



China Sports International Limited
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NEWS RELEASE

CHINA SPORTS POSTS NET PROFIT OF RMB26.0 MILLION ON REVENUE OF RMB377.2 MILLION FOR 1Q10

- ✔ Net profit declined 47.6% year-on-year on the back of lower sales and lower profit margins for footwear products*
- ✔ Net profit surged 151.1% on sequential basis due to recovery in profit margin for footwear products*
- ✔ Rolling out 2010 FIFA World Cup™ Official Event Stores from May 2010 onwards and FIFA Modular Stores from 3Q2010 onwards*

Financial Highlights RMB (million)	1Q10	1Q09	1Q10 VS 1Q09 Change	4Q09	1Q10 VS 4Q09 Change
Revenue	377.2	530.4	-28.9%	397.3	-5.1%
Gross Profit	56.7	88.5	-36.0%	50.8	11.7%
Net Profit	26.0	49.7	-47.6%	10.4	151.1%

SINGAPORE, 14 May, 2010 – 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 the People’s Republic of China (the “PRC”), today reported financial results for first quarter ended 31 March 2010 (“1Q10”).

In 1Q10, Group revenue declined by 28.9% to RMB377.2 million when compared to the same period last year (“1Q09”). The decrease in revenue in 1Q10 was mainly attributable to the increasing competition of footwear products, leading to weaker demand and the lowering of average selling price (“ASP”) for footwear products by distributors to maintain competitiveness. Additionally, the delay in partial shipment of YELI apparel and accessories from 1Q10 to 2Q10 also impacted Group revenue. As a result of weaker sales and lower profit margins for footwear products, net profit in 1Q10 declined by 47.6% to RMB26.0 million, compared to RMB49.7 million in 1Q09. When compared to the previous quarter

("4Q09"), the Group's net profit surged 151.1% due to recovery in profit margins for footwear products. Earnings per share ("EPS") in 1Q10 was 3.25 RMB cents while net asset value ("NAV") per share as at 31 March 2010 was 115.66 RMB cents.

Mr Lin Shaoxiong (林少雄), Chief Executive Officer of China Sports said, "As a result of certain first and second tier sportswear brands engaging in price war in the PRC to expand market share as well as to clear inventory, this has resulted in pressure on our footwear selling prices over the past one year. In spite of that, we are encouraged to see some recovery in selling price and profit margin for our footwear products in 1Q10 when compared to 4Q09. This was reflected in the strong rebound in our net profit in 1Q10 when compared to 4Q09. We will continue to work towards improving our profit margin, through growing YELI brand value as well as improving our product mix by increasing sales from YELI apparel which commands higher margin."

Mr. Lin added, "To leverage on the growing interest in football in the PRC ahead of the 2010 FIFA World Cup South Africa™, we will start to roll out *2010 FIFA World Cup™ Official Event Stores* ("OES") to market event merchandise in various cities in the PRC from second quarter of 2010 onwards. We also plan to commence rolling out *FIFA Modular Stores* ("FMS") to market FIFA collections within selective YELI specialty stores from third quarter 2010 onwards. Although the opening of OES and FMS are not expected to have a material impact to the Group's earnings in FY2010, both these stores will be located mainly in our existing YELI specialty stores. This is expected to increase YELI brand visibility and improve traffic flow to YELI specialty stores."

The Group's gross profit decreased by 36.0% to RMB56.7 million in 1Q10 from RMB88.5 million in 1Q09. Our gross profit margin decreased from 16.7% in 1Q09 to 15.0% in 1Q10. Footwear gross profit margin declined in 1Q10 to 10.2% from 14.7% in 1Q09 mainly due to the lowering of YELI footwear ASP by our distributors in order to maintain a competitive pricing. YELI apparel gross profit margin increased to 35.5% in 1Q10 from 24.8% in 1Q09 mainly due to the continuous efforts placed on research and development to improve the design and quality of YELI apparel. YELI accessories gross margin remained relatively low at around 6.5% due to the high unit overhead costs as it is being fully outsourced and has yet to enjoy economies of scale.

Footwear remained the main contributor to Group revenue, accounting for 79.6% of Group revenue in 1Q10 compared to 78.4% in 1Q09. Apparel accounted for 19.3% of Group revenue in 1Q10, down from 20.7% in 1Q09. Accessories contribution to Group revenue remained stable at around 1.1 in 1Q10 compared to 0.9% in 1Q09.

Selling and distribution expenses decreased by 17.5% to RMB12.1 million in 1Q10 from RMB14.7 million in 1Q09 as the Group conserves resources and prepares for the impending advertising and promotion activities to market FIFA products in the PRC in the coming quarters. Selling and distribution costs

accounted for approximately 3.2% of the Group's revenue in 1Q10, compared to 2.8% in 1Q09.

In 1Q2010, the Group continued to execute its strategy to improve the mix of our points of sale, by reducing the number of shops-in-shops while adding on more YELI specialty stores. As at 31 March 2010, the number of YELI specialty stores had increased to more than 610, compared to approximately 420 as at 31 March 2009 while the number of shops-in-shops had decreased to approximately 1,390 as at 31 March 2010 from approximately 1,750 as at 31 March 2009. The strategy to increase the number of YELI specialty stores is important as these specialty stores have larger display area compared to shop-in-shops. As such, they will provide a better image and platform to display the entire range of YELI products including footwear, apparel and accessories.

OUTLOOK

Although the PRC's economy has rebounded since the implementation of the stimulus package by the PRC government, market conditions are expected to remain challenging in the near term due to increasing competition. Additionally, the concerns for inflation and overheating have resulted in the implementation of certain tightening measures by the PRC authorities.

However, with further accelerated urbanization in China and rapidly growing spending power in second, third and fourth tier cities, coupled with enhancing awareness and increasing spending of consumers in the aspects of health, leisure and sports, the Group remains optimistic of the long term growth potential of the sportswear market in the PRC.

To maintain our competitive edge and to better appeal to our targeted audience, we will continue to focus on the Group's strategy of product development, strengthen our YELI brand value through advertising and promotional ("A&P") campaigns. Expanding and upgrading our distribution network with more specialty stores opened would help increase awareness of our YELI brand and help YELI brand to differentiate from our competitors. The Group will also focus on improving its product mix by increasing contribution to Group revenue from YELI apparel which commands higher margin. The Group has seen recovery in demand for YELI apparel and expects YELI apparel sales in the next quarter to improve from 2Q2010.

The Group believes that as the sportswear market matures in the PRC, it will allow for greater product differentiation. In recent years, the sports fashion wear market has been growing steadily in prime cities in the PRC. Over the next few years, the Group expects this trend to take off in other second, third and fourth tier cities in the PRC as consumer's spending power increases and preference evolves. The Group will continue to focus on its target consumer and invest in resources to expand and upgrade its distribution network in these cities.

In April 2010, the Group acquired an industrial plot of land measuring 5,000 square meters in Jinjiang City, Fujian province for RMB15 million. The Group plans to construct a new multi-complex on the land acquired, which would include a new warehouse, additional assembly line, administration office as well as new showrooms for FIFA and YELI products. The cost for the construction of the multi-complex is estimated to be approximately RMB30 million.

Barring any unforeseen circumstances, the Group is expected to remain profitable in FY2010.

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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 2,000 points of sale throughout second, third and fourth tier cities in the PRC. The Group is also the master distributor for FIFA collections 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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