



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

**UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIXTH QUARTER  
AND EIGHTEEN MONTHS ENDED 30 JUNE 2017**

## **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, Q4, Q5 & Q6), 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 SIXTH QUARTER AND EIGHTEEN MONTHS ENDED 30 JUNE 2017 (in RMB)**

(RMB '000)	1 APR- 30 JUN (6Q)		Change %	18 Months		Change %
	Unaudited	Unaudited		Unaudited	Unaudited	
	2017	2016*		2017	2016*	
Revenue	70,454	47,743	47.6	358,810	342,253	4.8
Cost of sales	(55,060)	(37,941)	45.1	(280,294)	(277,635)	1.0
Gross profit	15,394	9,802	57.1	78,516	64,618	21.5
Other operating income	169	124	36.3	9,589	7,848	22.2
Selling and distribution expenses	(6,559)	(4,106)	59.7	(34,114)	(100,006)	(65.9)
Administrative expenses	(5,081)	(13,168)	(61.4)	(56,379)	(539,053)	(89.5)
Finance costs	(1,009)	-	100.0	(2,355)	(6,012)	(60.8)
(Loss)/Profit before income tax	2,914	(7,348)	139.7	(4,743)	(572,605)	99.2
Taxation	-	-	100.0	-	-	100.0
(Loss)/Profit for the period	2,914	(7,348)	139.7	(4,743)	(572,605)	99.2
Gross profit margin	21.8%	20.5%		21.9%	18.9%	
Profit before income tax margin	4.1%	-15.4%		-1.3%	-167.3%	
Net profit margin	4.1%	-15.4%		-1.3%	-167.3%	



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**STATEMENT OF PROFIT AND LOSS FOR THE SIXTH QUARTER AND EIGHTEEN MONTHS ENDED 30 JUNE 2017 (in RMB)**

(RMB '000)	1 APR - 30 JUN (6Q)		Change	18 Months		Change
	Unaudited	Unaudited		Unaudited	Unaudited	
	2017	2016*	%	2017	2016*	%
(Loss)/Profit for the period	2,914	(7,348)	139.7	(4,743)	(572,605)	99.2
Other comprehensive income for the period	(9)	(180)	(95.0)	(75)	(903)	(91.7)
Total comprehensive income for the period	2,905	(7,528)	138.6	(4,818)	(573,508)	99.2

Note:

*\*The 3 months period results ended 30 June 2016 are for comparative purposes only and not consolidated in the 12 months period results ended 31 December 2015. The 18 months period results ended 30 June 2016, which is computed by adding the results of the 6 months period ended 30 June 2016 to that of 12 months period ended 31 December 2015, is also presented for comparative purposes.*



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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)	SIXTH QUARTER		Change %	18 Months		Change %
	2017	2016		2017	2016	
(a) Income statement includes the following:						
Interest paid on borrowings	(1,443)	-	100.0	(2,355)	(5,961)	(60.5)
Depreciation of property, plant and equipment	(3,908)	(3,908)	-	(23,448)	(18,524)	26.6
Amortisation of land use rights	(91)	(91)	-	(546)	(546)	-
Amortisation of intangible assets	(133)	(133)	-	(798)	(827)	(3.5)
Impairment loss on trade receivables	-	-	-	-	(480,585)	(100.0)
Lease payments under operating lease for leasehold buildings	(240)	(240)	-	(1,440)	(1,440)	-
Salaries and related costs						
- Director remuneration	(304)	(313)	(2.9)	(1,886)	(2,750)	(31.4)
- Key personnel	(328)	(271)	21.0	(1,751)	(1,735)	0.9
Exchange (loss)/gain	(92)	(234)	(60.7)	77	(186)	(141.4)
(b) Other operating income comprises mainly						
Bad debts recovered	-	-	-	8,721	8,721	-
Interest income	169	124	36.3	700	870	(19.5)



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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 30/06/2017	Group Unaudited As at 31/12/2015	Company Unaudited As at 30/06/2017	Company Unaudited As at 31/12/2015
(RMB '000)	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	104,213	103,041	1	1
Land use rights/Intangible assets	14,802	16,146	-	-
Deferred tax asset	44,244	44,244	-	-
Investment in subsidiary	-	-	459,986	459,986
	<u>163,259</u>	<u>163,431</u>	<u>459,987</u>	<u>459,987</u>
<b>Current assets</b>				
Inventories	8,901	17,633	-	-
Amount due from subsidiary	-	-	97,323	90,047
Trade receivables	141,782	82,541	-	-
Prepayments, other receivables and deposits	93,170	139,316	11	9
Pledged bank deposits	-	-	-	-
Cash and cash equivalents	204,101	154,427	15	16
	<u>447,954</u>	<u>393,917</u>	<u>97,349</u>	<u>90,072</u>
<b>Less: Current liabilities</b>				
Trade and bills payables	22,134	19,537	-	-
Amount owing to director	9,069	8,014	4,679	3,822
Accrued liabilities and other payables	32,274	50,263	6,387	5,973
Amount due to a subsidiary	-	-	24,823	23,675
Interest-bearing bank borrowings	65,000	-	-	-
	<u>128,477</u>	<u>77,814</u>	<u>35,889</u>	<u>33,470</u>
<b>Net current assets</b>	<u>319,477</u>	<u>316,103</u>	<u>61,460</u>	<u>56,602</u>
<b>Non current liability</b>				
Deferred tax liabilities	7,377	7,377	-	-
	<u>7,377</u>	<u>7,377</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>475,359</u>	<u>472,157</u>	<u>521,447</u>	<u>516,589</u>
<b>Share capital and reserves</b>				
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	2,787	2,862	2,651	2,892
Retained earnings	(220,997)	(216,253)	(86,034)	(83,112)
<b>Shareholders' equity</b>	<u>475,359</u>	<u>472,157</u>	<u>521,447</u>	<u>516,589</u>
<b>Total equity</b>	<u>475,359</u>	<u>472,157</u>	<u>521,447</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 30/06/2017		As at 31/12/2015	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	-	-
Interest-bearing loans	65,000	-	22,500	-
	<u>65,000</u>	<u>-</u>	<u>22,500</u>	<u>-</u>

**Amount repayable after one year**

	As at 30/06/2017		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 30 June 2017 was secured by the land use rights and buildings of Hengfa (fellow subsidiary).

The interest-bearing loan for our subsidiary, Hengfa (Fujian) Light Industry Development Co., Ltd. ("**Hengfa**"), as at 30 June 2017 was secured by the land use rights and buildings of Hengfa.

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)	Sixth Quarter		18 Months	
	Unaudited 2017	Unaudited 2016*	Unaudited 2017	Unaudited 2016*
<b>Cashflows from operating activities</b>				
(Loss)/Profit before income tax	2,914	(7,348)	(4,743)	(572,605)
Adjustments for:				
Interest income	(179)	(124)	(879)	(870)
Depreciation of property, plant and equipment	3,908	3,908	23,448	18,524
Amortisation of land use rights/intangible assets	224	224	1,344	1,373
Impairment loss on trade receivables	-	-	-	480,585
Interest expenses	1,443	-	2,355	5,961
Exchange difference in translation	92	(234)	(77)	(931)
Operating profit before working capital changes	8,402	(3,574)	21,448	(67,963)
Decrease/ (increase) in inventories	(158)	3,148	8,732	16,247
(Increase) / decrease in trade receivables and other receivables, prepayment and deposits	1,373	13,511	(13,095)	(137,229)
Increase/(decrease) in trade payables and bill payables	895	(1,495)	2,597	(134,065)
Increase / (decrease) in accrued liabilities and other payable	76	(2,918)	(17,989)	(24,218)
Cash (used in) / from operations	10,588	8,672	1,693	(347,228)
Interest received	179	124	879	870
Interest paid	(1,443)	-	(2,355)	(5,961)
<b>Net cash (used in) / from operating activities</b>	<b>9,324</b>	<b>8,796</b>	<b>217</b>	<b>(352,319)</b>
<b>Cashflows from investing activities</b>				
Purchases of property, plant and equipment	-	-	(24,620)	(24,620)
<b>Net cash (used in) / from investing activities</b>	<b>-</b>	<b>-</b>	<b>(24,620)</b>	<b>(24,620)</b>
<b>Cashflows from financing activities</b>				
Increase / (decrease) in amount owing to director	-	626	1,056	3,373
Proceeds from placement of shares	-	8,286	8,286	8,286
Shares issue expenses	-	(265)	(265)	(265)
Proceeds from bank loans	-	-	65,000	22,500
Repayment of bank loans	-	-	-	(97,200)
Increase / (decrease) in pledged deposits	-	-	-	45,875
<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>8,647</b>	<b>74,077</b>	<b>(17,431)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>9,324</b>	<b>17,443</b>	<b>49,674</b>	<b>(394,370)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>194,877</b>	<b>120,665</b>	<b>154,427</b>	<b>532,506</b>
<b>Effects of exchange rate fluctuation</b>	<b>(100)</b>	<b>54</b>	<b>-</b>	<b>26</b>
<b>Cash and cash equivalents at end of period</b>	<b>204,101</b>	<b>138,162</b>	<b>204,101</b>	<b>138,162</b>



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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	Treasury Shares	Merger Reserves	Paid in capital from exchange differences	Currency translation reserve	Statutory Reserve	Retained Profits/ (Accumulated Loss)	Total
<b>Group</b>									
At 1 January 2015	36,570	560,135	(226)	801	330	3,484	87,988	343,503	1,082,535
Total comprehensive loss for the period	-	-	-	-	-	(623)	-	(559,755)	(560,378)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
At 31 December 2015	36,570	560,135	(226)	801	330	2,861	87,988	(216,252)	472,157
At 1 January 2016	36,570	560,135	(226)	801	330	2,861	87,988	(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	42,990	561,736	(226)	801	330	2,594	87,988	(228,530)	467,633
At 1 January 2017	42,990	561,736	(226)	801	330	2,594	87,988	(228,530)	467,633
Issuance of new shares	-	-	-	-	-	-	-	-	-
Shares issue expenses	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	193	-	7,533	7,726
At 30 June 2017	42,990	561,736	(226)	801	330	2,787	87,988	(220,997)	475,359
<b>Company</b>									
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	36,570	560,135	(226)	-	330	-	-	(80,220)	516,589
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	42,990	561,736	(226)	-	330	-	-	(82,323)	522,507
At 1 January 2017	42,990	561,736	(226)	-	330	-	-	(82,323)	522,507
Issuance of new shares	-	-	-	-	-	-	-	-	-
Shares issue expenses	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(1,060)	(1,060)
At 30 June 2017	42,990	561,736	(226)	-	330	-	-	(83,383)	521,447





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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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 March 2017, which can be summarized in the table below:

	<b>Number of shares</b>	<b>Share Capital</b>
		<b>RMB ('000)</b>
As at 1 April 2017	1,153,538,000	42,764
Issuance of new shares pursuant to a private placement	-	-
As at 30 June 2017	<u>1,153,538,000</u>	<u>42,764</u>

There were no outstanding convertibles held as at 30 June 2017 and 31 December 2015.

Save as disclosed above, there have been no bonus, subsidiary holdings or other issues of shares during the period.



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**Treasury shares**

Our Company did not make any purchase of our shares during the fifth quarter ended 30 June 2017. As at 30 June 2017, our Company holds 587,000 treasury shares (31 December 2015: 587,000).

	Company 30 June 2017		31 December 2015		Company 30 June 2017		31 December 2015	
	Number of shares				RMB '000			
<b>Issued and fully paid</b>								
At beginning of period	587,000		587,000		226		226	
Acquired during period	-		-		-		-	
At end of period	587,000		587,000		226		226	

**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 30 June 2017 and 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 18 months ended 30 June 2017.

**1(d)(v) A statement showing all sales, transfer, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

During the financial period, there was no transaction pertaining to subsidiary holdings.

**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.



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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.**

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.**

	Sixth Quarter		18 Months	
	2017	2016	2017	2016
(Loss)/Profit after income tax (RMB'000)	2,914	(7,348)	(4,743)	(572,605)
Basic (loss)/ earnings per share (RMB cents)	0.25	(0.71)	(0.43)	(58.79)
Diluted (loss)/earnings per share (RMB cents)	0.25	(0.71)	(0.43)	(55.58)

The basic (loss)/ earnings per share is calculated based on profit after income tax divided by the weighted average ordinary shares in three months ended 30 June 2017 and the eighteen months ended 30 June 2017, which were 1,113,057,358 shares. The weighted average ordinary shares for the three months ended 30 June 2016 and eighteen months ended 30 June 2016, which were 1,030,109,429 shares.

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



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**7. Net asset value (for the Group and the Company) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and**
- (b) immediately preceding financial year.**

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2017	As at 31 Dec 2015	As at 30 June 2017	As at 31 Dec 2015
Net asset value as at the end of the respective period (RMB'000)	473,359	472,157	521,447	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)	41.04	49.10	45.20	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 30 June 2017 ("**6Q 17**"), our Group recorded revenue of approximately RMB 70.45 million, an increase of approximately RMB 22.71 million or 47.6% over revenue of approximately RMB 47.74 million for the previous corresponding period three months ended 30 June 2016 ("**6Q 16**"). For the eighteen months ended 30 June 2017, ("**18M17**"), revenue increased by approximately RMB 16.56 million or 4.8% to approximately RMB 358.8 million from approximately RMB 342.3 million in the previous corresponding period ("**18M16**").

The overall slight increase in revenue in 18M17 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 18M17. However, there are more OEM orders placed by our customers in first half of year 2017 which enhance the Group performance on revenue. Quarter on quarter, revenue in 6Q 17 decreased by RMB 0.67 million or 1% to RMB 70.45 million from approximately RMB 71.12 million in 5Q 17 which is mainly due to lesser sales order from YELI footwear.



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*Breakdown of revenue by business lines*

(RMB million)	6Q 17	%	6Q 16	%	18M 17	%	18M 16	%
Footwear	68.6	97.0	44.8	93.9	345.4	96.0	336.37	98.3
Apparel	1.9	3.0	2.9	6.1	13.4	4.0	5.83	1.7
Total Revenue	70.5	100	47.7	100.0	358.8	100.0	342.2	100.0

*Breakdown of footwear revenue by segment*

(RMB million)	6Q 17	%	6Q 16	%	18M 17	%	18M 16	%
YELI footwear	15.8	23.0	21.3	47.5	114.5	33.1	178.85	53.1
OEM footwear	52.8	77.0	23.5	52.5	230.9	66.9	157.52	46.9
Total footwear	68.6	100.0	44.8	100.0	345.4	100.0	336.37	100.0

**Footwear**

In 18M17, footwear products recorded approximately RMB 345.4 million in sales, representing an increase of approximately RMB 9.03 million or approximately 2.6% over sales of footwear products of approximately RMB 336.37 million in 18M16.

The increases in revenue in 18M17 was mainly attributable to the increase in OEM footwear revenue. The poor economic outlook and no enhanced features and functionality of our products resulted in lesser orders being placed by our Yeli footwear' 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 in FY 2015.

In 18M17, our Yeli footwear sales was approximately RMB 114.5 million which represented 33.1% of our footwear as compared to 53% and 52.2% of our footwear revenue and of our total revenue in 18M16.

In 6Q 17, our Group recorded Yeli footwear revenue of approximately RMB 15.8 million, a decrease of approximately RMB 5.5 million or 25% over revenue of approximately RMB 21.3 million in 6Q 16.



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The increase in OEM footwear revenue in 18M17 was mainly attributable to increased orders from our existing customers and strong consumer demand in oversea market compared to 18M16. 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 an increase in OEM footwear revenue contribution in 18M17 and 6Q 17 from approximately RMB 157.52 million to RMB 230.9 million and from approximately RMB 23.5 million to RMB 52.8 million respectively. In 6Q 17, our Group have a net profit amounting to RMB 2.9 million mainly contributed by sales orders increased from OEM customers which representing 77% of total footwear revenue in 6Q 17

### Apparel

In 18M17 and 6Q 17, our Group recorded RMB 13.4 million and RMB 1.9 million as compared to RMB 5.83 and RMB 2.9million in 18M16 and 6Q 16. 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.

### **Cost of goods sold and gross profit margin**

In line with the increase in revenue in 18M17, our cost of sales increased by approximately RMB 2.66 million or 1% from approximately RMB 277.6 million in 18M16 to approximately RMB 280.3 million in 18M17.

In line with the revenue increase in 6Q 17 from 6Q 16, our cost of sales increased by approximately RMB 17.12 million or 45% from approximately RMB 37.9 million in 6Q 16 to approximately RMB 55.1 million in 6Q 17.

### *Gross profit margin by product segment:*

	6Q 17	6Q 16	Growth	18M17	18M16	Growth
Footwear	21.5%	18.9%	3.6%	21.1%	19.2%	2.9%
Apparel	9.8%	10.1%	9.9%	9.8%	10.1%	9.6%
Overall GP margin	21.8%	20.5%	4.5%	21.9%	18.9%	2.9%

Our gross profit increased by approximately RMB 13.9 million or 21.5% from approximately RMB 64.6 million in 18M16 to approximately RMB 78.5 million in 18M17 as a result of high volume of footwear products being sold from OEM footwear segment. Our overall gross profit margin slightly increased by 3% in 18M17 due to higher margin for OEM footwear.

In 6Q 17, our gross profit margin increased by 6.1% from approximately 20.5% in 6Q 16 to 21.8% in 6Q 17.



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### **Other operating income**

Other operating income comprises interest income from bank deposits and exchange differences. Without considering the realised exchange gain of approximately RMB 0.7 million recorded in 18M 17, there is an increase in interest income in 18M17 which was due to high bank balances during the period as compared to corresponding period in 2016 and the interest income in 6Q 17 was comparable to 6Q 16. In 4Q 15, we have successful recover back the bad debts amounting to RMB 8.7 million for the reason of one of the distributor made payment to us.

### **Operating expenses**

The main decrease in total operating expenses came from administrative expenses which decrease by approximately RMB 482 million or 89.5% from approximately RMB 539.1 million in 18M16 to approximately RMB 56.3 million in 18M17 while administrative expenses in 6Q 17 decreased by approximately RMB 8.1 million or 61.4% from approximately RMB 13.1 million to approximately RMB 5.1 million compared to 6Q 17. The decrease for 18M17 is due to the impairment loss on trade receivables of approximately RMB 480.5 million (net of bad debt recover RMB 8.7 million) being recognised in 12M15 but no impairment loss incurred on 18M2017.

Selling and distribution expenses decreased by approximately RMB 65.89 million or 65.9% from approximately RMB 100 million in 18M16 to approximately RMB 34.1 million in 18M17 while selling and distribution expenses in 6Q17 increased by approximately RMB 2.45 million from approximately RMB 4.1 million to approximately RMB 6.5 million in 6Q 17. The Group had only spent RMB 2.5 million and RMB 13.1 million in 6Q 17 and 18M17 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 1.2 million and RMB 17.8 million in 6Q16 and 18M16, respectively. The overall 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 18M17 and 6Q 17 decreased by approximately RMB 3.66 million or 60.8% and slightly offset by an increase approximately RMB 1 million or 100% as compared to 18M16 and 6Q 16 respectively. The decrease was due to lower outstanding bank loans in average during 18M17 compared to 18M16.

### **Income tax**

Income tax expense in 18M17 and 6Q 17 of approximately RMB Nil and RMB Nil million reported respectively, were due to loss incurred in 15M17 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 1.2 million from approximately RMB 103 million as at 31 December 2015 to approximately RMB 104.2 million as at 30 June 2017. 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 18M17 was approximately RMB 23.5 million.

Land use rights and intangible assets as at 30 June 2017 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 18M17 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 8.8 million from approximately RMB 17.6 million as at 31 December 2015 to approximately RMB 8.9 million as at 30 June 2017. The Group tried to maintain a lower level of inventories in order to reduce holding cost of the inventory.

Trade receivables increased from approximately RMB 82.5 million as at 31 December 2015 to approximately RMB 141.8 million as at 30 June 2017 mainly due to high sales volume in 6Q2017 recognised in end of 18M17. 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) –	39.9	28.1
31 to 60 days –	25.9	18.3
61 to 90 days –	16.6	11.7
Over 90 days	59.4	41.9
Total	141.8	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 93.1 million as at 30 June 2017.

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 20 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 30 June 2017, we had cash and cash equivalents of approximately RMB 204.1 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 30 June 2017, 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 increased from approximately 19.5 million as at 31 December 2015 to approximately RMB 22.13 million as at 30 June 2017. This was due to more order made to suppliers to cope with the sales orders increase in 18M17 in view of the increase in overall business activities.

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 41.3 million as at 30 June 2017. The net decrease was mainly due to VAT payables reduced but slightly offsetting by increase in amount due to the director which helping to make payment of certain professional expenses for the group.



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### **Commentary on Statement of Cash Flows**

#### **Net Cash from Operating Activities**

Operating cashflow before working capital changes increased by approximately RMB 89.4 million from approximately RMB 67.9 million net outflow in 18M16 to approximately RMB 21.4 net inflow million in 18M17. The increase was mainly due to the less operating loss generated in 18M17 as compared to the material operating loss incurred in the corresponding period in 2016 mainly due to recognition of the impairment loss on trade receivable. The operating cashflow before working capital changes increased by approximately RMB 12 million from approximately RMB 3.6 million net outflow in 6Q 16 to approximately RMB 8.4 net inflow million in 6Q 17. The increase was mainly due to the profit generated in 6Q 17 as compared to the low operating profit incurred in the corresponding period in 2016.

Net cash used in operating activities in 18M17 decreased significantly by approximately RMB 348.9 million as compared to 18M16 mainly due to the huge loss generated of approximately RMB 565.2 million in 15M16 which resulting more cash used in operating activities.

Net cash from operating activities in 6Q 17 increased by approximately RMB 0.52 million as compared to 6Q 16 was mainly due to net operating profit generated in the quarter.

#### **Net Cash used in Investing Activities**

In 18M16 and 18M17, there is a purchase of property, plant and equipment of RMB 24.6 million.

#### **Net Cash from/(used in) Financing Activities**

Net cash generated from financing activities was approximately RMB 74.1 million in 18M17. 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 18M16 and RMB 65 million short term-loan proceed obtained during 18M2017.



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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 30 June 2017:

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 6.8% in three month quarter ended 30 June 2017 and the rate was maintained constantly since FY2015.

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 2018 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.



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**PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
 (This part is not applicable to Q1, Q2, Q3, Q4, Q5 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.**

	Period ended 30 June 2017		Total RMB'000
	Design, manufacture footwear RMB'000	Design and sale of accessories RMB'000	
Revenue	345,400	13,410	358,810
<b>Result</b>			
Segment results	(3,457)	334	(3,123)
Interest income			879
Unallocated other income			8,710
Unallocated expenses			(8,854)
Finance costs			(2,355)
Loss before income tax			(4,743)
Income tax expenses			-
Loss for the year			(4,743)
Segment assets	199,177	432	199,609
Segment liabilities	(63,369)	(108)	(63,477)
<b>Other Information:</b>			
Depreciation of property, plant and equipment	(23,448)	-	(23,448)
Amortisation of land use rights and	(1,344)	-	(1,344)



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intangibles			
Impairment loss on trade receivables	-	-	-
Reversal of Impairment loss on trade receivables	-	-	-

**Reported segment assets are reconciled to total assets as follows:**

Segment assets			199,609
Deferred tax asset			44,244
Cash and cash equivalents			204,101
			<hr/>
			447,954
			<hr/>

**Reported segment liabilities are reconciled to total liabilities as follows:**

Segment liabilities			(63,477)
Unallocated liabilities			(65,000)
Non-current liabilities			(7,377)
			<hr/>
			(135,854)
			<hr/>



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	Year ended 31 December 2015		Total RMB'000
	Design, manufacture footwear RMB'000	Design and sale of accessories RMB'000	
	Revenue	243,500	
<b>Result</b>			
Segment results	(461,452)	-	(461,452)
Interest income			607
Unallocated other income			185
Unallocated expenses			(93,083)
Finance costs			(6,012)
Loss before income tax			(559,755)
Income tax expenses			-
Loss for the year			(559,755)
Segment assets	358,677	-	358,677
Segment liabilities	(77,814)	-	(77,814)
<b>Other information:</b>			
Depreciation of property, plant and equipment	(10,708)	-	(10,708)
Amortisation of land use rights and intangible	(925)	-	(925)
Impairment loss on trade receivables	(487,378)	-	(487,378)
Reversal of Impairment loss on trade receivables	(6,793)	-	(6,793)
<b>Reported segment assets are reconciled to total assets as follows:</b>			
Segment assets			358,677
Deferred tax asset			44,244
Cash and cash equivalents			154,427



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557,348

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Reported segment liabilities are reconciled to total liabilities as follows:

Segment liabilities	77,814
Non-current liabilities	7,377
	<hr/> 85,191 <hr/>

**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.**

Please refer to paragraph 8 above for details

**16. A breakdown of sales.**

<b>Group</b>	<b>18M2017</b>	<b>FY 15</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b><u>1 January – 30 June</u></b>			
Sales reported for the first half year	98,753	158,843	(37.8)
Operating loss after tax reported for first half year	(12,850)	(296,109)	95.7
<b><u>1 July – 31 December</u></b>			
Sales reported for the second half year	118,482	84,657	(40)
Operating profit/ (loss) after tax reported for second half year	571	(263,646)	100
<b><u>1 January 2017 – 30 June 2017</u></b>			
Sales reported for the first half year	141,575	N/A	N/A
Operating loss after tax reported for first half year	7,536	N/A	N/A





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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 30 June 2017:

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. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lin Shaoxiong	40	Brother of Mr. Lin Shaoqin	Executive Chairman and Chief Executive Officer. He is responsible for the strategic business direction and development of the Group, a position he held since 9 April 2007.	Not applicable
Lin Shaoqin	35	Brother of Mr. Lin Shaoxiong	Executive Director. He is also the Sales and Marketing Manager of the Group and is responsible for all aspects of the sales and marketing of products, a position he held since 10 April 2007.	Not applicable



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**19. Confirmation Pursuant to Rule 720(1) of the Listing Manual**

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

On behalf of the Board of Directors

Lin Shaoxiong  
Chief Executive Officer  
Singapore

Lin Shaoqin  
Executive Director

**BY ORDER OF THE BOARD**

**Lin Shaoxiong**  
**Chief Executive Officer**  
**30 August 2017**