



## NEWS RELEASE

### **CHINA SPORTS REPORTS NET PROFIT OF RMB5.8 MILLION IN 3Q11 ON REVENUE OF RMB225.1 MILLION**

- Group's gross profit margin up YoY due to positive shift in product mix with greater sales contribution from new generation breathable shoes
- 3Q11 gross profit margin up 3.7ppt to 23.2% from 19.5% in 3Q10
- EPS for 3Q11 was 0.60 RMB cents
- NAV per share as at 30 September 2011 was 120.31 RMB cents

<b>Financial Highlights RMB (millions)</b>	<b>3Q11</b>	<b>3Q10</b>	<b>YoY Change</b>	<b>2Q11</b>	<b>QoQ Change</b>
<b>Revenue</b>	<b>225.1</b>	<b>274.9</b>	<b>-18.1%</b>	<b>255.9</b>	<b>-12.0%</b>
<b>Gross Profit</b>	<b>52.3</b>	<b>53.7</b>	<b>-2.6%</b>	<b>60.1</b>	<b>-13.0%</b>
<b>Gross Margin</b>	<b>23.2%</b>	<b>19.5%</b>	<b>+3.7ppt</b>	<b>23.5%</b>	<b>-0.3ppt</b>
<b>Net Profit</b>	<b>5.8</b>	<b>13.8</b>	<b>-58.0%</b>	<b>15.6</b>	<b>-62.8%</b>
<b>Net Margin</b>	<b>2.6%</b>	<b>5.0%</b>	<b>-2.4ppt</b>	<b>6.1%</b>	<b>-3.5ppt</b>

**SINGAPORE**, 14 Nov 2011- SGX 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 its set of results for the third quarter ended 30 September 2011 ("3Q11").

In 3Q11, Group revenue declined 18.1% to RMB 225.1 million from RMB 274.9 million in the same period last year ("3Q10"). The decrease in revenue was mainly attributable to increasing competition in the industry, especially for footwear products that resulted in weaker demand for the Group's products. Net profit declined 58.0% to RMB 5.8 million from RMB 13.8 million in 3Q10 due to higher selling and distribution and administrative costs. There was a significant increase in depreciation of property, plant and equipment due to amortisation for new sales outlet fixtures of approximately RMB 6.1 million provided for in 3Q11. Also, there was increase in headcount in accordance with the on-going expansion plans of the Group which led to higher administrative expenses. Despite the lower revenue, the new range of breathable shoes has led our

gross profit margin to leap from approximately 19.5% in 3Q10 to 23.2% in 3Q11. Earnings per share in 3Q11 was 0.60 RMB cents while net asset value per share as at 30 September 2011 was 120.31 RMB cents.

Mr Lin Shaoxiong (林少雄), Chief Executive Officer of China Sports said, “The successful launch of the new generation YELI breathable shoes with enhanced features and functionality has attracted positive feedback from both industry players and consumers, and had since become the hot topic for high-tech sporting footwear in 2011. The Group will next penetrate the huge untapped kids-wear market by introducing a new range of YELI breathable shoes for kids. With higher selling price ranges and gross profit margins attributable to the YELI breathable shoes, the Group expect its gross profit margin to continue improving and sustain at relatively higher levels when compared to those achieved in 2010.”

Overall footwear gross profit margin improved significantly in 3Q11 to 21.5% from 12.8% in 3Q10 as YELI footwear gross profit margin improved. The increase of the gross profit margin of our YELI footwear was mainly attributable to the new range of breathable shoes which was launched into the footwear market early this year. The gross profit margin of YELI apparel in 3Q11 decreased to 31.8% from 34.9% in 3Q10 and the gross profit margin for YELI accessories decreased to 7.0% in 3Q11 from 19.1% in 3Q10. The decrease of gross profit margin for the apparel and accessories was mainly attributable to higher unit subcontracting costs and raw material costs.

Footwear remained the main contributor to Group revenue, accounting for 74.9% of Group revenue in 3Q11, up from 67.8% in 3Q10. Increase in proportion of footwear revenue was due to more specialty stores being set up which was favorable to accelerating the growth of our YELI footwear revenue. Apparel contribution to Group revenue has decreased to 22.2% in 3Q11 from 29.6% in 3Q10. Accessories contribution to Group revenue improved slightly to 2.9% in 3Q11 from 2.6% in 3Q10.

Selling and distribution costs increased by approximately RMB 3.3 million or 12.3% from approximately RMB 27.0 million in 3Q10 to approximately RMB 30.3 million in 3Q11. The increase was due to more resources being deployed for advertising and promotional programs to promote our latest range of breathable shoes and providing new outlet fixtures to new and existing specialty stores based on the new design and layout.

## **OUTLOOK**

The economy in China maintained steady growth and China continued to witness rapid development in the first three quarters of 2011. Gross Domestic Product of China went up by 9.4% on a year-on-year basis and China's retail sales of consumer goods rose 17.0% year-on-year (real growth of 11.3%) to RMB 13.08 trillion. Urban and rural residents' per capita disposable income continued to increase steadily, with a higher real growth of 13.6% for rural residents than 7.8% for urban residents. With urbanisation

accelerating and consumption power continuing to increase, the Group believes that China's sportswear industry will continue to grow steadily. Also, with the changing demand for sporting goods in the low-to-mid price range to the mid-to-high price range, the Group will further improve our products and strive for continuous growth of YELI brand in the sportswear market.

The new generation breathable shoes with enhanced features and functionality have received positive response from our distributors and market. This new range of breathable shoes have enabled us to differentiate our products from the competitors and offer gross profit margin improvement with higher selling price range. In view of the growing consumer affluence in the PRC, the Group will leverage on this new range of shoes to enhance YELI brand visibility and improve traffic flow to YELI specialty stores.

The Group will continue to execute its strategy to improve the mix of our points-of-sale. Due to the positive response to the new range of YELI breathable shoes, the Group's distributors have started to open more counters and shops-in-shops in first-tier and second-tier cities to increase the brand awareness of YELI. Going forward, the Group will continue to encourage distributors to set up more counters and shops-in-shops in first-tier and second-tier cities to complement YELI specialty stores in third-tier and fourth-tier cities which provide better image and platform to display the entire range of YELI products, including footwear, apparel and accessories.

The Group has successfully rolled out its third generation YELI specialty stores boasting a newer and modern layout. Our distributors who operate older stores are encouraged to either refurbish or relocate to larger stores in order to enhance YELI brand image.

Currently, the PRC kids-wear market is highly fragmented with no dominant brand. However, the Group believes there is huge growth potential in the kids-wear market, due in part to growing consumer affluence and the one-child policy in the PRC, resulting in more parents being able and willing to buy quality products for their children. We intend to penetrate the kids-wear market. We intend to leverage on the positive market response to the new range of "YELI" breathable shoes for adults, and to introduce a new range of "YELI" breathable shoes for children. Though the initial focus is on children footwear (including "YELI" breathable shoes), we plan to eventually develop a new range of children apparel to complement the footwear offering.

In view of the rapid growth in online shopping in the PRC market as well as the change in consumer shopping habits, we plan to establish our own on-line shopping platform (in addition to YELI brick-and-mortar stores). With this platform, our customer base will not be limited to the geographic areas in which we have points-of-sale. We will be able to capture a larger group of consumers throughout, as well as beyond, China.

The Group will continue to consider opportunities to capitalise on the market expansion, including strategic co-operations, expanding and upgrading YELI specialty stores and supporting our distributors.

Barring any unforeseen circumstances, the Group is expected to remain profitable in FY2011.

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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 2,015 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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