)			<u>80.84</u>	<u>124.20</u>
Number of shares at balance sheet date			673,700,000	336,850,000

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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 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	<u>26,419</u>	<u>390,641</u>	<u>801</u>	<u>(2,428)</u>	<u>35,833</u>	<u>157,442</u>	<u>608,708</u>
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)	-
Arising on translation differences	-	-	-	51	-	-	51
Net profit for the year	-	-	-	-	-	184,935	184,935
At 31 December 2008	<u>26,419</u>	<u>390,641</u>	<u>801</u>	<u>(2,377)</u>	<u>55,437</u>	<u>291,446</u>	<u>762,367</u>
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	-	-	-	-	-	(3,452)	(3,452)
At 31 December 2007	<u>26,419</u>	<u>390,641</u>	<u>-</u>	<u>330</u>	<u>-</u>	<u>(3,452)</u>	<u>413,938</u>
At 1 January 2008	26,419	390,641	-	330	-	(3,452)	413,938
First and final dividend paid	-	-	-	-	-	(31,327)	(31,327)
Arising on translation differences	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	20,331	20,331
At 31 December 2008	<u>26,419</u>	<u>390,641</u>	<u>-</u>	<u>330</u>	<u>-</u>	<u>(14,448)</u>	<u>402,942</u>

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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 year ended 31 December 2008 and no outstanding convertibles or treasury shares held as at 31 December 2008, except the sub-division of share mentioned 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 preceding year.

	Number of shares	HK\$
Share capital as at 1 January 2008	<u>336,850,000</u>	<u>26,948,000</u>
Sub-division of one ordinary share into two ordinary shares on 8 May 2008	673,700,000	26,948,000
Share capital as at 31 December 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 those of the combined audited financial statement as at 31 December 2007.

The following are new or revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT IFRS") that are effective for annual periods beginning on or after 1 January 2008:

No	Titles	Effective date
INT FRS 111	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	Services Concession Arrangements	1 January 2008
INT FRS 114	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and the Interaction	1 January 2008

The adoption of the above INT FRS, where relevant to the Group, did not result in any significant changes to the Group's accounting policies nor any substantial impact on the financial statements.

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.

	Fourth Quarter		12 Months	
	2008	2007	2008	2007
Profit after income tax (RMB'000)	30,239	34,384	184,935	155,089
Basic earning per share (RMB cents)	4.5	5.1	27.5	27.4

The basic earnings per share for 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) The weighted average ordinary shares during the period for 4Q 07 and FY2007 are of 673,700,000 shares and 565,206,849 shares respectively . 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 31 Dec 2008	As at 31 Dec 2007	As at 31 Dec 2008	As at 31 Dec 2007
Net asset value as at the end of the respective period (RMB'000)	762,367	610,502	402,942	413,938
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 (RMB cents)	113.16	181.24	59.81	122.89

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 31 December 2008 ("4Q 08"), the Group recorded revenue of approximately RMB 505.1 million, an increase of approximately RMB 155.8 million or 44.6% over revenue of approximately RMB 349.3 million for the previous corresponding period ("4Q 07"). For the year ended 31 December 2008 ("FY2008"), revenue increase by approximately RMB 652.6 million or 54.1% to RMB 1,859.7 million from RMB 1,207.1 million in the previous corresponding period ("FY2007")

The increase in revenue in both 4Q 08 and FY2008 was mainly attributable to:

- (i) the expansion of our distribution network;
- (ii) the upgrade and opening of our specialty stores;
- (iii) the increase in the average selling price ("ASP") of our footwear products; and
- (iv) the launch of YELI accessories since 3Q 08 and the increase in sales of YELI apparel.

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Breakdown of Revenue by Business Lines:

(RMB million)	4Q 08	%	4Q 07	%	FY2008	%	FY2007	%
YELI products	369.4	73	286.8	82	1,465.3	79	941.1	78
OEM footwear	135.7	27	62.5	18	394.4	21	266.0	22
Total revenue	505.1	100	349.3	100	1,859.7	100	1,207.1	100

In FY2008, sales of YELI products increased by approximately RMB 524.2 million year on year due mainly to the successful implementation of our Group's strategy to build up awareness and enhance the YELI brand value. The proportion of sales of YELI products further increased to approximately 79% of total revenue in FY2008 up from 78% in FY2007.

Breakdown of YELI revenue by product segment:

(RMB million)	4Q 08	%	4Q 07	%	FY2008	%	FY2007	%
Footwear	264.4	72	222.2	77	1,109.2	76	735.7	78
Apparel	101.4	27	64.6	23	348.1	23	205.4	22
Accessories	3.6	1	Nil	0	8.0	1	Nil	0
Total YELI revenue	369.4	100	286.8	100	1,465.3	100	941.1	100

In 4Q 08, our YELI apparel sales was approximately RMB 101.4 million which represented approximately 27% and 20% of our YELI revenue and of our total revenue respectively as compared to only approximately 23% and 19% of our YELI revenue and our total revenue in 4Q 07. Our YELI accessories was launched since 3Q 08 and recorded revenue of approximately RMB 3.6 million in 4Q 08 which represented 1% and 0.7% of our YELI revenue and our total revenue in 4Q 08 respectively.

Breakdown of YELI revenue by region:

(RMB million)	4Q 08	%	4Q 07	%	FY2008	%	FY2007	%
Domestic sales	301.3	82	246.5	86	1,259.2	86	776.0	82
Export sales	68.1	18	40.3	14	206.1	14	165.1	18
Total YELI	369.4	100	286.8	100	1,465.3	100	941.1	100

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

	FY2008	FY2007	Growth
Point of sales	Over 2,260*#	Over 2,000*	13%

* The above number of point of sales were compiled by aggregating the number of sales outlets provided to us by each of our distributors

Includes approximately 400 YELI speciality stores.

Average selling price ("ASP") of footwear:

RMB	FY2008	FY2007	Growth
YELI	77.5	63.4	22.2%
OEM	74.3	63.4	17.2%

The distribution network for our YELI products in PRC increased from over 2,000 sales points in FY2007 to over 2,260 sales points as at 31 December 2008. With the increasing awareness of our YELI brand, we were able to increase the ASP of our YELI footwear products in FY2008 by approximately 22.2% over FY2007. The ASP of OEM product had also increased by approximately 17.2% over FY2007. It is our Group strategy to only maintain the production of OEM products with higher margins.

Cost of goods solds and gross profit margin

In line with the increase in revenue, our cost of sales increased by approximately RMB 530.7 million or 56.3% from approximately RMB 942.8 million in FY2007 to approximately RMB 1,473.5 million in FY2008.

The subcontracting cost (including raw materials) of the footwear products, apparel and accessories increased by approximately RMB 284.6 million or 77.9% from approximately RMB 365.4 million in FY2007 to approximately RMB 650.0 million in FY2008. The increase was mainly due to the increase in sales of apparel and accessories (production of which are completely outsourced) and increase in sales volume of footwear products (part of its production were outsourced).

Gross profit margin by product segment:

	4Q 08	4Q 07	Growth	FY2008	FY2007	Growth
YELI – Footwear	14.0%	21.0%	(7.0)%	18.6%	20.0%	(1.4)%
OEM – Footwear	7.1%	19.0%	(11.9)%	14.9%	19.0%	(4.1)%
YELI – Apparel	37.5%	34.1%	3.4%	34.6%	35.0%	(0.4)%
YELI – Accessories	6.5%	-	N/A	6.5%	-	N/A
Overall GP margin	16.4%	22.4%	(6.0)%	20.8%	21.9%	(1.1)%

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Our gross profit increased by approximately RMB 122.0 million or 46.2% from approximately RMB 264.3 million in FY2007 to approximately RMB 386.2 million in FY2008. Our gross profit margin decreased from approximately 21.9% in FY2007 to 20.8% in FY2008. Our gross profit increased by approximately RMB 4.3 million or 5.5% from approximately RMB 78.3 million in 4Q 07 to approximately RMB 82.6 million in 4Q 08. Our gross profit margin decreased from approximately 22.4% in 4Q 07 to approximately 16.4% in 4Q 08. The decrease of the gross profit margin of our YELI footwear products were mainly attributable to higher subcontracting costs. The decrease was partially offset by the increase in the gross profit margins of YELI apparel products. The low gross profit margin contributed by YELI accessories was due mainly to the initial setup and development cost incurred for this new range of product and thus the unit overhead for the product was high. The gross profit margin for YELI accessories is expected to improve once we achieve the optimum sales quantities.

Other operating income

Other operating income comprises of interest income from bank deposits and exchange differences. Higher other operating income in FY2007 is mainly due to an exchange gain of approximately RMB 6.8 million resulting from translating proceeds from IPO exercise. In the absence of such exchange gains in FY2008, interest income increased by approximately RMB 1.9 million as compare to FY2007 due to higher cash balances maintained in FY2008.

Operating expenses

Operating expenses increased by approximately RMB 79.0 million or 133.2% from approximately RMB 59.3 million in FY2007 to approximately RMB 138.3 million in FY2008. As a percentage of revenue, operating expenses increased to approximately 7.4% in FY2008 from approximately 4.9% in FY2007.

The increase was due to higher selling and distribution costs in FY2008 which increased by approximately RMB 71.1 million or 166.3% from approximately RMB 42.8 million in FY2007 to approximately RMB 113.9 millions as a result of higher advertising and promotion expenses of approximately RMB 65.6 million incurred in promoting the YELI brand to increase brand value and approximately RMB 28.0 million incurred for the upgrading and opening of YELI specialty stores. Selling and distribution costs accounted for approximately 6.1% of our revenue in FY2008 up from approximately 3.5% in FY2007.

Administrative expenses increased by approximately RMB 1.8 million or 11.2% from approximately RMB 16.5 million in FY2007 to approximately RMB 18.3 million in FY2008. The increase was due to higher provision for the executive directors' performance bonus and related expenses of approximately RMB 2.1 million and the arranger fee and related expenses for the bank loan taken up by the Company in FY2008 of approximately RMB 1.0 million. The net gain in administrative expenses in 4Q 08 was the result of the write-back of provision for executive directors' bonus of approximately RMB 5.9 million made in 3Q 08.

Other operating expenses increased by approximtely RMB 6.1 million mainly due to the one-time write-off of intangible asset and property, plant and equipment.

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Finance costs

Finance costs in FY2008 increased by approximately RMB 0.3 million or 52.2% from approximately RMB 0.6 million in FY2007 to approximately RMB 0.9 million in FY2008. The increase was due mainly to higher bank borrowings obtained in FY2008.

Income Tax

Income tax expense increased by approximately RMB 7.9 million or 13.7% from approximately RMB 57.5 million in FY2007 to approximately RMB 65.3 million in FY2008. The increase was due mainly to the higher profit before tax in FY2008. The effective tax rate of 26.1% in FY2008 which is 0.9% lower than FY2007 is the result of reduction in the PRC corporate tax rate in FY2008.

(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 45.8 million from approximately RMB 60.4 million as at 31 December 2007 to approximately RMB 106.2 million as at 31 December 2008. This was mainly attributed to the construction of the extension of the production floor, the staff quarter and the new management office in the factory and the purchase of fixtures and fittings for the new specialty stores.

Land use rights and intangible assets decreased by approximately RMB 5.7 million from approximately RMB 8.6 million as at 31 December 2007 to approximately RMB 2.9 million as at 31 December 2008 due to the amortisation of land use rights, and patent and the write off of approximately RMB 5.1 million of intangible assets.

Current Assets

Inventories, comprised mainly of raw materials, increased by approximately RMB 3.9 million from approximately RMB 22.3 million as at 31 December 2007 to approximately RMB 26.2 million as at 31 December 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 281.2 million as at 31 December 2008. The increase is in line with our Group revenue growth and longer credit term granted to our distributors to align with market conditions.

As at 31 December 2008, we had cash and cash equivalents of approximately RMB 544.6 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). There is a 3 million bank deposit pledged as bank guarantee for bills payable as at 31 December 2008.

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The cash and cash equivalents were mainly bank deposits denominated in RMB. As at 31 December 2008, we did not enter into any financial derivatives arrangements because our operations are mainly in PRC and our main operational currency is RMB.

Current Liabilities

Trade payables and bills payables increased from approximately RMB 62.2 million as at 31 December 2007 to approximately RMB 107.3 million as at 31 December 2008. This was 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 our suppliers.

Accrued liabilities, other payables and amount owing to director (included wages payables, accrued utilities expenses) increased from approximately RMB 40.4 million as at 31 December 2007 to approximately RMB 54.6 million as at 31 December 2008. The increase was consistent with the increase in the level of activities .

As at 31 December 2008, we had bank loans of approximately RMB 40.9 million. The increase is due to a new bank loan of approximately of approximately RMB 33.9 million obtained by the Company in 2008.

9. Use of IPO Proceeds

The following table details the utilisation of IPO proceeds up to 31 December 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	81.5	28.6
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	16.8	13.2
5.	General working capital	153.7	153.7	0.0
		373.8	332.0	41.8

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.

The PRC economy is expected to continue growing in FY2009 albeit at a slower pace. During the first half of FY2009, consumer sentiment in the PRC may remain muted. The recovery in consumer sentiment and spending will depend on how quickly the Chinese economy can resume its growth momentum.

As a result of the near term uncertainties, smaller competitors with limited financial resources may be forced to scale back on their investment or expansion plans. The Group however will continue to invest and expand its business operations as it has a healthy balance sheet, with cash and cash equivalents of RMB 544.6 million as at 31 December 2008. The Group will take this opportunity to grow its market share, especially in second, third and fourth tier cities in the PRC through its on-going investments and efforts in brand building, network expansion and product development.

The Group recently appointed one of Asia' hottest boy bands Fahrenheit (飞轮海) as the YELI (野力) brand spokespersons. Under the terms of the agreement, Fahrenheit will appear in both TV and print advertisements to endorse the YELI brand in the PRC market for a period of two years. Fahrenheit will also be featured on the product packaging and promotional materials.

Once the new advertising campaign featuring Fahrenheit is launched nationwide in the later part of FY2009, the Group will be able to leverage on their popularity in the PRC and across Asia to enhance consumer awareness of and loyalty to the YELI brand. This in turn will facilitate the on-going and long term expansion plan of the Group in the PRC market.

The Group will also strive to expand its footprint in the PRC market in FY2009. The Group's total point of sales increased from approximately 2000 in FY2007 to approximately 2260 in FY2008. Majority of the point of sales added in FY2008 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 new accessories product line. The improved visibility of the YELI brand and YELI stores is expected to attract new distributors from other provinces in the PRC which are not penetrated by us yet.

The Group previously announced that its wholly owned subsidiary, Yeli (China) Co., Ltd ("Yeli China") has qualified as a wholly-owned foreign entity and would be entitled to tax exemption. The Group's own branded YELI related business is being gradually transferred to Yeli China. As such, the impact of tax savings on the Group's net profit is expected to increase in FY2009 when Yeli China's profit rises.

Barring unforeseen circumstances, we are cautiously optimistic about our performance in FY2009.

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12. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes

Final dividend

Name of Dividend:	First and Final
Dividend Type:	Cash
Dividend Rate:	RMB 0.0275 per share
Number of shares:	673,700,000
Tax rate:	Tax exempt one-tier

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend:	First and Final
Dividend Type:	Cash
Dividend Rate:	RMB 0.0465 per share
Number of shares:	673,700,000
Tax rate:	Tax exempt one-tier

(c) Date payable

To be announced at a later date.

(d) Books closure date

To be announced at a later date.

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

Not applicable.

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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 and accessories which has identical risk and returns.

Breakdown of revenue by geographical regions which classified based on the PRC customers where we sold the goods to:

(RMB million)	4Q 08	%	4Q 07	%	FY2008	%	FY2007	%
Domestic revenue	301.3	60	246.5	71	1,259.2	68	776.0	64
Export revenue	203.8	40	102.8	29	600.5	32	431.1	36
Total revenue	505.1	100	349.3	100	1,859.7	100	1,207.1	100

The assets and liabilities of the Group are located in the PRC. 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.**

Group	FY 08 RMB'000	FY 07 RMB'000	Change %
Sales reported for the first half year	868,712	521,842	66.5
Operating profit after tax reported for first half year	105,058	73,558	42.8
Sales reported for the second half year	991,000	685,208	44.6
Operating profit after tax reported for second half year	79,877	81,531	(2)

17. **Interested Person Transaction**

Our Executive Director and CEO, Mr. Lin Shaoxiong and Mr. Li Tung Kwo, a substantial shareholder of the Company has jointly pledged their shares to secure a term loan for the

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Company during the year ended 31 December 2008. 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.) has jointly provided personal guarantees to secure our banking facility during the year ended 31 December 2008. We have not paid any form of consideration to Mr. Lin Shaoxiong and Mr. Lin Yongjian for the provision of the personal guarantees.

Our Executive Director and CEO, Mr. Lin Shaoxiong had provided a personal loan of approximately RMB 11.8 million for the working capital of Theme Way Limited, our wholly-owned subsidiary in Hong Kong during the year ended 31 December 2008. We have not paid any form of consideration or interest to Mr. Lin Shaoxiong for the provision of this loan. This loan has no fixed term of repayment.

BY ORDER OF THE BOARD

Lin Shaoxiong
Chief Executive Officer
26 February 2009