



China Sports International Limited  
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## **NEWS RELEASE**

### **CHINA SPORTS REPORTS NET PROFIT OF RMB13.1 MILLION ON REVENUE OF RMB311.0 MILLION FOR 2Q10**

- 2Q10 Group gross profit margin declined from 16.0% to 15.4% in 2Q09 but improved compared to 15.0% in 1Q10
- higher contribution to Group revenue from YELI apparel and accessories
- footwear and accessories gross profit margins improved in 2Q10 from 2Q09

<b>Financial Highlights RMB (million)</b>	<b>2Q10</b>	<b>2Q09</b>	<b>2Q10 VS 2Q09 Change</b>	<b>1Q10</b>	<b>2Q10 VS 1Q10 Change</b>
<b>Revenue</b>	<b>311.0</b>	<b>524.3</b>	<b>-40.7%</b>	<b>377.2</b>	<b>-17.5%</b>
<b>Gross Profit</b>	<b>48.0</b>	<b>84.0</b>	<b>-42.8%</b>	<b>56.7</b>	<b>-15.2%</b>
<b>Gross Margin</b>	<b>15.4%</b>	<b>16.0%</b>	<b>-0.6ppt</b>	<b>15.0%</b>	<b>+0.4ppt</b>
<b>Net Profit</b>	<b>13.1</b>	<b>36.2</b>	<b>-63.8%</b>	<b>26.0</b>	<b>-49.5%</b>

**SINGAPORE, 13 Aug 2010** – 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 financial results for the second quarter ended 30 June 2010 (2Q10).

In 2Q10, Group revenue declined 40.7% to RMB311.0 million from RMB524.3 million in the same period last year (2Q09). 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. In 2Q10, gross profit and net profit after tax fell 42.8% and 63.8% respectively to RMB48.0 million and RMB13.1 million compared to RMB84.0 million and RMB36.2 million in 2Q09. Earnings per share in 2Q10 was 1.99 RMB cents while net asset value per share as at 30 June 2010 was 113.03 RMB cents.

Mr Lin Shaoxiong (林少雄), Chief Executive Officer of China Sports said, “Market competition has increased 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. Our distributors being aware of the intensified competition have become more prudent recently when placing their orders for footwear and apparel products so as to avoid inventory overhang.”

Mr. Lin added, “In spite of the challenging market conditions, we will continue to focus on improving our profit margins through continuous investment in advertising and promotional activities so as to increase YELI brand value and average selling prices, through setting up more YELI specialty stores and reducing number of shop-in-shops as well as through reducing sales volume of low price and low margin products. We are pleased to see that footwear gross profit margin and accessories gross profit margin has improved in 2Q10 compared to 2Q09.”

Overall footwear gross profit margin has improved in 2Q10 to 9.2% from 8.7% in 2Q09 as YELI footwear gross profit margin remained relatively stable while OEM footwear gross profit margin improved in 2Q10 from the low base in 2Q09. The decrease of the gross profit margin of YELI apparel in 2Q10 compared to 2Q09 was mainly due to higher subcontracting costs. The gross profit margin for YELI accessories improved as more YELI specialty stores being opened and orders from distributors to fulfill the minimum order quantities from the subcontractors are more easily attainable. The gross profit margin for YELI accessories is expected to improve as there are rooms for the optimum sales quantities to be achieved.

Footwear remained the main contributor to Group revenue, accounting for 73.7% of Group revenue in 2Q10, down from 77.9% in 2Q09. Apparel contribution to Group revenue has increased to 23.9% in 2Q10 from 21.6% in 2Q09. Accessories contribution to Group revenue jumped to 2.4% in 2Q10 from 0.5% in 2Q09. Both apparel and accessories contribution to Group revenue increased in 2Q10 due to more YELI specialty stores being opened which sell a broader range of YELI products.

In 2Q10 selling and distribution expenses decreased by 26.4% to RMB21.5 million from RMB29.2 million in 2Q09. Despite the decline in Group revenue, the Group continued to invest in advertising and promotional activities in order to grow YELI brand value as well as to expand distribution network for FIFA related business. As a result, selling and distribution expenses accounted for approximately 6.9% of the Group’s revenue in 2Q10, up from 5.6% in 2Q09.

## **OUTLOOK**

The Group expects market conditions to remain challenging in the near term due to increased competition. However, given the labour shortage and wage increases in the coastal regions and major cities, some companies are expanding their operations in the inner regions and smaller cities. The migration of production bases would drive urbanisation in the second, third and fourth tier cities, stimulating consumer market there. Hence, the retail industry will embrace more

encouraging growth impetus and the Group remains optimistic of the long term growth potential of the sportswear market in the PRC.

In 2Q10, 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 30 June 2010, the number of YELI specialty stores has increased to more than 660, compared to approximately 450 as at 30 June 2009 while the number of shops-in-shops had decreased to approximately 1,330 as at 30 June 2010 from approximately 1,685 as at 30 June 2009. The strategy to increase the number of YELI 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.

Being the authorized master distributor of FIFA football and lifestyle clothing and accessories for the PRC market, expanding and upgrading our distribution network with more FIFA specialty stores opened would help increase awareness of our YELI brand and help YELI brand to differentiate from our competitors and strengthen our YELI brand value. Although FIFA World Cup™ has come to an end, the Group will continue to put in effort and resources to increase FIFA brand visibility in PRC and expand the distribution network to market FIFA related products.

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. Construction for the new multi-complex is expected to be completed in the first quarter of FY2011.

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 approximately 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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