



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

Our 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 our Group.

CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2009

(RMB '000)	Third Quarter		Change	Nine Months		Change
	Unaudited	Unaudited		Unaudited	Unaudited	
	2009	2008	%	2009	2008	%
Revenue	452,798	485,880	(6.8)	1,507,525	1,354,592	11.3
Cost of sales	(385,253)	(376,237)	2.4	(1,267,466)	(1,050,941)	20.6
Gross profit	67,545	109,643	(38.4)	240,059	303,651	(20.9)
Other operating income	811	798	1.6	1,960	2,682	(26.9)
	68,356	110,441		242,019	306,333	
Selling and distribution expenses	(27,924)	(33,226)	(16.0)	(71,819)	(72,457)	(0.9)
Administrative expenses	(8,106)	(8,596)	(5.7)	(21,382)	(22,063)	(3.1)
Finance costs	(158)	(143)	10.5	(1,010)	(444)	127.5
Profit before income tax	32,168	68,476	(53.0)	147,808	211,369	(30.1)
Taxation	(5,822)	(18,838)	(69.1)	(35,561)	(56,673)	(37.3)
Profit for the period	26,346	49,638	(46.9)	112,247	154,696	(27.4)
Gross profit margin	14.9%	22.6%		15.9%	22.4%	
Profit before income tax margin	7.1%	14.1%		9.8%	15.6%	
Net profit margin	5.8%	10.2%		7.4%	11.4%	

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2009

	Third Quarter		Change %	Nine Months		Change %
	Unaudited 2009	Unaudited 2008		Unaudited 2009	Unaudited 2008	
(RMB '000)						
Profit for the period	26,346	49,638	(46.9)	112,247	154,696	(27.4)
Other comprehensive income for the period						
Exchange differences on translating foreign operations	1,101	-	(100.0)	1,079	-	(100.0)
Total comprehensive income for the period	27,447	49,638		113,326	154,696	

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1(a)(ii) Other Information

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

(RMB '000)	Third Quarter		Change %	Nine Months		Change %
	2009	2008		2009	2008	
(a) Income statement includes the following:						
Interest on borrowings	(158)	(143)	10.5	(1,010)	(444)	127.5
Depreciation of property, plant and equipment	(10,906)	(5,016)	117.4	(28,375)	(7,685)	269.2
Amortisation of land use rights	(16)	(16)	-	(48)	(48)	-
Amortisation of intangible assets	(6)	(145)	(95.9)	(18)	(552)	(96.7)
Loss on disposal of property, plant and equipment	-	-	NM#	-	(41)	NM#
Lease payments under operating lease for leasehold buildings	(615)	(615)	-	(1,845)	(1,845)	-
Salaries and related costs						
- Director remuneration	(558)	(4,522)	(87.7)	(1,659)	(9,581)	(82.7)
- Key personnel	(287)	(262)	9.5	(957)	(871)	9.9
(b) Other operating income comprises mainly:						
Exchange gain/(loss)	217	2	NM#	(56)	137	NM#
Interest income	809	796	1.6	1,958	2,545	(23.1)

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 30/9/2009	Group Audited As at 31/12/2008	Company Unaudited As at 30/9/2009	Company Audited As at 31/12/2008
Non-current assets				
Property, plant and equipment	92,347	106,227	27	18
Land use rights/Intangible assets	2,846	2,864	-	-
Investment in subsidiary	-	-	406,617	406,617
	95,193	109,091	406,644	406,635
Current assets				
Inventories	22,782	26,156	-	-
Amount due from subsidiary	-	-	104,037	34,001
Trade receivables	160,815	281,216	-	-
Prepayments, other receivables and deposits	9,391	9,469	14	18
Pledged bank deposits	3,000	3,000	-	-
Cash and cash equivalents	869,032	544,597	12,329	4,252
	1,065,020	864,438	116,380	38,271
Less: Current liabilities				
Trade and bills payables	125,322	107,278	-	-
Amount owing to director	44,287	17,779	44,287	6,299
Accrued liabilities and other payables	35,352	36,834	4,504	1,764
Interest-bearing bank borrowings	20,000	40,901	-	33,901
Provision for income tax	714	8,370	-	-
	225,675	211,162	48,791	41,964
Net current assets/(liabilities)	839,345	653,276	67,589	(3,693)
Net assets				
	934,538	762,367	474,233	402,942
Share capital and reserves				
Share capital	32,352	26,419	32,352	26,419
Share premium	463,139	390,641	463,139	390,641
Merger reserves	801	801	-	-
Statutory reserves	65,800	55,437	-	-
Exchange reserves	(2,863)	(2,377)	330	330
Retained earnings/(Accumulated losses)	375,309	291,446	(21,588)	(14,448)
Shareholders' equity	934,538	762,367	474,233	402,942
Inventory turnover (days)	5	6		
Trade receivables turnover (days)	34	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 30/9/2009		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	20,000	-	40,901	-
	<u>23,000</u>	<u>-</u>	<u>46,901</u>	<u>-</u>

Amount repayable after one year

	As at 30/9/2009		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 September 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 September 2009.

Interest-bearing loan for YELI Sports China Ltd ("YELI China") is an unsecured loan and are still outstanding as at 30 September 2009.

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

STATEMENT OF CASH FLOWS

(RMB '000)	Third Quarter		Nine Months	
	Unaudited 2009	Unaudited 2008	Unaudited 2009	Unaudited 2008
Cashflows from operating activities				
Profit before income tax	32,168	68,476	147,808	211,369
Adjustments for:				
Interest income	(809)	(796)	(1,958)	(2,545)
Depreciation of property, plant and equipment	10,906	5,016	28,375	7,685
Amortisation of land use rights/intangible assets	22	161	66	600
Interest expenses	158	143	1,010	444
Loss on disposal of property, plant and equipment	-	-	-	41
Exchange difference in translation	(437)	-	593	-
Operating profit before working capital changes	42,008	73,000	175,894	217,594
Decreases /(increases) in inventories	2,273	368	3,374	(205)
Increases / (decreases) in trade receivables and other receivables	117,769	(12,967)	120,479	(28,743)
Decreases /(increases) in trade and bills payables	(39,759)	10,692	21,044	74,053
(Decreases) / increases in accrued liabilities and other payables	(1,482)	35,379	(1,482)	35,379
Cash generated from operations	120,809	106,472	319,309	298,078
Interest received	809	796	1,958	2,545
Interest paid	(158)	(143)	(1,010)	(444)
Income tax paid	(11,997)	(20,947)	(43,217)	(52,589)
Net cash generated from operating activities	109,463	86,178	277,040	247,590
Cashflows from investing activities				
Acquisition of land use rights/Intangible assets	-	(173)	(48)	(173)
Purchases of property, plant and equipment	(13,000)	(27,456)	(14,495)	(52,024)
Net cash used in investing activities	(13,000)	(27,629)	(14,543)	(52,197)
Cashflows from financing activities				
Increase in amount owing to director	(8,300)	-	26,508	-
Dividend paid	-	-	(19,100)	(31,327)
Decrease in bills payable	-	-	(3,000)	-
Proceeds from bank loans	10,000	15,560	10,000	7,000
Repayment of bank loans	-	(8,560)	(30,901)	(8,560)
Proceeds from issue of new shares	81,029	-	81,029	-
Issue of new shares expenses	(2,598)	-	(2,598)	-
Net cash generated from / (used in) financing activities	80,131	7,000	61,938	(32,887)
Net increase in cash and cash equivalents	176,594	65,549	324,435	162,506
Cash and cash equivalents at beginning of period	692,438	535,293	544,597	418,354
Cash and cash equivalents at end of period	869,032	600,842	869,032	580,860

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(RMB '000)	Third Quarter		Nine Months	
	Unaudited 2009	Unaudited 2008	Unaudited 2009	Unaudited 2008
Analysis of the balances of cash and cash equivalents				
Cash and bank balances	869,032	580,860	869,032	580,860
Cash and cash equivalents per share (Cents)	<u>103.20</u>	<u>86.22</u>	<u>103.20</u>	<u>86.22</u>
Number of shares at balance sheet date	842,125,000	673,700,000	842,125,000	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	<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>
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)
Issue of shares	5,933	72,508	-	-	-	-	78,441
Transfer to statutory reserves	-	-	-	-	10,363	(10,363)	-
Total comprehensive income for the period	-	-	-	(486)	-	113,326	112,840
At 30 September 2009	<u>32,352</u>	<u>463,149</u>	<u>801</u>	<u>(2,863)</u>	<u>65,800</u>	<u>375,309</u>	<u>934,548</u>
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	<u>26,419</u>	<u>390,641</u>	<u>-</u>	<u>330</u>	<u>-</u>	<u>(14,448)</u>	<u>402,942</u>
At 1 January 2009	26,419	390,641	-	330	-	(14,448)	402,942
First and final dividend paid	-	-	-	-	-	(19,100)	(19,100)
Issue of shares	5,933	72,498	-	-	-	-	78,431
Total comprehensive income for the period	-	-	-	-	-	11,960	11,960
At 30 September 2009	<u>32,352</u>	<u>463,139</u>	<u>-</u>	<u>330</u>	<u>-</u>	<u>(21,588)</u>	<u>474,233</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.

RIGHTS ISSUE

In September 2009, our Group completed the Rights Issue of 168,425,000 ordinary shares of par value HK\$0.04 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 new shares were listed on the Official List of the SGX-ST Mainboard on 15 September 2009.

The Rights Issue raised 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 China to meet the capital injection deadline of 13 December 2009. YELI China has since completed its capital injection requirement in September 2009. Following the completion of the capital injection, YELI China will be entitled to tax exemption for its first two profit making years and a 50% reduction in its income tax payable for the following three years under the applicable foreign enterprise tax law. Barring any unforeseen circumstances, these tax savings are expected to contribute positively to the results of the Group should YELI China remain profitable over the relevant periods.

The Rights Issue proceeds will be used to upgrade and expand our Group's distribution network, fund the advertising and promotional activities to promote the YELI brand and for general working capital purposes.

Issued ordinary shares of par value HK\$ 0.04 each	Number of shares	
	2009	2008
Balance at 1 January 2009	673,700,000	673,700,000
Issuance of shares arising from Rights Issue	<u>168,425,000</u>	<u>-</u>
Balance at 30 September 2009	<u>842,125,000</u>	<u>673,700,000</u>

There were no outstanding convertibles or treasury shares held as at 30 September 2009 and 31 December 2008.

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.

Our Company's total issued shares as at 30 September 2009 and 31 December 2008 was 842,125,000 and 673,700,000 ordinary shares of par value HK\$ 0.04 each fully paid-up respectively.

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- 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 our 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.

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

Our 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 assessed to have no material impact to the results or the opening balances of the accumulated profit of our Group and of our Company for the year ending 31 December 2009. Our Company will also report our 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.**

	Third Quarter		Nine Months	
	2009	2008	2009	2008
Profit after income tax (RMB'000)	26,346	49,638	112,247	154,696
Basic earnings per share (RMB cents)	3.28	6.71	16.32	20.92

The basic earnings per share is calculated based on profit after income tax divided by the weighted average ordinary shares for the three months ended 30 September ("3Q 09") and the nine months ended 30 September 2009 ("9M 09") of 802,825,833 shares and 687,889,652 shares respectively. The weighted average ordinary shares during the period for the three months ended 30 September 2008 ("3Q 08") and the nine months ended 30 September 2008 ("9M 08") as a result of the Rights Issue exercise which was completed in September 2009. 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 Sep 2009	As at 31 Dec 2008	As at 30 Sep 2009	As at 31 Dec 2008
Net asset value as at the end of the respective period (RMB'000)	934,538	762,367	474,233	402,942
Issued share capital at the end of financial period/year	842,125,000	673,700,000	842,125,000	673,700,000
Net asset value per share (RMB cents)	110.97	113.16	56.31	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 3Q 09, our Group recorded revenue of approximately RMB 452.8 million, a decrease of approximately RMB 33.1 million or 6.8% over revenue of approximately RMB 485.9 million for the previous corresponding period 3Q 08. For 9M 09, revenue increased by approximately RMB 152.9 million or 11.3% to RMB 1,507.5 million from RMB 1,354.6 million in the previous corresponding period 9M 08.

The increase in revenue in 9M 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;

In 9M 09, footwear products recorded of approximately RMB 1,186.7 million in sales representing an increase of approximately RMB 83.2 million or 7.5% over sales of footwear products of approximately RMB 1,103.5 million for 9M 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 slightly decreased slightly to 76.1% in 9M 09 down from 76.6% in 9M 08.

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In 9M 09, our YELI apparel sales was approximately RMB 311.4 million which represented approximately 25.4% and 20.7% of our YELI revenue and of our total revenue respectively as compared to approximately 22.5% and 18.2% of our YELI revenue and our total revenue in 9M 08. In 9M 09, our YELI accessories sales was approximately RMB 9.4 million which represented 0.8% and 0.6% of our YELI revenue and our total revenue in 9M 09 respectively as compared to only approximately 0.4% and 0.3% of our YELI revenue and our total revenue in 9M 08.

Breakdown of Revenue by Business Lines:

(RMB million)	3Q 09	%	3Q 08	%	9M 09	%	9M 08	%
Footwear	361.8	79.9	388.5	80.0	1,186.7	78.7	1,103.5	81.5
Apparel	88.5	19.5	93.0	19.1	311.4	20.7	246.7	18.2
Accessories	2.5	0.6	4.4	0.9	9.4	0.6	4.4	0.3
Total Sales	452.8	100.0	485.9	100.0	1,507.5	100.0	1,354.6	100.0

Breakdown of footwear revenue by segment:

(RMB million)	3Q 09	%	3Q 08	%	9M 09	%	9M 08	%
YELI footwear	238.3	65.9	289.2	74.4	903.3	76.1	844.8	76.6
OEM footwear	123.5	34.1	99.3	25.6	283.4	23.9	258.7	23.4
Total footwear	361.8	100.0	388.5	100.0	1,186.7	100.0	1,103.5	100.0

In 3Q 09, our Group recorded footwear revenue of approximately RMB 361.8 million, a decrease of approximately RMB 26.7 million or 6.9% over revenue of approximately RMB 388.5 million for 3Q 08. The decrease was mainly due to the decrease of YELI footwear revenue which was partly offset by the increase of OEM footwear revenue. In 3Q 09, our Group recorded YELI footwear revenue of approximately RMB 238.3 million, a decrease of approximately RMB 50.9 million or 17.6% over revenue of approximately RMB 289.2 million for 3Q 08. The decrease in YELI footwear revenue is due mainly to the decrease in average selling price to enable our distributors to capture market share under the present challenging retail market conditions and the weaker consumer demand in 3Q 09. In 3Q 09, our Group recorded OEM footwear revenue of approximately RMB 123.5 million, an increase of approximately RMB 24.2 million or 24.4% over revenue of approximately RMB 99.3 million for 3Q 08.

In 3Q 09 the weaker consumer demand also affected revenue for YELI apparel and YELI accessories revenue. In 3Q 09, our Group recorded apparel revenue of approximately RMB 88.5 million, a decrease of approximately RMB 4.5 million or 4.8% over revenue of approximately RMB 93.0 million in 3Q 08. Our Group recorded accessories revenue of approximately RMB 2.5 million in 3Q 09, a decrease of approximately RMB 1.9 million or 43.2% over revenue of approximately RMB 4.4 million in 3Q 08.

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

	9M 09	9M 08	Growth
Points of sale	Over 1,960*	Over 2,250*	(13)%
YELI specialty stores	Over 510	Over 390	31%

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

The distribution network for our YELI products in the PRC decreased by approximately 13% from over 2,250 points of sale as at 30 September 2008 to over 1,960 points of sale as at 30 September 2009. Over the same period, the number of specialty stores increased by 31% from over 390 to over 510. Our Group continued to execute our strategy to improve the mix of our points of sale, by reducing the number of shops-in-shops while adding more specialty stores. This is because specialty stores are mostly located at street level and have larger display area to carry a wider range of YELI products. With the increasing number of YELI specialty stores, we were able to expand the varieties of YELI products sold to our target consumers.

Cost of goods sold and gross profit margin

In line with the increase in revenue, our cost of sales increased by approximately RMB 216.6 million or 20.6% from approximately RMB 1,050.9 million in 9M 08 to approximately RMB 1,267.5 million in 9M 09.

The subcontracting cost (including raw materials) of the footwear products, apparel and accessories decreased slightly by approximately RMB 25.9 million or 5.2% from approximately RMB 497.1 million in 9M 08 to approximately RMB 471.2 million in 9M 09. The decrease was mainly due to more of the production of footwear products being shifted back from subcontractors to our Group for better quality control.

Although revenue decreased in 3Q 09 from 3Q 08, our cost of sales increased slightly by approximately RMB 9.1 million or 2.4% from approximately RMB 376.2 million in 3Q 08 to approximately RMB 385.3 million in 3Q 09.

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The subcontracting cost (including raw materials) of the footwear products, apparel and accessories decreased by approximately RMB 23.6 million or 14.7% from approximately RMB 160.4 million in 3Q 08 to approximately RMB 136.8 million in 3Q 09. The decrease was mainly due to more of the production of footwear products being shifted back from subcontractors to our Group for better quality control.

Gross profit margin by product segment:

	3Q 09	3Q 08	Growth	9M 09	9M 08	Growth
Footwear	9.9%	21.7%	(11.8)%	10.8%	20.1%	(9.3)%
Apparel	35.5%	33.7%	1.8%	35.7%	33.4%	2.3%
Accessories	6.5%	6.5%	-	7.4%	6.5%	0.9%
Overall GP margin	14.9%	22.6%	(7.7)%	15.9%	22.4%	(6.5)%

Our gross profit decreased by approximately RMB 63.6 million or 20.9% from approximately RMB 303.7 million in 9M 08 to approximately RMB 240.1 million in 9M 09. Our gross profit margin decreased from approximately 22.4% in 9M 08 to 15.9% in 9M 09. Our gross profit decreased by approximately RMB 42.1 million or 38.4% from approximately RMB 109.6 million in 3Q 08 to approximately RMB 67.5 million in 3Q 09. Our gross profit margin decreased from approximately 22.6% in 3Q 08 to 14.9% in 3Q 09. The decrease of the gross profit margin of our YELI footwear products were mainly attributable to the decrease of the average selling price of the footwear products to maintain competitive pricing for distributors to capture more market share for our YELI products. The gross profit margin of YELI apparel has improved in 3Q 09 and 9M 09 when compared to 3Q 08 and 9M 08. The pickup of the gross profit margin is the result of our Group's continuous efforts 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. When more YELI specialty stores are being opened, the sales volume and the gross profit margin of the YELI accessories may increase subsequently.

Other operating income

Other operating income comprises of interest income from bank deposits. The decrease in other operating income in 9M 09 is mainly due to lower interest rate as compared to 9M 08. The slight increase of other operating income in 3Q 09 as compared to 3Q 08 is mainly attributed to more interest income derived from higher bank balances.

Operating expenses

In total, operating expenses which comprise selling and distribution expenses and administrative expenses decreased by approximately RMB 1.3 million or 1.4% from approximately RMB 94.5 million in 9M 08 to approximately RMB 93.2 million in 9M 09. As a percentage of revenue, operating expenses decreased to approximately 6.2% in 9M 09 from approximately 7.0% in 9M 08.

The selling and distribution costs of approximately RMB 71.8 million in 9M 09 was comparable to the corresponding period in 2008. In 3Q 09, the selling and distribution expenses decreased by approximately RMB 5.3 million or 16.0% from approximately RMB 33.2 million in 3Q 08 to approximately RMB 27.9 million in 3Q 09. The decrease was mainly due to more TV advertisements being launched last year in conjunction with the Beijing Olympic as compared to current period.

Administrative expenses of approximately RMB 21.4 million in 9M 09 were comparable to the corresponding period in 2008.

Finance costs

Finance costs in 9M 09 increased by approximately RMB 0.6 million or 150.0% from approximately RMB 0.4 million in 9M 08 to approximately RMB 1.0 million in 9M 09. The increase was due mainly to higher amount of outstanding bank loan in 9M 09 as compared to 9M 08.

Income tax

Income tax expense decreased by approximately RMB 21.1 million or 37.2% from approximately RMB 56.7 million in 9M 08 to approximately RMB 35.6 million in 9M 09. The decrease was due mainly to the decrease in profit before tax in 9M 09. The effective tax rate of 24.1% in 9M 09 which was 2.7% lower than 9M 08 was the result of the expenses incurred outside PRC which is non-deductible for income tax being lower compared to the corresponding period in 2008. In addition, Yeli Sports (China) Co., Ltd ("YELI China") is entitled to tax savings under the applicable foreign enterprise tax law after completing the capital injection requirement in 3Q 09 has resulted in the lower effective tax rate 3Q 09 and 9M 09 as compared to its corresponding period.

(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 13.9 million from approximately RMB 106.2 million as at 31 December 2008 to approximately RMB 92.3 million as at 30 September 2009. This was mainly attributed to the depreciation of the property, plant and equipment which was partly offset by the purchase of furniture and fixtures for the promotion use for the specialty stores.

Land use rights and intangible assets as at 30 September 2009 were about 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.

Current Assets

Inventories, comprised mainly of raw materials, decreased by approximately RMB 3.4 million from approximately RMB 26.2 million as at 31 December 2008 to approximately RMB 22.8 million as at 30 September 2009. The decrease was due to more finished goods being shipped out to customers by the end of 3Q 09.

Trade receivables decreased from approximately RMB 281.2 million as at 31 December 2008 to approximately RMB 160.8 million as at 30 September 2009. The decrease in balances was mainly due to our Group's effort in collection from the customers.

As at 30 September 2009, we had cash and cash equivalents of approximately RMB 869.0 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 September 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 125.3 million as at 30 September 2009. Our Group is getting more favourable terms of payment from suppliers.

Accrued liabilities and other payables (included wages payables, accrued utilities expenses) decreased from approximately RMB 36.8 million as at 31 December 2008 to approximately RMB 35.4 million as at 30 September 2009 where the decrease is consistent with the decrease in the level of activities.

The increase in the amount owing to director of approximately RMB 44.3 million was a foreign currency loan provided by Mr. Lin Shaoxiong, our Executive Director and CEO of our

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Company, to our Company to fully settle the interest bearing bank loan. This foreign currency loan is interest free with no fixed term of repayment.

As at 30 September 2009, we had bank borrowings of RMB 20.0 million obtained by Hengfa (RMB 10.0 million) and YELI China (RMB 10.0 million). The decrease in the amount of the bank loan as compared to 31 December 2008 of our Group was due to the settlement of the bank loan obtained by China Sports International Limited in 2Q 09 amounted to approximately RMB 33.9 million. A new bank borrowings of RMB 10.0 million were obtained by YELI China in 3Q 09.

9. Use of IPO and Rights Issue Proceeds

The following table details the utilisation of IPO proceeds up to 30 September 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	26.0	4.0
5.	General working capital	153.7	153.7	0.0
		373.8	342.7	31.1

The following table details the utilisation of Rights Issue proceeds up to 30 September 2009:

No	Planned Usage	Rights Issue Proceeds (RMB million)	Cumulative Amount used (RMB million)	Balance (RMB million)
1.	Upgrading and expansion of the distribution network including opening new specialty stores, provision of renovation subsidies to our Group's distributors to upgrade premises and development of new markets	25.0	13.0	12.0
2.	Advertising and promotional activities to promote the "YELI" brand including print, television and web-based advertisements, sponsorship of events, other public relations activities	35.0	7.2	27.8
3.	General working capital	10.8	10.8	0.0
		70.8	31.0	39.8

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.**

Although the PRC's economy has gradually recovered since the implementation of the stimulus package by the government, consumer sentiment remains cautious. For the year to date, our Group faced increased competition in the market in which we operate, resulting in pressure on our selling prices and profit margins.

Our Group remains optimistic of the long term growth potential of the sportswear market in the PRC. To maintain our competitive edge and to better position our Group for market recovery, we will continue to focus on our strategy of product development, strengthening our YELI brand value through advertising and promotional ("A&P") activities and expanding and upgrading our distribution network in the second, third and fourth-tier cities in the PRC. At the same time, our Group is also exploring potential collaboration with international sportswear brands. If successful, this will provide additional source of income for our Group in future.

The appointment of one of Asia's hottest boy bands, Fahrenheit (飞轮海), as YELI (野力) brand spokespersons in February 2009 has boosted Yeli brand value and awareness in the PRC. In April 2009, Fahrenheit attended a press conference and our Group's tradefair in Hangzhou. Fahrenheit will also be wearing Yeli apparel in one of the new TV series to be produced.

During the first nine months of 2009, 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. Since the engagement of Fahrenheit, the Group has also received positive feedback from distributors expressing their interests and confidence in setting up more specialty stores. As a result, our Group has reached our target of having a minimum of 500 specialty stores in FY2009.

As at September 2009, the number of specialty stores had increased to more than 510, compared to approximately 390 as at September 2008 while the number of shops-in-shops had decreased to approximately 1,450 as at September 2009 from approximately 1,860 as at September 2008. The strategy to increase the number of specialty stores is important as these specialty stores are mostly located at street level and have larger display area. As such, they will provide a better image and platform to display the entire range of YELI products including footwear, apparel and accessories. We will continue to allocate resources towards the expansion of our specialty stores network.

We are presently in talks with the local government of Jinjiang, Fujian province 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.

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.

Not applicable.

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

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

Not applicable.

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

Not applicable.

16. A breakdown of sales.

Not applicable.

17. Interested Person Transactions

As stated in the previous announcement, our Executive Chairman and CEO, Mr. Lin Shaoxiong and Mr. Li Tung Kwo, then a substantial shareholder of our Company has jointly pledged their shares to secure a term loan for our 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 Chairman 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) 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 Chairman and CEO, Mr. Lin Shaoxiong has provided a personal guarantee to secure our banking facility of our wholly-owned subsidiary YELI China. We have not paid any form of consideration to Mr. Lin Shaoxiong for the provision of the personal guarantee.

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

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual) ("IPT") for the financial period ended 30 September 2009:-

Name of interested person	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RMB	RMB
Lin Shaoxiong (Executive Chairman and CEO)	-	-
Lin Yongjian	-	-

18. Negative Assurance

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

Our 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 our Company which may render the unaudited interim financial results of our Company and of our Group for the third quarter and for the nine months ended 30 September 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
13 November 2009

BY ORDER OF THE BOARD

**Lin Shaoxiong
Chief Executive Officer
13 November 2009**