



China Sports International Limited
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NEWS RELEASE

HIGHER DEMAND ACROSS THE BOARD LIFTED CHINA SPORTS REVENUE HIGHER BY 11.3% TO RMB1,507.5 MILLION FOR FIRST NINE MONTHS

- ✔ YELI footwear sales increased by 7.5% in 9M09 to RMB1,186.7 million**
- ✔ YELI apparel sales increased by 20.8% in 9M09 to RMB311.4 million**
- ✔ 9M09 net profit declined 27.4% to RMB112.2 million due to lower ASP for footwear products**
- ✔ YELI apparel gross profit margin increased to 35.7% in 9M09**
- ✔ Healthy balance sheet with cash and cash equivalent per share of RMB103.2 RMB cents**
- ✔ Exploring potential collaboration with international sportswear brands**

Financial Highlights	3 months ended 30 Sept			9 months ended 30 Sept		
	3Q09	3Q08	Change	9M09	9M08	Change
RMB (million)						
Revenue	452.8	485.9	-6.8%	1,507.5	1,354.6	11.3%
Gross Profit	67.5	109.6	-38.4%	240.1	303.7	-20.9%
Net Profit	26.3	49.6	-46.9%	112.2	154.7	-27.4%
Selling & Distribution expenses (S&D)	27.9	33.2	-16.0%	71.8	72.5	-0.9%
S&D as % of Revenue	6.2%	6.8%	-0.6ppt	4.8%	5.4%	-0.6ppt

SINGAPORE, 13 November, 2009 – Mainboard-listed China Sports International Limited (中国体育国际有限公司) (“China Sports” and together with its subsidiaries, the “Group”), a branded sports fashion footwear and apparel company based in China today reported financial results for the first nine months ended 30 September 2009 (“9M09”).

Underpinned by higher demand across the board, Group revenue increased by 11.3% to RMB1,507.5 million in 9M09 from RMB1,354.6 million in the same period last year (“9M08”). Net profit decreased by 27.4% to RMB112.2 million from RMB154.7 million a year ago as a result of lower average selling prices (“ASP”) for footwear products. Earnings per share (“EPS”) in 9M09 was 16.32 RMB cents (based on weighted average of 687,889,652 shares) while net asset value (“NAV”) per share as at 30 September 2009 was 110.97 RMB cents (based on 842,125,000 shares). The Group’s balance sheet remained healthy with cash and cash equivalent per share of 103.20 RMB cents as at 30 September 2009.

Mr Lin Shaoxiong (林少雄), Chief Executive Officer of China Sports said, “Although the PRC’s economy has gradually recovered since the implementation of the stimulus package by the government, consumer sentiment remains cautious in the near term. Coupled with increased competition, this has impacted our selling prices and profit margins. Despite challenging market conditions, we are pleased to achieve healthy revenue growth for all products during first nine months of the year.”

The Group also made positive progress in improving the mix of its points of sale, by reducing the number of shops-in-shops while adding on more specialty stores with larger display area. Since the engagement of Fahrenheit as YELI brand spokespersons in February 2009, the Group has received positive feedback from distributors expressing their interests and confidence in setting up more specialty stores. As a result, our Group has reached its target of having a minimum of 500 specialty stores in FY2009.

Mr Lin added, “In view of our growing specialty stores network, we are also exploring potential collaboration with international sportswear brands to market their products in the PRC. If successful, this will provide additional source of income for our Group in future.”

The increase in revenue in 9M09 was mainly attributable to the upgrading and addition of larger specialty stores selling the complete range of YELI products, the increase in sales of YELI apparel and footwear products, as well as the launch of YELI accessories in August 2008.

In 9M09, sales for YELI apparel jumped 20.8% to RMB311.4 million from RMB246.7 million in 9M08 while sales of YELI footwear increased by 7.5% to RMB1,186.7 million from RMB1,103.5 million a year ago.

As a result of stronger sales growth, contribution to Group revenue by YELI apparel products rose to 20.7% in 9M09 from 18.2% in 9M08. Contribution from footwear products to Group revenue decreased to 78.7% in 9M09 from 81.5% in 9M08.

The Group's gross profit margin decreased to 15.9% in 9M09 from 22.4% in 9M08. The decrease in gross profit margin was mainly attributable to the decrease in ASP of footwear products for maintaining a competitive pricing for distributors to capture more market share for our YELI products. The decline in footwear product gross profit margin to 10.8% in 9M09 from 20.1% in 9M08 was partly mitigated by the improvement in YELI apparel gross profit margin to 35.7% in 9M09 from 33.4% in 9M08. YELI apparel gross profit margin improved due to the continuous effort placed on product research and development.

Selling and distribution costs declined marginally by 0.9% to RMB71.8 million in 9M09 from RMB72.5 million in 9M08. The decrease was mainly due to more TV advertisements being launched last year during the Beijing Olympics as compared to the current period. Selling and distribution costs accounted for approximately 4.8% of the Group's revenue in 9M09, compared to 5.4% in 9M08.

As at 30 September 2009, the Group's cash and cash equivalents rose to approximately RMB869.0 million. The increase was mainly due to RMB109.4 million of net cash generated from operating activities during the three months ended 30 September 2009 ("3Q09") as well as the completion of the rights issue raising approximately RMB78.4 million in 3Q09. The cash and cash equivalents were mainly bank deposits denominated in RMB.

OUTLOOK

Our Group remains optimistic of the long term growth potential of the sportswear market in the PRC. To maintain our competitive edge and to better position our Group for market recovery, we will continue to focus on our strategy of product development, strengthening our YELI brand value through advertising and promotional ("A&P") activities and expanding and upgrading our distribution network in the second, third and fourth-tier cities in the PRC.

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

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

including footwear, apparel and accessories. We will continue to allocate resources towards the expansion of our specialty stores network.

We are presently in talks with the local government of Jinjiang, Fujian province to acquire an industrial plot for the construction of a new manufacturing facility, for which approval is pending. Upon receipt of the approval, we may have to incur significant capital expenditure outlay for this investment.

RIGHTS ISSUE

In September 2009, our Group completed the Rights Issue of 168,425,000 ordinary shares of par value HK\$0.04 at an issue price of S\$0.10 each on the basis of one rights share for every four existing ordinary shares (“Rights Issue”). The new shares were listed on the Official List of the SGX-ST Mainboard on 15 September 2009.

The Rights Issue raised approximately S\$16.1 million in net proceeds, of which approximately S\$15.0 million or RMB70.8 million will be injected into our wholly-owned subsidiary in China, Yeli Sports (China) Co., Ltd (“Yeli China”) to meet the capital injection deadline of 13 December 2009. Yeli China has since completed its capital injection requirement in September 2009. Following the completion of the capital injection, Yeli China will be entitled to tax exemption for its first two profit making years and a 50% reduction in its income tax payable for the following three years under the applicable foreign enterprise tax law. Barring any unforeseen circumstances, these tax savings are expected to contribute positively to the results of the Group should Yeli China remains profitable over the relevant periods.

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

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About China Sports International Limited

China Sports International Limited is principally engaged in the design, manufacture and sale of sports fashion footwear and design and sale of sports fashion apparel and accessories under its own YELI (野力) brand. The Group’s products are designed for both functional use and casual use, catering to the lifestyle of its targeted consumer group aged between 12 to 30 years old. The products are mainly sold through distributors who have a retail network of more than 1,960 points of sale throughout second, third and fourth tier cities in the PRC.

Note :

This release may contain predictions, estimates or other information that may be considered forward-looking statements. Actual results may differ materially from those currently expected because of a number of factors. These factors include (without limitation) changes in general industry and economic conditions, interest rate movements, cost of capital and capital availability, competition from other companies and venues for sale/manufacture/distribution of goods and services, shift in customer demands, changes in operating expenses, including employee wages and raw material prices, governmental and public policy changes, social and political turmoil and major health concerns. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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