



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

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 FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2017 (in RMB)

(RMB '000)	First Quarter		Change %
	Unaudited 2017/2018	Unaudited 2016/2017	
Revenue	46,542	48,611	(4.3)
Cost of sales	(36,773)	(38,330)	(4.1)
Gross profit	9,769	10,281	(5.0)
Other operating income	176	120	46.7
Selling and distribution expenses	(4,864)	(4,234)	14.9
Administrative expenses	(16,292)	(10,680)	52.5
Finance costs	(1,017)	-	100.0
(Loss)/Profit before income tax	(12,228)	(4,513)	(170.9)
Taxation	-	-	-
(Loss)/Profit for the period	(12,228)	(4,513)	(170.9)
Gross profit margin	21.0%	21.1%	
Profit before income tax margin	-26.3%	-9.3%	
Net profit margin	-26.3%	-9.3%	



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STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2017 (in RMB)

(RMB '000)	First Quarter		Change %
	Unaudited 2017/2018	Unaudited 2016/2017	
(Loss)/Profit for the period	(12,228)	(4,513)	(171.0)
Other comprehensive income for the period	(14)	(48)	(70.8)
Total comprehensive income for the period	(12,242)	(4,561)	(168.4)



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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)	First Quarter		Change %	Three Months		Change %
	2018/2017	2017/2016		2018/2017	2017/2016	
(a) Income statement includes the following:						
Interest paid on borrowings	1,017	-	100.0	1,017	-	100.0
Depreciation of property, plant and equipment	(3,908)	(3,908)	-	(3,908)	(3,908)	-
Amortisation of land use rights	150	150	-	150	150	-
Amortisation of intangible assets	(133)	(133)	-	(133)	(133)	-
Provision for doubtful debt	12,010	-	100.0	12,010	-	100.0
Lease payments under operating lease for leasehold buildings	(240)	(240)	-	(240)	(240)	-
Salaries and related costs						
- Director remuneration	(300)	(313)	(4.2)	(300)	(313)	(4.2)
- Key personnel	(271)	(271)	-	(271)	(271)	-
Exchange (loss)/gain	(14)	26	(153.8)	(14)	26	(153.8)
(b) Other operating income comprises mainly						
Interest income	176	120	46.7	176	120	46.7



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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

(RMB '000)	Group Unaudited As at 30/09/2017 RMB'000	Group Unaudited As at 30/06/2017 RMB'000	Company Unaudited As at 30/09/2017 RMB'000	Company Unaudited As at 30/06/2017 RMB'000
Non-current assets				
Property, plant and equipment	100,305	104,213	1	1
Land use rights/Intangible assets	14,578	14,802	-	-
Deferred tax asset	44,244	44,244	-	-
Investment in subsidiary	-	-	459,986	459,986
	<u>159,127</u>	<u>163,259</u>	<u>459,987</u>	<u>459,987</u>
Current assets				
Inventories	7,805	8,901	-	-
Amount due from subsidiary	-	-	97,323	97,323
Trade receivables	106,814	141,782	-	-
Prepayments, other receivables and deposits	90,658	93,170	11	11
Pledged bank deposits	-	-	-	-
Cash and cash equivalents	219,204	204,101	15	15
	<u>424,480</u>	<u>447,954</u>	<u>97,349</u>	<u>97,349</u>
Less: Current liabilities				
Trade and bills payables	10,076	22,134	-	-
Amount owing to director	6,719	9,069	4,679	4,679
Accrued liabilities and other payables	31,318	32,274	6,387	6,387
Amount due to a subsidiary	-	-	24,837	24,823
Interest-bearing bank borrowings	65,000	65,000	-	-
	<u>113,113</u>	<u>128,477</u>	<u>35,903</u>	<u>35,889</u>
Net current assets	<u>311,368</u>	<u>319,477</u>	<u>61,446</u>	<u>61,460</u>
Non current liability				
Deferred tax liabilities	7,377	7,377	-	-
	<u>463,117</u>	<u>475,359</u>	<u>521,433</u>	<u>521,447</u>
Net assets				
Share capital and reserves				
Share capital	42,990	42,990	42,990	42,990
Share premium	561,736	561,736	561,736	561,736
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	2,773	2,787	2,651	2,651
Retained earnings	(233,225)	(220,997)	(86,048)	(86,034)
Shareholders' equity	<u>463,117</u>	<u>475,359</u>	<u>521,433</u>	<u>521,447</u>
Total equity	<u>463,117</u>	<u>475,359</u>	<u>521,433</u>	<u>521,447</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 30/09/2017		As at 30/06/2017	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bills payable	-	-	-	-
Interest-bearing loans	65,000	-	65,000	-
	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>

Amount repayable after one year

	As at 30/09/2017		As at 30/06/2017	
	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 September 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 September 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)	First Quarter	
	Unaudited 2018/2017	Unaudited 2017/2016
Cashflows from operating activities		
(Loss)/Profit before income tax	(12,228)	(4,513)
Adjustments for:		
Interest income	(176)	(120)
Depreciation of property, plant and equipment	3,908	3,908
Amortisation of land use rights/intangible assets	224	224
Provision for doubtful debt	12,010	-
Interest expenses	1,017	-
Exchange difference in translation	(10)	26
Operating profit before working capital changes	4,745	(475)
Decrease/ (increase) in inventories	1,096	2,154
(Increase) / decrease in trade receivables and other receivables, prepayment and deposits	25,471	(4,473)
Increase/(decrease) in trade payables and bill payables	(12,058)	751
Increase / (decrease) in accrued liabilities and other payable	(956)	(2,810)
Cash (used in) / from operations	18,298	(4,853)
Interest received	176	120
Interest paid	(1,017)	-
Income tax paid	-	-
Net cash (used in) / from operating activities	17,457	(4,733)
Cashflows from investing activities		
Refund of Investments	-	-
Purchases of property, plant and equipment	-	-
Net cash (used in) / from investing activities	-	-
Cashflows from financing activities		
Increase / (decrease) in amount owing to director	(2,350)	105
Proceeds from placement of shares	-	-
Shares issue expenses	-	-
Proceeds from bank loans	-	-
Repayment of bank loans	-	-
Increase / (decrease) in pledged deposits	-	-
Net cash from / (used in) financing activities	(2,350)	105
Net (decrease) / increase in cash and cash equivalents	15,107	(4,628)
Cash and cash equivalents at beginning of period	204,101	138,162
Effects of exchange rate fluctuation	(4)	(73)
Cash and cash equivalents at end of period	219,204	133,461



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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
Group									
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
At 1 July 2017	42,990	561,736	(226)	801	330	2,787	87,988	(220,997)	475,359
Issuance of new shares	-	-	-	-	-	-	-	-	-
Shares issue expenses	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(14)	-	(12,228)	(12,242)
At 30 September 2017	42,990	561,736	(226)	801	330	2,773	87,988	(233,225)	463,117
Company									
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
At 1 July 2017	42,990	561,736	(226)	-	330	-	-	(83,383)	521,447
Issuance of new shares	-	-	-	-	-	-	-	-	-
Shares issue expenses	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(14)	(14)
At 30 September 2017	42,990	561,736	(226)	-	330	-	-	(83,397)	521,433



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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 as, 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 30 September 2017, which can be summarized in the table below:

	Number of shares	Share Capital RMB
As at 1 July 2017	1,153,538,000	42,764
Issuance of new shares pursuant to a private placement	-	-
As at 30 September 2017	<u>1,153,538,000</u>	<u>42,764</u>

There were no outstanding convertibles held as at 30 September 2017 and 30 September 2016.

Treasury shares

Our Company did not make any purchase of our shares during the second quarter ended 30 September 2017. As at 30 September 2016, our Company holds 587,000 treasury shares (30 September 2016: 587,000).



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	Company		Company	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	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

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 September 2017 and as at 30 June 2017 are 1,153,538,000 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 six months ended 30 September 2017.

1(d)(v) A statement showing all sales, transfers, 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.

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.



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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.

	First Quarter	
	2018/2017	2017/2016
(Loss)/Profit after income tax (RMB'000)	(12,228)	(4,513)
Basic (loss)/ earnings per share (RMB cents)	(1.1)	(0.39)
Diluted (loss)/earnings per share (RMB cents)	(1.1)	(0.42)

The basic (loss)/ earnings per share is calculated based on profit after income tax divided by the weighted average ordinary shares during third quarter ended 30 September 2016 and the nine months ended 30 September 2016, which were 1,072,139,599 shares. The weighted average ordinary shares for the third quarter ended 30 September 2015 and nine months ended 30 September 2015, which were 961,538,000 shares.

There is no difference between the basic and diluted earnings per share for first quarter ended 30 September 2017 and the three months ended 30 September 2017.

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	Unaudited	Unaudited	Unaudited
	As at 30 Sept 2016	As at 30 June 2017	As at 30 Sept 2016	As at 30 June 2017
Net asset value as at the end of the respective period (RMB'000)	463,177	475,359	521,433	521,447
Total number of issued ordinary share at the end of financial period/year	1,153,538,000	1,153,538,000	1,153,538,000	1,153,538,000
Net asset value per share (RMB cents)	40.15	41.20	45.20	45.20



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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 September 2017 ("1Q 17/18"), our Group recorded revenue of approximately RMB 46.5 million, a minor decrease of approximately RMB 2 million or 4% over revenue of approximately RMB 48.6 million for the previous corresponding period ("1Q 16/17").

The decrease in revenue in 1Q 17/18 was mainly attributable to YELI sports wear orders decreased as lesser demand on winter season's shoes. 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 1Q 18/17. Moreover, there is no enhanced features and functionality of our products, thus making it harder to entice the distributors and we will put our focus on OEM products.

Breakdown of revenue by business lines

(RMB million)	1Q 17/18	%	1Q 16/17	%
Footwear	45.3	97	47.0	97
Apparel	1.2	3	1.6	3
Total Revenue	46.5	100	48.6	100

Breakdown of footwear revenue by segment

(RMB million)	1Q 17/18	%	1Q 16/17	%
YELI footwear	11.2	25	13.1	27
OEM footwear	34.1	75	33.9	73
Total footwear	45.3	100.0	47.0	100.0



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Footwear

In 1Q 17/18, footwear products recorded approximately RMB 45.3 million in sales, representing a minor decrease of approximately RMB 1.7 million or approximately 3.6% over sales of footwear products of approximately RMB 47 million in 1Q 16/17.

The decreases in revenue in 1Q 17/18 were mainly attributable to the decrease in Yeli footwear revenue but slightly offset by increasing trend of OEM footwear revenue in 1Q 17/18. 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 half in 9M 15.

In 1Q 17/18, our Yeli footwear sales was approximately RMB 11.2 million which represented 25% of our footwear revenue and 24% of our total revenue as compared to 27% of our footwear revenue and of our total revenue in 1Q 16/17.

The increase in OEM footwear revenue in 1Q 17/18 was mainly attributable to increased orders from our existing customers and stronger consumer demand in oversea market. We continued to pursue our strategy of selectively accepting higher margin orders from our existing OEM customers. We have consistently maintaining the quality of our OEM products and we expect more orders from existing OEM customers due to the our experience and quality focus on intensified competition in the sportswear industry.

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.

Apparel

There are no major fluctuation noted on apparel segment.



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Cost of goods sold and gross profit margin

In line with the decrease in revenue, our cost of sales decreased by approximately RMB 1.55 million or 4.3% from approximately RMB 48.6 million in 1Q 16/17 to approximately RMB 46.5 million in 1Q 17/18.

Gross profit margin by product segment:

	3Q 16	3Q 15	Growth
Footwear	20.8%	21.1%	(1%)
Apparel	9.7%	9.8%	(1%)
Overall GP margin	21.0%	21.1%	(1%)

Our gross profit decreased by approximately 5% from approximately RMB 10.3 million in 1Q 16/17 to approximately RMB 9.8 million in 1Q 17/18 as a result of lower volume of footwear products being sold and lesser sale of apparels. However, our overall gross profit margin remained constantly in 1Q 17/18.

Quarter-on-quarter, our overall gross profit margin slightly decreased from 21.8% in 6Q 16/17 to 21% in 1Q 17/18.

Other operating income

Other operating income comprises interest income from bank deposits and exchange differences. The increase in interest income in 1Q 17/18 was mainly due to higher bank balances as compared to its corresponding period in 16/17.

Operating expenses

In total, operating expenses which comprise selling and distribution expenses and administrative expenses increased by approximately RMB 6.3million or 42% from approximately RMB 14.9 million in 1Q 16/17 to approximately RMB 21.2 million in 1Q 17/18. As a percentage of revenue, operating expenses decrease to approximately 32.4 % in 9M 16 from approximately 312.2% in 9M 15.

The main increase in total operating expenses came from administrative expenses which increase by approximately RMB 5.6 million or 52% from approximately RMB 10.7 million in 1Q 16//17 to approximately RMB 16.3 million in 1Q 17/18 The decrease for both 1Q 17/18 due to the provision on trade receivables of approximately RMB 12 million being recognised in 1Q 17/18. We have put continuing efforts to try all ways of collecting our trade receivables back but the collection has been slow due to the poor economic outlook since year 2015.



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Selling and distribution expenses increased by approximately RMB 0.63 million or 14.9% from approximately RMB 4.23 million in 1Q 16/17 to approximately RMB 4.86 million in 1Q 17/18. The Group had spent RMB 2.5 million respectively in 1Q16/17 and 1Q17/18, 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 and other sales related expenses was maintain constantly over the period with salary increment for production staff take effect on last quarters which inevitably increase the expenses as compared to 1Q 16/17.

Finance costs

Finance costs in 1Q 16/17 increased by approximately RMB 1 million or 100% as compared to no interest expenses in 1Q 16/17 due to short term loan obtained since 4Q 16/17.

Income tax

Income tax expense in 1Q 17/18 of approximately RMB Nil and RMB Nil million reported respectively, were due to loss incurred in 1Q 17/18 from our operating subsidiaries in PRC.

- (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 decreased by approximately RMB 1.2 million from approximately RMB 104 million as at 30 June 2017 to approximately RMB 100.1 million as at 30 Septmeber 2017. This was mainly attributed to the depreciation charge of the property, plant and equipment during the 1Q 17/18 was approximately RMB 3.9 million.

Land use rights and intangible assets as at 30 September 2017 decreased marginally when compared to 30 June 2017. 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 1Q 17/18 due to the loss incurred and no additional recognition of deferred tax asset due to the gloomy future economic outlook in the sportswear industry.



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Current Assets

Inventories, comprised mainly raw materials and finished goods, decreased by approximately RMB 1.1 million from approximately RMB 8.9 million as at 30 June 2016 to approximately RMB 7.8 million as at 30 September 2017. 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 141.8 million as at 30 June 2017 to approximately RMB 106.8 million as at 30 September 2017 mainly due to provision of doubtful debt recognised in end of 1Q 17/18 approximately to RMB 12 million. 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) –	26.8	25.1
31 to 60 days –	16.6	15.5
61 to 90 days –	11.0	10.3
Over 90 days	52.4	49.9
Total	106.8	100.0

Other receivables and prepayment decreased from approximately RMB 93.1 million as at 30 June 2017 to approximately RMB 90.7 million as at 30 September 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 17.5 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 latest updates for the refundable deposit was disclosed in our announcement released on 13th October 2017.



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As at 30 September 2017, we had cash and cash equivalents of approximately RMB 219 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 September 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 decreased from approximately 22.1 million as at 30 June 2017 to approximately RMB 10 million as at 30 September 2017. This was due to prompt payment made to suppliers to secure better trade terms and lesser purchases during 1Q 17/18 in view of the reduction in overall business activities.

Accrued liabilities, other payables included wages payables, accrued utilities expenses and amount owing to a director decreased from approximately RMB 41.3 million as at 30 June 2017 to approximately RMB 38.3 million as at 30 June 2017. The net decrease was mainly due to repayment to the director in 1Q 17/18.

Commentary on Statement of Cash Flows

Net Cash from Operating Activities

The operating cashflow before working capital changes increased by approximately RMB 5.2 million from approximately RMB 0.475 million net outflow in 3Q 16/17 to approximately RMB 4.7 million net inflow in 1Q 17/18. The increase was mainly due to the non-monetary expenses recognised in 1Q 17/18 as compared to the corresponding period in 2016/2017 such as provision of doubtful debt.

Net cash generated from operating activities in 1Q 17/18 increased by approximately RMB 23.1 million as compared to 1Q 16/17 was mainly due to more collection received from trade and other receivables in 1Q 17/18 than 1Q 16/17.

Net Cash used in Investing Activities

No expenses incurred in investing activities in both financial period.

Net Cash from/(used in) Financing Activities

Net cash used in financing activities was approximately RMB 2.35 million in 1Q 17/18. This was due mainly to repayment to directors of approximately RMB 2.35 million in 1Q 17/18.



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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 September 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") increased by 6.8%* quarter-on-quarter during the first nine months of year 2017 ("9M17") and the rate was maintained constantly since FY2015

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. Due to the global economic uncertainties had also dampened the sales performance of our OEM segment, but the Group is still able to secure contracts due to our ability to deliver quality products.



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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 FY2017/18 through cost control measures and reducing subsidies given to distributors 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.



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16. A breakdown of sales.

Not applicable.

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 September 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	-	-

18. 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.

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 first quarter and three months ended 30 September 2017 to be false or misleading in any material aspect.

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
17 November 2017