



China Sports International Limited  
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 The People's Republic of China 362218

**NEWS RELEASE**

**CHINA SPORTS REPORTS SOLID REVENUE AND PROFIT GROWTH FOR FY08**

- ✔ FY08 revenue increased by 54.1% to RMB1,859.7 million on higher demand for all product segments**
- ✔ YELI apparel revenue surged 69.5% to RMB348.1 million in FY08**
- ✔ FY08 gross profit up 46.2% to RMB386.3 million**
- ✔ FY08 net profit after tax up 19.2% to record high of RMB184.9 million**
- ✔ NAV per share as at 31 December 2008 was RMB1.13**
- ✔ EPS in FY08 was RMB0.28**
- ✔ Recommended final dividend of RMB0.0275 per share**
- ✔ New endorsement deal with Fahrenheit to raise YELI brand visibility**

Financial Highlights	3 months ended 31 Dec			12 months ended 31 Dec		
	4Q08	4Q07	Change	FY08	FY07	Change
RMB (million)						
Revenue	505.1	349.3	44.6%	1,859.7	1,207.1	54.1%
Gross Profit	82.6	78.3	5.5%	386.3	264.3	46.2%
Net Profit after tax	30.2	34.4	(12.1%)	184.9	155.1	19.2%
Selling & Distribution expenses (S&D)	41.4	25.4	63.3%	113.9	42.8	166.3%
S&D as % of Revenue	8.2%	7.3%	0.9%	6.1%	3.5%	2.6%

**SINGAPORE, 26 February, 2009** – 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 a positive set of results for the financial year ended 31 December 2008 (“FY08”).

As a result of strong demand for YELI branded products across the board, Group revenue increased by approximately 54.1% to approximately RMB1,859.7 million

in FY08 from approximately RMB1,207.1 million in the financial year ended 31 December 2007 (“FY07”). FY08 gross profit was up by approximately 46.2% to approximately RMB386.3 million from approximately RMB264.3 million in FY07. Net profit after tax increased by approximately 19.2% to approximately RMB184.9 million in FY08 from approximately RMB155.1 million in FY07. Earnings per share in FY08 was approximately RMB0.28 based on enlarged share base of 673,700,000 shares after sub-division of shares compared to approximately RMB0.27 based on weighted average of 565,206,849 shares in FY07. Net asset value per share as at 31 December 2008 was RMB1.13. While it is prudent to conserve cash during this uncertain period, the directors are, nevertheless, recommending a final dividend of RMB0.0275 per share.

For the three months ended 31 December 2008 (“4Q08”), Group revenue increased by approximately 44.6% to approximately RMB505.1 million from approximately RMB349.3 million a year ago (“4Q07”). Gross profit rose approximately 5.5% to approximately RMB82.6 million in 4Q08 from approximately RMB78.3 million in 4Q07. Net profit after tax declined approximately 12.1% to approximately RMB30.2 million from approximately RMB34.4 million in 4Q07.

The increase in revenue in FY08 and 4Q08 was mainly attributable to the upgrading and expanding of the Group’s distribution network, the increase in average selling price (“ASP”) of footwear products, the launch of YELI accessories in the three months ended 30 September 2008 (“3Q08”) and strong sales growth for both YELI footwear and YELI apparel.

Sales of YELI footwear increased by approximately 50.8% in FY08 to approximately RMB1,109.2 million from approximately RMB735.7 million in FY07. Sales of the higher margin YELI apparel surged approximately 69.5% to approximately RMB348.1 million in FY08 from approximately RMB205.4 million in FY07. YELI accessories recorded revenue of approximately RMB8.0 million during the second half of FY08.

In FY08, the Group intensified its advertising and promotion (“A&P”) activities in order to grow YELI brand value. As a result, selling and distribution (“S&D”) expenses increased by approximately 166.3% to approximately RMB113.9 million in FY08 from approximately RMB42.8 million in FY07. In FY08 the Group incurred A&P expenses of approximately RMB65.6 million and approximately RMB28.0 million for upgrading and opening of YELI stores. S&D costs accounted for approximately 6.1% of Group revenue in FY08, up from approximately 3.5% in FY07.

Mr Lin Shaoxiong (林少雄), Chief Executive Officer of China Sports said, “Despite challenging market conditions, we are pleased to report a positive set of results and exited the year with a strong balance sheet. In FY08, we continued to execute our business plans well by improving our product mix and brand

visibility as well as launching our new accessories product line. Contribution from the higher-margin YELI apparel segment to total YELI sales increased to approximately 23.8% in FY08 from approximately 22.0% in FY07.”

“We also expanded and upgraded our points of sales from approximately 2000 in FY07 to approximately 2,260 in FY08. The majority of the points of sales added in FY08 were new generation specialty stores located at street level and with larger display area. The improved visibility of the YELI brand and YELI stores are expected to attract new distributors from other provinces in the PRC that we have not penetrated yet,” added Mr Lin.

The Group’s new wholly-owned subsidiary, Yeli (China) Co., Ltd (“Yeli China”) has qualified as a wholly-owned foreign entity and would be entitled to tax exemption for 2009. The Group’s own branded YELI related business is being gradually transferred to Yeli China. As such, the impact of tax savings on the Group’s net profit is expected to increase in the financial year ending 31 December 2009 (“FY09”) when Yeli China’s profit rises.

## **OUTLOOK**

The PRC economy is expected to continue growing in FY09, albeit at a slower pace. During the first half of FY09, consumer sentiment in the PRC may remain muted. The recovery in consumer sentiment and spending will depend on how quickly the Chinese economy can resume its growth momentum.

As a result of the near-term uncertainties, smaller competitors with limited financial resources may be forced to scale back on their investment or expansion plans. The Group however will continue to invest and expand its business operations as it has a healthy balance sheet, with cash and cash equivalents of approximately RMB547.6 million as at 31 December 2008. The Group will take this opportunity to grow its market share, especially in second, third and fourth tier cities in the PRC through its on-going investments and efforts in brand building, network expansion and product development.

The Group recently appointed one of Asia’ hottest boy bands, Fahrenheit (飞轮海), as the YELI (野力) brand spokespersons. Under the terms of the agreement, Fahrenheit will appear in both TV and print advertisements to endorse the YELI brand in the PRC market for a period of two years. Fahrenheit will also be featured on product packaging and promotional materials for the YELI brand.

Once the new advertising campaign featuring Fahrenheit is launched nationwide in the later part of FY09, the Group will be able to leverage on their popularity in the PRC and across Asia to enhance consumer awareness of and loyalty to the YELI brand. This in turn will facilitate the on-going and long term expansion plan of the Group in the PRC market.

Barring unforeseen circumstances, we are cautiously optimistic about our performance in FY09.

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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 野力 (“YELI”) brand. The Group’s products are designed for both functional use and casual use, catering to the lifestyles of its targeted consumer group age between 12 to 30 years old. The products are mainly sold through distributors who have a retail network of more than 2,260 point of sales throughout the PRC. The Group has signed a two year agreement with one of Asia’s hottest boy bands Fahrenheit to endorse its YELI brand in the PRC market.

*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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