



CHINA SPORTS INTERNATIONAL LIMITED
Incorporated in Bermuda
(Company Registration: 39798)

**UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FOURTH QUARTER
AND TWELVE MONTHS ENDED 31 DECEMBER 2016**

INTRODUCTION

The board of directors (the "Board") of the Company (together with its subsidiaries, the "Group") wishes to announce the change in the Company's financial year end from 31 December to 30 June. Accordingly, the current financial year of the Group will cover a period of 18 months from 1 January 2016 to 30 June 2017. The existing financial year end of the Group coincides with the financial year end of many companies listed on the Singapore Exchange. The Board takes the view that by changing the financial year end of the Company from 31 December to 30 June, the Group may avoid having to complete the audit during the audit peak period in December. This will allow for greater administrative efficiency in coordinating the Group's financial reporting requirements with its external professional advisers. Please refer to Company's announcement dated on 16 December 2016 for further information.



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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 operations of our Company and our subsidiaries (“our Group”) are principally conducted in the People’s Republic of China (“PRC”). Accordingly, our consolidated financial statements have been prepared in Chinese Renminbi (“RMB”), being the functional currency of our Group.

STATEMENT OF PROFIT AND LOSS FOR THE FOURTH QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2016 (in RMB)

(RMB '000)	Fourth Quarter		Change %	12 Months		Change %
	Unaudited 2016	Unaudited 2015		Unaudited 2016	Unaudited 2015	
Revenue	69,871	52,340	33.5	217,235	243,500	(10.8)
Cost of sales	(53,787)	(42,657)	26.1	(171,055)	(198,697)	(13.9)
Gross profit	16,084	9,683	66.1	46,180	44,803	3.1
Other operating income	8,869	6,910	28.4	9,251	7,585	22.0
Selling and distribution expenses	(6,784)	(2,983)	127.4	(20,071)	(90,952)	(77.9)
Administrative expenses	(12,650)	(12,415)	1.9	(47,204)	(515,179)	(90.8)
Finance costs	(434)	(629)	(31.0)	(434)	(6,012)	(92.8)
(Loss)/Profit before income tax	5,085	566	(798.4)	(12,278)	(559,755)	97.8
Taxation	-	-	100.0	-	-	#DIV/0!
(Loss)/Profit for the period	5,085	566	(798.4)	(12,278)	(559,755)	97.8
Gross profit margin	23.0%	18.5%		21.3%	18.4%	
Profit before income tax margin	7.3%	1.1%		-5.7%	-229.9%	
Net profit margin	7.3%	1.1%		-5.7%	-229.9%	



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STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND THE TWELVE MONTHS ENDED 31 DECEMBER 2016 (in RMB)

(RMB '000)	Fourth Quarter		Change	12 Months		Change
	Unaudited	Unaudited		Unaudited	Unaudited	
	2016	2015	%	2016	2015	%
(Loss)/Profit for the period	5,085	566	(798.4)	(12,278)	(559,755)	97.8
Other comprehensive income for the period	61	(449)	(113.6)	(267)	(623)	(57.1)
Total comprehensive income for the period	5,146	117	(4,298.3)	(12,545)	(560,378)	97.8



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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)	Fourth Quarter		Change %	12 Months		Change %
	2016	2015		2016	2015	
(a) Income statement includes the following:						
Interest paid on borrowings	(434)	(629)	(31.0)	(434)	(5,961)	(92.7)
Depreciation of property, plant and equipment	(3,908)	(2,677)	46.0	(15,632)	(10,708)	46.0
Amortisation of land use rights	(91)	(91)	-	(273)	(364)	(25.0)
Amortisation of intangible assets	(133)	(133)	-	(532)	(561)	(5.2)
Impairment loss on trade receivables	-	-	-	-	(487,378)	(100.0)
Impairment loss on interest receivables	-	-	-	-	-	-
Lease payments under operating lease for leasehold buildings	(240)	(240)	-	(960)	(960)	-
Salaries and related costs						
- Director remuneration	(309)	(343)	(9.9)	(1,278)	(2,094)	(39.0)
- Key personnel	(271)	(280)	(3.2)	(1,092)	(1,185)	(7.8)
Exchange (loss)/gain	75	192	(60.9)	(331)	246	(234.6)
(b) Other operating income comprises mainly						
Bad debts recovered	8,721	-	100.0	8,721	-	100.0
Reversal of impairment on trade receivables		6,793	(100.0)	-	6,793	(100.0)
Interest income	148	117	26.5	530	607	(12.7)



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

Statement of Financial Position

	Group Unaudited As at 31/12/2016 RMB'000	Group Unaudited As at 31/12/2015 RMB'000	Company Unaudited As at 31/12/2016 RMB'000	Company Unaudited As at 31/12/2015 RMB'000
(RMB '000)				
Non-current assets				
Property, plant and equipment	112,029	103,041	1	1
Land use rights/Intangible assets	15,250	16,146	-	-
Deferred tax asset	44,244	44,244	-	-
Investment in subsidiary	-	-	459,986	459,986
	<u>171,523</u>	<u>163,431</u>	<u>459,987</u>	<u>459,987</u>
Current assets				
Inventories	5,710	17,633	-	-
Amount due from subsidiary	-	-	97,323	90,047
Trade receivables	126,223	82,541	-	-
Prepayments, other receivables and deposits	98,195	139,316	11	9
Pledged bank deposits	-	-	-	-
Cash and cash equivalents	159,160	154,427	15	16
	<u>389,288</u>	<u>393,917</u>	<u>97,349</u>	<u>90,072</u>
Less: Current liabilities				
Trade and bills payables	17,803	19,537	-	-
Amount owing to director	9,069	8,014	4,679	3,822
Accrued liabilities and other payables	33,929	50,263	5,337	5,973
Amount due to a subsidiary	-	-	24,813	23,675
Interest-bearing bank borrowings	25,000	-	-	-
	<u>85,801</u>	<u>77,814</u>	<u>34,829</u>	<u>33,470</u>
Net current assets	<u>303,487</u>	<u>316,103</u>	<u>62,520</u>	<u>56,602</u>
Non current liability				
Deferred tax liabilities	7,377	7,377	-	-
Net assets	<u>467,633</u>	<u>472,157</u>	<u>522,507</u>	<u>516,589</u>
Share capital and reserves				
Share capital	42,990	36,570	42,990	36,570
Share premium	561,736	560,135	561,736	560,135
Treasury shares	(226)	(226)	(226)	(226)
Merger reserves	801	801	-	-
Statutory reserves	87,938	87,938	-	-
Paid-in capital from exchange differences	330	330	330	330
Exchange reserves	2,595	2,862	2,652	2,892
Retained earnings	(228,531)	(216,253)	(84,975)	(83,112)
Shareholders' equity	<u>467,633</u>	<u>472,157</u>	<u>522,507</u>	<u>516,589</u>
Total equity	<u>467,633</u>	<u>472,157</u>	<u>522,507</u>	<u>516,589</u>



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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 31/12/2016		As at 31/12/2015	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	-	-
Interest-bearing loans	25,000	-	25,000	-
	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>

Amount repayable after one year

	As at 31/12/2016		As at 31/12/2015	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	-	-
Interest-bearing loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Details of any collateral

The interest-bearing loan for our subsidiary, YELI Sports (China) Co., Ltd. ("YELI China"), as at 31 December 2016 was secured by the land use rights and buildings of Hengfa (fellow subsidiary). The bills payable as at 31 December 2015 are also guaranteed by bank deposits.

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

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



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

Statement of Cash Flows

(RMB '000)	Fourth Quarter		12 Months	
	Unaudited 2016	Unaudited 2015	Unaudited 2016	Unaudited 2015
Cashflows from operating activities				
(Loss)/Profit before income tax	5,085	566	(12,278)	(559,755)
Adjustments for:				
Interest income	(148)	(117)	(531)	(607)
Depreciation of property, plant and equipment	3,908	2,677	15,632	10,708
Amortisation of land use rights/intangible assets	224	224	896	925
Impairment loss on trade receivables	-	-	-	487,378
Impairment loss on interest receivables	-	-	-	-
Reversal on impairment loss on trade receivables	-	(6,793)	-	(6,793)
Interest expenses	434	629	434	5,961
Exchange difference in translation	75	(192)	(331)	(499)
Operating profit before working capital changes	9,578	(3,006)	3,822	(62,682)
Decrease/ (increase) in inventories	2,000	(2,060)	11,923	8,478
(Increase) / decrease in trade receivables and other receivables, prepayment and deposits	(12,706)	166	(2,561)	(151,847)
Increase/(decrease) in trade payables and bill payables	3,583	1,873	(1,734)	(127,997)
Increase / (decrease) in accrued liabilities and other payable	(1,559)	(12,164)	(16,334)	(12,254)
Cash (used in) / from operations	896	(15,191)	(4,884)	(346,302)
Interest received	148	117	531	607
Interest paid	(434)	(629)	(434)	(5,961)
Income tax paid	-	-	-	-
Net cash (used in) / from operating activities	610	(15,703)	(4,787)	(351,656)
Cashflows from investing activities				
Refund of Investments	-	-	-	-
Purchases of property, plant and equipment	-	-	(24,620)	-
Net cash (used in) / from investing activities	-	-	(24,620)	-
Cashflows from financing activities				
Increase / (decrease) in amount owing to director	105	1	1,055	2,527
Proceeds from placement of shares	-	-	8,286	-
Shares issue expenses	-	-	(265)	-
Proceeds from bank loans	25,000	-	25,000	22,500
Repayment of bank loans	-	(22,500)	-	(97,200)
Increase / (decrease) in pledged deposits	-	35,163	-	45,875
Net cash from / (used in) financing activities	25,105	12,664	34,076	(26,298)
Net (decrease) / increase in cash and cash equivalents	25,715	(3,039)	4,669	(377,954)
Cash and cash equivalents at beginning of period	133,461	157,723	154,427	532,506
Effects of exchange rate fluctuation	(16)	(257)	64	(125)
Cash and cash equivalents at end of period	159,160	154,427	159,160	154,427



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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.

Group

At 1 January 2015	36,570	560,135	(226)	801	330	3,484	87,938	343,503	1,032,535
Total comprehensive loss for the period	-	-	-	-	-	(623)	-	(559,755)	(560,378)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
At 31 December 2015	<u>36,570</u>	<u>560,135</u>	<u>(226)</u>	<u>801</u>	<u>330</u>	<u>2,861</u>	<u>87,938</u>	<u>(216,252)</u>	<u>472,157</u>
At 1 January 2016	36,570	560,135	(226)	801	330	2,861	87,938	(216,252)	472,157
Issuance of new shares	6,420	1,866	-	-	-	-	-	-	8,286
Shares issue expenses	-	(265)	-	-	-	-	-	-	(265)
Total comprehensive loss for the year	-	-	-	-	-	(267)	-	(12,278)	(12,545)
At 31 December 2016	<u>42,990</u>	<u>561,736</u>	<u>(226)</u>	<u>801</u>	<u>330</u>	<u>2,594</u>	<u>87,938</u>	<u>(228,530)</u>	<u>467,633</u>

Company

At 1 January 2015	36,570	560,135	(226)	-	330	-	-	(76,744)	520,065
Total comprehensive loss for the period	-	-	-	-	-	-	-	(3,476)	(3,476)
At 31 December 2015	<u>36,570</u>	<u>560,135</u>	<u>(226)</u>	<u>-</u>	<u>330</u>	<u>-</u>	<u>-</u>	<u>(80,220)</u>	<u>516,589</u>
At 1 January 2016	36,570	560,135	(226)	-	330	-	-	(80,220)	516,589
Issuance of new shares	6,420	1,866	-	-	-	-	-	-	8,286
Shares issue expenses	-	(265)	-	-	-	-	-	-	(265)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(2,103)	(2,103)
At 31 December 2016	<u>42,990</u>	<u>561,736</u>	<u>(226)</u>	<u>-</u>	<u>330</u>	<u>-</u>	<u>-</u>	<u>(82,323)</u>	<u>522,507</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.

On 27 April 2016, the Company completed a private placement in which the Company issued and allotted 192,000,000 new ordinary shares in the capital of the Company at S\$0.009 for each new share.

Consequent to the completion of the private placement, the issued share capital of the Company had increased from 961,538,000 ordinary shares (excluding 587,000 treasury shares) 1,153,538,000 Shares (excluding 587,000 treasury shares). There were no new shares issued in the reporting quarter ended 31 December 2016, which can be summarized in the table below:

	Number of shares	Share Capital
		RMB
As at 1 October 2016	1,153,538,000	42,764
Issuance of new shares pursuant to a private placement	-	-
As at 31 December 2016	1,153,538,000	42,764

There were no outstanding convertibles held as at 31 December 2016 and 31 December 2015.

Treasury shares

Our Company did not make any purchase of our shares during the fourth quarter ended 31 December 2016. As at 31 December 2016, our Company holds 587,000 treasury shares (31 December 2015: 587,000).

	Company 31 December 2016	31 December 2015	Company 31 December 2016	31 December 2015
	Number of shares		RMB '000	
Issued and fully paid				
At beginning of period	587,000	587,000	226	226
Acquired during period	-	-	-	-
At end of period	587,000	587,000	226	226



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

The total number of issued shares (excluding treasury shares) as at 31 December 2016 and as at 31 December 2015 are 1,153,538,000 and 961,538,000 respectively fully-paid ordinary shares of par value HK\$0.04 each.

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

There were no sales, transfers, disposal, cancellation and use of treasury shares during the 12 months ended 31 December 2016.

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 2015.

The new and revised Financial Reporting Standards 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 our Group and of our Company for the year ending 31 December 2015.

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	
	2016	2015	2016	2015
(Loss)/Profit after income tax (RMB'000)	5,085	566	(12,278)	(566,287)
Basic (loss)/ earnings per share (RMB cents)	00.46	00.01	(01.12)	(58.28)



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Diluted (loss)/earnings per share (RMB cents)	00.46	(00.01)	(01.12)	(58.28)
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The basic (loss)/ earnings per share is calculated based on profit after income tax divided by the weighted average ordinary shares during fourth quarter ended 31 December 2016 and the twelve months ended 31 December 2016, which were 1,092,747,951 shares. The weighted average ordinary shares for the fourth quarter ended 31 December 2015 and twelve months ended 31 December 2015, which were 961,538,000 shares.

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

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		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 31 Dec 2016	As at 31 Dec 2015	As at 31 Dec 2016	As at 31 Dec 2015
Net asset value as at the end of the respective period (RMB'000)	467,633	472,157	522,507	516,589
Total number of issued ordinary share at the end of financial period/year	1,153,538,000	961,538,000	1,153,538,000	961,538,000
Net asset value per share (RMB cents)	40.53	49.10	45.29	53.72

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 2016 ("**4Q 16**"), our Group recorded revenue of approximately RMB 69.87 million, an increase of approximately RMB 17.53 million or 34% over revenue of approximately RMB 52.34 million for the previous corresponding period ("**4Q 15**"). For the twelve months ended 31 December 2016, ("**12M16**"), revenue decreased by approximately RMB 26.27 million or 11% to approximately RMB 217.2 million from approximately RMB 243.5 million in the previous corresponding period ("**12M15**").



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The overall decrease in revenue in 12M16 was mainly attributable to the persistent and increasing competition in the sportswear industry. Our distributors continued to be weary of the intensified competition and became even more prudent in placing their orders for footwear and apparel products, which has affected the overall footwear revenue in 12M16. Moreover, there is no enhanced features and functionality of our products, thus making it harder to entice the distributors. Quarter on quarter, revenue in 4Q 16 increased by RMB 21.3 million or 43% to RMB 69.87 million from approximately RMB 48.6 million in 3Q 16 which is mainly due to increase sales order from OEM suppliers in last quarter of 12M16.

Breakdown of revenue by business lines

(RMB million)	4Q 16	%	4Q 15	%	FY 16	%	FY 15	%
Footwear	67.9	97.0	52.3	100.0	207.9	95.8	243.5	100.0
Apparel	1.9	3.0	-	-	9.3	4.2	-	-
Total Revenue	69.8	100	52.3	100.0	217.2	100.0	243.5	100.0

Breakdown of footwear revenue by segment

(RMB million)	4Q 16	%	4Q 15	%	FY 16	%	FY 15	%
YELI footwear	19.8	29.2	15.6	29.8	79.9	38.4	132.2	54.3
OEM footwear	48.1	70.8	36.7	70.2	128.0	61.6	111.3	45.7
Total footwear	67.9	100.0	52.3	100.0	207.9	100.0	243.5	100.0

Footwear

In 12M16, footwear products recorded approximately RMB 207.9 million in sales, representing a decrease of approximately RMB 35.6 million or approximately 15% over sales of footwear products of approximately RMB 243.5 million in 12M15.

The decreases in revenue in 12M15 was mainly attributable to the decrease in both Yeli footwear revenue. The poor economic outlook and no enhanced features and functionality of our products resulted in lesser orders being placed by our distributors. In view of the persistent weakening retail sportswear market and of intensified price competition, our distributors have also closed down the sales outlet by more than half as compared to 12M15.

In 12M16, our Yeli footwear sales was approximately RMB 79.9 million which represented 38.4% of our Yeli revenue and of our total revenue as compared to 54.3% of our YELI revenue and of our total revenue in 12M15.

In 4Q 16, our Group recorded Yeli footwear revenue of approximately RMB 19.8 million, a increase of approximately RMB 4.2 million or 27% over revenue of approximately RMB 15.6 million in 4Q 15.



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The increase in OEM footwear revenue in 12M16 was mainly attributable to increased orders from our existing customers and strong consumer demand in oversea market compared to 12M15. We continued to pursue our strategy of selectively accepting higher margin orders from our existing OEM customers. We are consistently maintaining the quality of our OEM product, we saw more orders from existing OEM customers due to good mutual relationship in the sportswear industry. There was a increase in OEM footwear revenue contribution in 12M16 and 4Q 16 from approximately RMB 111.3 million to RMB 128 million and from approximately RMB 36.7 million to RMB 48.1 million respectively . In 4Q 16, our Group have a net profit amounting to RMB 5.08 million mainly contributed by sales orders increased from OEM customers which representing 70.8% or RMB 48.1 million of total footwear revenue in 4Q 16

Apparel

In 12M16 and 4Q 16, our Group recorded RMB 9.3 million and RMB 1.9 million as compared to no apparel business in 12M15 and 4Q 15. This resulted from our existing distributors have placed orders on apparel of sport wear and kid wear due to the market demand during Chinese New Year and promotion campaign.

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

	12M16	12M15	Growth
Points-of-sale	Over 300*	Over 350*	(14)%
YELI specialty stores	Over 31	Over 35	(11)%

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

The distribution network for our YELI products in PRC had decreased by approximately 14% from over 350 points of sale as at 31 December 2015 to over 300 point of sale as at 31 December 2016. Over the same period, the number of specialty stores decreased by 11% from over 35 to over 30. Our Group will continue to execute our strategy to improve the mix of our points of sale.

Due to the poor market economic outlook and weak response to our YELI breathable shoes, our Group's distributors have since closed down majority sales counters and shops-in-shops in various first-tier and second-tier cities. At the same time, points of sales in third- and fourth-tier cities have also decreased. Decreased presence of our brand in first- and second-tier cities has eroded brand awareness of YELI. In view of the rising costs in running a YELI specialty store, our Group has encouraged our distributors to reduce the number of YELI specialty stores so that they can preserve and focus their resources to work with our Group in the change in the product positioning and vary the product line-up with greater emphasis on breathable shoes.



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Cost of goods sold and gross profit margin

In line with the decrease in revenue in 12M2016, our cost of sales decreased by approximately RMB 337.8 million or 68% from approximately RMB 198.7 million in 12M15 to approximately RMB 171 million in 12M16.

In line with the revenue increase in 4Q 16 from 4Q 15, our cost of sales increased by approximately RMB 11.1 million or 26% from approximately RMB 42.7 million in 4Q 15 to approximately RMB 53.8 million in 4Q 16.

Gross profit margin by product segment:

	4Q 16	4Q 15	Growth	12M16	12M15	Growth
Footwear	22.1%	18.5%	3.6%	20.7%	18.4%	2.9%
Apparel	9.9%	-	9.9%	9.6%	-	9.6%
Overall GP margin	23.0%	18.5%	4.5%	21.3%	18.4%	2.9%

Our gross profit increased by approximately RMB 1.4 million or 3% from approximately RMB 44.8 million in 12M15 to approximately RMB 46.2 million in 12M16 as a result of high volume of footwear products being sold from OEM footwear segment. Our overall gross profit margin slightly increased by 2.9% in 12M16 due to higher margin for OEM footwear.

In 4Q 16, our gross profit margin increased by 4.5% from approximately 18.5% in 4Q 15 to 23% in 4Q 16. Quarter-on-quarter, our overall gross profit margin increased from 20.3% in 3Q 16 to 23% in 4Q 16. The increase of overall gross profit margin was mainly due to the increase in volume of OEM footwear products being sold in 4Q 16.

Other operating income

Other operating income comprises interest income from bank deposits and exchange differences. Without considering the realised exchange gain of approximately RMB 0.08 million recorded in FY 15, there is an increase in interest income in 12M16 which was due to high bank balances during the period as compared to corresponding period in 2015 and the interest income in 4Q 16 was comparable to 4Q 15 due to privileged interest rate offered by the bank on attracting deposit. In 4Q16, we have successful recover back the bad debts amounting to RMB 8.7 million for the reason of one of the distributor made payment in 4Q 16.

Operating expenses

In total, operating expenses which comprise selling and distribution expenses and administrative expenses decreased by approximately RMB 469.6 million or 77% from approximately RMB 606.13 million in 12M15 to approximately RMB 67.28 million in 12M16. As a percentage of revenue, operating expenses decrease to approximately 30.9 % in 12M16 from approximately 249% in 12M15.



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The main decrease in total operating expenses came from administrative expenses which decrease by approximately RMB 468 million or 466% from approximately RMB 515.2 million in 12M15 to approximately RMB 47.2 million in 12M16 while administrative expenses in 4Q 16 increased by approximately RMB 0.24 million or 2% from approximately RMB 12.4 million to approximately RMB 12.6 million compared to 4Q 15. The decrease for 12M16 is due to the impairment loss on trade receivables of approximately RMB 487.4 million being recognised in 12M15 but no impairment loss incurred on 12M2016.

Selling and distribution expenses decreased by approximately RMB 70.9 million or 77.9% from approximately RMB 90.9 million in 12M15 to approximately RMB 20.1 million in 12M16 while selling and distribution expenses in 4Q16 increased by approximately RMB 3.8 million from approximately RMB 2.98 million to approximately RMB 6.8 million in 4Q 16. The Group had only spent RMB 2.5 million and RMB 8.1 million in 4Q 16 and 12M16 respectively, in advertising on the internet to create and promote the awareness of the YELI brand and functionality of YELI breathable shoes on various e-commerce platforms as compared to approximately RMB 0.5 million and RMB 11.3 million in 4Q15 and 12M15, respectively. The decrease in spending in advertising is due to poor economic outlook and no enhanced features of the footwear products being produced

Finance costs

Finance costs in 12M16 and 4Q 16 decreased by approximately RMB 5.57 million or 31% and approximately RMB 0.195 million or 31% as compared to FY 15 and 4Q 15 respectively. The decrease was due to lower outstanding bank loans in 12M16 and 4Q 16 as compared to 12M15 and 4Q15 respectively.

Income tax

Income tax expense in 12M16 and 4Q 16 of approximately RMB Nil and RMB Nil million reported respectively, were due to loss incurred in 12M16 from our operating subsidiaries in PRC.



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- (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 had increased by approximately RMB 12.9 million from approximately RMB 103 million as at 31 December 2015 to approximately RMB 112.0 million as at 31 December 2016. This was mainly attributed to the purchases of plant and machinery amounting to RMB 15.3 million to upgrade existing production line and RMB 9.3 million spent on building enhancement for fire safety which enforced by local authority in order to achieve the national level fire safety. Total Depreciation charge of the property, plant and equipment during the 12M16 was approximately RMB 15.6 million.

Land use rights and intangible assets as at 31 December 2016 decreased marginally when compared to 31 December 2015. This was mainly attributed to the amortisation of land use rights and other intangible assets.

Under PRC laws, tax losses incurred in the year ended 31 December 2013 can be utilised to off-set taxable profit of our Group in the following 5 financial years. The off-set gives rise to the deferred tax asset. There is no utilisation of deferred tax asset for 12M16 due to the loss incurred and no additional recognition of deferred tax asset due to the gloomy future economic outlook in the sportswear industry..

Current Assets

Inventories, comprised mainly raw materials and finished goods, decreased by approximately RMB 11.9 million from approximately RMB 17.6 million as at 31 December 2015 to approximately RMB 5.7 million as at 31 December 2016. The Group tried to maintain a lower level of inventories in order to reduce holding cost of the inventory.

Trade receivables decreased from approximately RMB 82.5 million as at 31 December 2015 to approximately RMB 126.2 million as at 31 December 2016 mainly due to high sales volume in 4Q2016 recognised in end of 12M16. Our trade receivables turnover days were in the range of 30-120 days.

Aging of trade receivables is set out as follows:

	(RMB million)	%
Current (less than 30 days) –	36.3	28.8
31 to 60 days –	50.4	39.9
61 to 90 days –	39.5	31.3
Over 90 days	-	-
Total	126.2	100.0



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Other receivables and prepayment decreased from approximately RMB 139.3 million as at 31 December 2015 to approximately RMB 98.2 million as at 31 December 2016.

The balance consisted mainly of advance payments made to existing suppliers of approximately RMB 18.1 million to lock in raw materials prices and the advance payment to a marketing agency of approximately RMB 25.02 million. The advance payment to the agency covered online advertising and promotional activities; and outdoor and print media advertisements managed by the agency to create and increase awareness of our Group's electronic commerce ("e-commerce") platform. The outdoor advertisements included billboards on highways and buildings while the print media advertisements included advertisements on magazines highlighting our Group's e-commerce platform. Expenses for the internet marketing activities included planning and the production of the advertisements and setup for internet sales over the various e-commerce platforms (including T-mall, Tao Bao, shop.qq.com etc.).

In addition, a RMB 55 million refundable deposit was paid to the Anhui government in relation to the proposed acquisition of land in Suzhou, Anhui Province (the "Suzhou Project") to construct our new plant. We are still in negotiations with the Administrative Committee of the SETDZ (宿州经济技术开发区管委会) ("ACSETDZ") on the Suzhou Project and will release a detailed announcement regarding the Suzhou Project upon the completion of the negotiations with ACSETDZ.

As at 31 December 2016, we had cash and cash equivalents of approximately RMB 159.2 million. The increase in cash and cash equivalents was due mainly to the net cash used in operation and financing activities. (Please refer to the statement of cash flow in this announcement for further details).

The cash and cash equivalents were mainly bank deposits denominated in RMB and Singapore Dollars. As at 31 December 2016, we have not entered 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 payable decreased from approximately 19.5 million as at 31 December 2015 to approximately RMB 17.8 million as at 31 December 2016. This was due to prompt payment made to suppliers to secure better trade terms and lesser purchases during 12M16 in view of the reduction in overall business activities.



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Accrued liabilities, other payables included wages payables, accrued utilities expenses and amount owing to a director decreased from approximately RMB 58.2 million as at 31 December 2015 to approximately RMB 43 million as at 31 December 2016. The net decrease was mainly due to VAT payables reduced correspondingly to revenue drop in 12M2016 but slightly offsetting by increase in amount due to the director which helping to make payment of certain professional expenses for the group.

Commentary on Statement of Cash Flows

Net Cash from Operating Activities

Operating cashflow before working capital changes increased by approximately RMB 66.5 million from approximately RMB 62.7 million net outflow in 12M15 to approximately RMB 3.8 net inflow million in 12M16. The increase was mainly due to the less operating loss generated in 12M16 as compared to the material operating loss incurred in the corresponding period in 2015 mainly due to recognition of the impairment loss on trade receivable. The operating cashflow before working capital changes increased by approximately RMB 12.5 million from approximately RMB 3 million net outflow in 4Q 15 to approximately RMB 9.57 net inflow million in 4Q 16. The increase was mainly due to the profit generated in 4Q 16 as compared to the low operating profit incurred in the corresponding period in 2015.

Net cash used in operating activities in 12M15 decreased significantly by approximately RMB 341.4 million as compared to 12M15 mainly due to the huge loss generated of approximately RMB 559.8 million in 12M15, decrease in trade receivables of approximately RMB 149 million, decrease in trade payables and bills payables of approximately RMB 126.2 million and decrease in inventories of approximately RMB 3.44 million.

Net cash from operating activities in 4Q 16 increased by approximately RMB 16 million as compared to 4Q 15 was mainly due to net operating profit

Net Cash used in Investing Activities

In 12M16, there is a purchase of property, plant and equipment of RMB 24.6 million, whereas in 12M15, no net cash used in investing activities.

Net Cash from/(used in) Financing Activities

Net cash generated from financing activities was approximately RMB 34 million in 12M16. This was mainly due to net proceeds raised from a private placement of new shares of RMB 8 million and an increase in amount owing to a director (Mr Lin Shaoxiong) of approximately RMB 1.1 million in 12M16 and loan proceed obtained on 4Q2016.



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9. Use of Rights Issue and Placement Proceeds

The following table sets out the details of the utilisation of placement proceeds up to 31 December 2016:

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

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

There is no variance from the prospect statement as compared to the actual results.

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.

China's Gross Domestic Product ("GDP") maintained at 6.7% in full year of 2016 and the rate was slowest since first quarter of 2009.

The China sportswear industry, which has been facing challenges stemming from excessive inventory and over-expanded retail channels over the past few years has not shown much improvement. Measures have been taken by Industry players in destocking and network consolidation. Despite this, there remains uncertainty arising from the lack of product differentiation but intense competition amongst the market players. Footwear and apparel brands that are more differentiated, more responsive to market trends and more capable of delivering value for money and innovative products to consumers will benefit from the industry consolidation.

In response to such market conditions, our Group has taken various measures and initiatives to develop better differentiated products, improve our retail channel management and operational efficiency. Such measures include the change in product positioning with added emphasis on casual fashion wear as well as streamlining of distribution network through reduction of inefficient stores.



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Henceforth, our Group will strategically move to sustain our market share and continue to invest in product design and development in response to market trends as well as to better differentiate our products from our competitors. Operationally, our Group will endeavour to improve our financial performance in 2017 through cost control measures and place more marketing efforts and tighten the credit control over collection from distributors.

**Based on the statistics provided by China National Bureau of Statistics (“NBS”)*

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 for quarter announcement.



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PART III OTHER INFORMATION

17. Interested Person Transactions

As stated in **paragraph 1(b)(ii)**, Mr Lin Shaoxiong and Mr Lin Yongjian have jointly provided a personal guarantee to secure Hengfa's banking facility.

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

On 12 December 2011, our Group entered into a licensing agreement with Mr Lin Yongjian under which our Group was licensed to utilise the technology relating to breathable shoes (the "**License**").

The royalty fee payable for the License was calculated as a percentage of the revenue generated from the sale of breathable shoes; being 5% from 1 January 2012. The licence fee (including the sign-on fee and the royalty fee for the term of the License) was capped at RMB 55,865,721, being the amount equivalent to 5% of the net asset value of our Group, based on 2010 audited accounts.

The term of the License had since been extended further by another agreement (the "**2014 Extension Agreement**"). With the extended term, the License will conclude on 31 December 2014 (the "**2014 Extended Term**").

During the 2014 Extended Term, the royalty fee will continue to be on computed in the same manner. However, the aggregate royalty fee for the 2014 Extended Term together with other transactions entered into with Mr Lin Yongjian during FY2014, is subject to a cap of RMB50,217,550, equivalent to 5% of the net tangible asset value of our Group, based on our latest audited financial statements for the financial year ended 31 December 2013. The royalty fee for the 2014 Extended Term will be computed and paid only after our audited accounts for the 2014 Extended Term had been issued. All other terms and conditions remain unchanged for the 2014 Extended Term.

The term of the License had been extended further by another agreement (the "**2015 Extension Agreement**") for another 12 months in which the License will conclude on 31 December 2015 (the "**2015 Extended Term**"). All other terms and conditions remain unchanged for the 2015 Extended Term. The 2015 Extended Term is still valid and shall be automatically extended for next subsequent year if neither Party announces termination of this Agreement. . Our Group and the licensor have agreed that payment of royalties would be subject to our collection on the relevant trade receivables. However, the Licensor had on a goodwill basis allowed the Group to utilize the Design Patent free of charge since 1 July 2016 and the consent letter was obtained from Mr. Lin Yong Jian in 3Q2016.



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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 31 December 2016:

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	under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RMB	RMB
Lin Shaoxiong	-	-
Royalty fees payable to Lin Yongjian	2.97 million	-

18. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

19. Negative Assurance

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

Our Directors of our 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 fourth quarter and the twelve months ended 31 December 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lin Shaoxiong
Chief Executive Officer
Singapore
16 February 2017

Lin Shaoqin
Executive Director

BY ORDER OF THE BOARD

Lin Shaoxiong
Chief Executive Officer
16 FEBRUARY 2017