



CHINA ERATAT SPORTS FASHION LIMITED
(Company Registration No: 200705552D)

PROPOSED BONUS WARRANTS ISSUE

Introduction

The Board of Directors ("**Directors**") of China Eratat Sports Fashion Limited ("**Company**") is pleased to announce that the Company is proposing a bonus warrants issue ("**Bonus Warrants Issue**") of up to 124,473,754 non-renounceable bonus warrants ("**Warrants**") to its Shareholders on the basis of three (3) Warrants for every ten (10) existing ordinary shares held on a books closure date ("**BCD**") to be determined by the Directors, fractional entitlements to be disregarded. Each Warrant will entitle the warrant holder to subscribe for one new share ("**New Share**") at the exercise price of S\$0.30 ("**Exercise Price**"), exercisable on the date falling three (3) years from the date of issue ("**Exercise Date**"), subject to the terms and conditions of the Warrants as set out in a deed poll to be executed by the Company for the purpose of constituting the Warrants ("**Deed Poll**").

The issue of the Warrants will be carried out pursuant to the share issue mandate obtained from the Shareholders at the Company's Annual General Meeting held on 30 July 2009.

Principal Terms of the Proposed Bonus Warrants Issue

The Bonus Warrants Issue is proposed to be made on a non-renounceable basis to Shareholders whose names appear in the Register of Members or who have shares entered against their names in the Depository Register as at the date of the closure of the Share Transfer Books. Notice will be given at a later date on the closure of the Share Transfer Books and the Register of Members of the Company in order to determine the Shareholders' entitlements to the Bonus Warrants Issue, after all the necessary approvals have been obtained. Fractional entitlements to the Warrants will be disregarded or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

The Warrants will be issued in registered form and constituted by the Deed Poll which shall set out the terms and conditions of the Warrants and which may from time to time be amended, modified or supplemented. Each Warrant will, subject to the terms and conditions in the Deed Poll, carry the right to subscribe for one New Share at the Exercise Price on the Exercise Date. Upon exercise of the Warrants and payment of the Exercise Price under the terms and conditions as set out in the Deed Poll, the warrant holders will be issued the New Shares. Any Warrant remaining unexercised after the Exercise Date shall lapse and cease to be valid for all purposes.

The Exercise Price of S\$0.30 for each Warrant represents a premium of approximately 20% to the closing price of S\$0.25 per Share on the Official List of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 10 November 2009, being the last full market day prior to this announcement. The Exercise Price and the number of Warrants will be subject to adjustments under certain circumstances in accordance with the Deed Poll.

The New Shares arising from the exercise of the Warrants, when issued and allotted, shall rank *pari passu* in all respects with the existing ordinary shares already issued save for any dividends, rights, allotments or other distributions the record date for which falls before the Exercise Date.

The Bonus Warrants Issue is subject to the approval of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the listing and quotation of the Warrants and the New Shares on the official list of the SGX-ST. In this regard, the Company will make an application to the SGX-ST for the approval of the Bonus Warrants Issue and the listing and quotation of the Warrants and the New Shares on the Mainboard of the SGX-ST.

Based on the Company's issued share capital of 414,912,514 Shares (excluding treasury shares), up to 124,473,754 Warrants will be issued pursuant to the Bonus Warrants Issue. Assuming that the Warrants are fully exercised and converted into New Shares, the issued share capital of the Company (excluding treasury shares) would increase by up to 124,473,754 Shares, representing approximately 30.0% of the Company's existing issued share capital, to a maximum of 539,386,268.

The terms and conditions of the Warrants are subject to such changes as the Directors, in their absolute discretion, may deem fit. The final terms and conditions of the Warrants will be contained in the Deed Poll.

Purpose of the Bonus Warrants Issue

The Directors are proposing the Warrants Issue to reward Shareholders. The Directors also believe that the Bonus Warrants Issue will provide Shareholders with the opportunity to increase their equity participation in the Company. Assuming that the Warrants are fully exercised and converted into New Shares, the estimated gross proceeds will amount to approximately S\$37.3 million ("**New Shares Proceeds**"). The Company intends to utilise the New Shares Proceeds for expansion of distribution network and general working capital purposes as the Directors may deem fit.

Pending the deployment of the New Shares Proceeds, these proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the Directors may deem appropriate in the interests of the Company and its subsidiaries. As and when any significant amount of the New Shares Proceeds is deployed, the Company will make the necessary announcements pursuant to Rule 704(28) of SGX-ST's Listing Manual.

Approvals

The Bonus Warrants Issue is subject to the approval in-principle of the SGX-ST for the listing and quotation of the Warrants and the New Shares on the SGX-ST.

An application will be made to the SGX-ST for permission to deal in and for the listing and quotation of the Warrants and the New Shares on the SGX-ST. The listing of the Warrants on the SGX-ST will be subject to there being an adequate spread of holdings for the Warrants to provide an orderly market for the Warrants.

Responsibility Statement

The Directors of the Company (including those who may have been delegated detailed supervision for the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

Further announcements will be made in connection with the Bonus Warrants Issue as and when appropriate.

By Order of The Board

Lin Jiancheng (林建程)
Executive Chairman and CEO
11 November 2009

The initial public offering of the Company's shares was sponsored by Kim Eng Capital Pte. Ltd. who assumes no responsibility of the content of this announcement.