



China Sports International Limited
Dingxing Industrial Zone,
Yangdai, Jinjiang City, Fujian Province,
The People's Republic of China 362218

NEWS RELEASE

CHINA SPORTS POSTS NET PROFIT OF RMB122.6 MILLION IN FY09 ON REVENUE OF RMB1.9 BILLION

- ✔ Group revenue hit record high on stronger sales of YELI products across the board despite challenging market conditions*
- ✔ YELI apparel sales rose 10.7% in FY09 to RMB385.2 million*
- ✔ YELI accessories sales surged 66.3% in FY09 to RMB13.3 million*
- ✔ YELI apparel gross profit margin increased to 35.8% in FY09*
- ✔ YELI and OEM footwear gross profit margin declined to 10.1% in FY09*
- ✔ EPS in FY09 was 16.94 RMB cents*
- ✔ NAV per share at 112.39 RMB cents as at 31 December 2009*

Financial Highlights	3 months ended 31 Dec			12 months ended 31 Dec		
	4Q09	4Q08	Change	FY09	FY08	Change
RMB (million)						
Revenue	397.3	505.1	-21.4%	1,904.8	1,859.7	2.4%
Gross Profit	50.8	82.6	-38.6%	290.8	386.3	-24.7%
Gross Margin	12.8%	16.4%	-3.6ppt	15.3%	20.8%	-5.5ppt
Net Profit	10.4	30.2	-65.8%	122.6	184.9	-33.7%
Net Margin	2.6%	6.0%	-3.4ppt	6.4%	9.9%	-3.5ppt

SINGAPORE, 26 February, 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 the full year ended 31 December 2009 (“FY09”).

Driven by higher sales for its own YELI (野力) branded products, Group revenue increased by 2.4% to a record high of RMB1,904.8 million in FY09 compared to RMB1,859.7 million during the same period last year (“FY08”). As a result of

lower average selling prices for footwear products, net profit decreased by 33.7% to RMB122.6 million in FY09 from RMB184.9 million in FY08. Earnings per share (“EPS”) in FY09 was 16.94 RMB cents while net asset value (“NAV”) per share as at 31 December 2009 was 112.39 RMB cents.

Mr Lin Shaoxiong (林少雄), Chief Executive Officer of China Sports said, “FY09 has been a challenging year for us due to the cautious consumer sentiment as well as increased competition in the market in which we operate, resulting in pressure on our footwear selling prices and profit margins. In spite of that, we are pleased to report higher sales across the board for our own YELI branded products.”

“Our efforts in building YELI brand value such as engaging one of Asia’s hottest boy bands, Fahrenheit (飞轮海), as YELI brand spokespersons in February 2009 has resulted in growing acceptance and recognition of YELI products amongst our targeted consumer group aged between 12 to 30 years old. Separately, the increase in the number of larger YELI specialty stores to over 580 in FY09 from over 400 in FY08 has also improved YELI brand visibility in our target markets, which are predominantly the second, third and fourth tier cities in the PRC.”

The increase in Group revenue in FY09 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 YELI footwear, as well as the launch of YELI accessories in August 2008.

In FY09, sales for YELI apparel increased by 10.7% to RMB385.2 million from RMB348.1 million in FY08 while sales of YELI footwear increased marginally to RMB1,115.9 million from RMB1,109.2 million a year ago. Sales for YELI accessories surged 66.3% to RMB13.3 million in FY09 from RMB8 million in FY08.

As a result of higher sales growth compared to footwear, contribution to Group revenue by YELI apparel products rose to 20.2% in FY09 from 18.7% in FY08. Contribution from footwear products to Group revenue decreased to 79.1% in FY09 from 80.9% in FY08. The Group’s gross profit margin decreased to 15.3% in FY09 from 20.8% in FY08. The decrease in gross profit margin was mainly attributable to the decrease in average selling prices of footwear products for maintaining a competitive pricing for distributors to capture market share for our YELI products. The decline in footwear product gross profit margin to 10.1% in FY09 from 17.8% in FY08 has been mitigated by the improvement in YELI apparel gross profit margin to 35.8% in FY09 from 34.6% in FY08. YELI apparel gross profit margin improved due to the continuous effort placed on product research and development.

Selling and distribution costs decreased by 2.7% to RMB110.8 million in FY09 from RMB113.9 million in FY08. The decrease was mainly due to more TV

advertisements being launched in FY08 during the Beijing Olympics as compared to FY09. Selling and distribution costs accounted for approximately 5.8% of the Group's revenue in FY09, compared to 6.1% in FY08.

In FY09, the Group had actively executed its strategy to improve the mix of its points of sale, by reducing the number of shops-in-shops while adding on more YELI specialty stores. Since the engagement of Fahrenheit, the Group has received positive feedback from distributors expressing their interests and confidence in setting up more YELI specialty stores. As a result, the Group has exceeded its target of having a minimum of 500 YELI specialty stores in FY09. 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.

OUTLOOK

Although the PRC's economy has gradually recovered since the implementation of the stimulus package by the PRC government, market conditions are expected to remain challenging in the near term due to potential credit tightening measures by the PRC authorities and increased competition. This may continue to affect demand for consumer products and exert pressure on our selling prices and profit margins.

The Group however remains optimistic of the long term growth potential of the sportswear market in the PRC. To maintain its competitive edge and to better position the Group for market recovery, it will continue to focus on the Group's strategy of product development, strengthening its YELI brand value through advertising and promotional ("A&P") activities and expanding and upgrading its distribution network in the second, third and fourth-tier cities in the PRC. At the same time, the Group is also exploring potential collaboration with international sportswear brands.

On 7 January 2010, China Sport's wholly-owned subsidiary, Yeli Sports (China) Co., Ltd signed an agreement with Global Brands Group to become the authorised master distributor of Fédération Internationale de Football Association ("FIFA") Collections throughout the PRC. The collaboration with Global Brands Group to market FIFA sports and lifestyle products is consistent with the Group's strategy to expand its footprint in the PRC sports fashion market. It will strengthen its product offerings and enable the Group to establish a presence in the mid-to-high end sports fashion market. If successful, this will provide additional source of income for our Group in future.

The Group is in advanced stage of negotiation to acquire an industrial plot for the construction of a new manufacturing facility in Fujian Province. Upon completing

acquisition of the industrial plot, the Group will commence construction of the new plant which is estimated to take between 2 to 3 years from commencement of the works to completion. The estimated costs of acquiring the industrial plot and construction of the new plant are between RMB150 million to RMB180 million.

Separately, the Group plans to construct a new multi-complex within its existing factory, which would include new showrooms for FIFA and YELI products. The cost for the construction of the multi-complex is estimated to be approximately RMB30 million.

In January 2010, the Group completed a placement of 120,000,000 new ordinary shares at the placement price of S\$0.18 ("Placement"). The net proceeds of approximately S\$20.5 million from the Placement will be used to fund the expansion of distribution network for FIFA related products such as furniture and fitting costs for setting up FIFA Modular Stores and Official Event Stores in the PRC as well as FIFA related A&P activities.

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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 2,100 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.

For further information please contact :

Mr. Parry Ng
VP, Corporate Communications & Investor Relations
China Sports International Limited
Tel : +65-96647316
Email : parry@chinasportsintl.com