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

UNAUDITED RESULTS FOR THE NINE MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2009

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS

1(a)(i) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Third Quarter Ended on			**Nine Months Period Ended on**		
	31/12/2009	**31/12/2008**	**Change**	**31/12/2009**	**31/12/2008**	**Change**
	RMB'000	**RMB'000**	**%**	**RMB'000**	**RMB'000**	**%**
Revenue	**229,405**	**227,587**	0.8%	**717,946**	**610,248**	17.6%
Cost of sales	(165,209)	(157,663)	4.8%	(505,166)	(424,896)	18.9%
Gross profit	**64,196**	**69,924**	-8.2%	**212,780**	**185,352**	14.8%
Selling and distribution expenses	(28,675)	(26,449)	8.4%	(83,353)	(59,067)	41.1%
Administrative expenses	(7,655)	(5,664)	35.2%	(23,245)	(18,612)	24.9%
Other operating expenses	-	-	n.m.	(327)	-	n.m.
Finance income	117	365	-67.9%	404	843	-52.1%
Operating profit before income tax	**27,983**	**38,176**	-26.7%	**106,259**	**108,516**	-2.1%
Other income	58	7,320	n.m.	37	7,041	-99.5%
Profit before income tax	**28,041**	**45,496**	-38.4%	**106,296**	**115,557**	-8.0%
Income tax	(7,629)	(5,258)	45.1%	(29,275)	(14,699)	99.2%
Profit after income tax	**20,412**	**40,238**	-49.3%	**77,021**	**100,858**	-23.6%
Other comprehensive income	-	-	n.m.	-	(8,617)	n.m.
Total comprehensive income for the period	**20,412**	**40,238**	-49.3%	**77,021**	**92,241**	-16.5%

"n.m." denotes "not meaningful"

1(a)(ii) Additional information to the income statement

1. Profit before income tax is arrived at after charging/(crediting):

	Third Quarter Ended on			**Nine Months Period Ended on**		
	31/12/2009	**31/12/2008**	**Change**	**31/12/2009**	**31/12/2008**	**Change**
	RMB'000	**RMB'000**	**%**	**RMB'000**	**RMB'000**	**%**
Interest income	(117)	(365)	-67.9%	(404)	(843)	-52.1%
Depreciation of property, plant and equipment	1,235	1,093	13.0%	3,531	2,692	31.2%
Amortisation of land use rights	130	130	0.0%	387	390	-0.8%
Amortisation of prepaid land lease	48	-	n.m.	144	-	n.m.
Foreign exchange (gain)/loss, net	(58)	(7,320)	-99.2%	327	(7,041)	-104.6%

"n.m." denotes "not meaningful"

Notes:

a) The increase in depreciation of property, plant and equipment was mainly attributable to higher assets, of which most were acquired in the second half of FY2009.

b) The foreign exchange gain last year mainly arose from the revision of translation rate due to appreciation of Renminbi against Singapore dollars.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Statements of Financial Position:

	GROUP		COMPANY	
	31/12/2009	**31/03/2009**	**31/12/2009**	**31/03/2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-Current Assets				
Property, plant and equipment	71,874	73,579	18	22
Land use rights	22,586	22,977	-	-
Prepaid land lease	496	640	-	-
Investment in subsidiaries	-	-	49,027	48,504
Goodwill	1,759	1,759	-	-
	96,715	98,955	49,045	48,526
Current Assets				
Inventories	9,877	10,986	-	-
Trade receivables	237,933	167,726	-	-
Other receivables	60,473	58,995	50	179
Prepaid land lease	192	192	-	-
Amounts due from subsidiaries	-	-	187,883	191,074
Cash and bank balances	180,329	154,251	1,914	2,459
	488,804	392,150	189,847	193,712
Total Assets	**585,519**	**491,105**	**238,892**	**242,238**
Equity				
Share capital	239,159	239,159	239,159	239,159
Reserves	275,481	204,519	(11,203)	(8,074)
	514,640	443,678	227,956	231,085
Current Liabilities				
Trade and bills payables	29,449	17,060	-	-
Other payables	33,659	24,011	1,152	1,369
Amounts due to subsidiaries	-	-	9,784	9,784
Amount due to a director	-	175	-	-
Provision for income tax	7,771	6,181	-	-
	70,879	47,427	10,936	11,153
Total Liabilities	**70,879**	**47,427**	**10,936**	**11,153**
Total Equity and Liabilities	**585,519**	**491,105**	**238,892**	**242,238**

Analysis of balance sheets

A. The Group

1. The increase in trade receivables was in line with the Group's increase in sales activities.

   The trade receivable turnover days for the current reported financial period was 90 days, up from 47 days in the same period last year.

   Reasons for increase in turnover days:

   - The Group has been driving the Distributors to improve quality of retail business, through upgrading of outlet-frontage, enlarging outlet-floor area, and/or relocation. This is in line with the Group's marketing strategy and direction to raise the Eratat Brand's visibility and market positioning as a casual fashion brand.
   - Currently the retail points (which include specialty shops and shop-in-shops) are either owned directly by Distributors or third party whom they directly manage, with the latter being the majority. To strengthen Distributors' sense of ownership and loyalty to Eratat Brand, the Group now requires our key Distributors to directly own more specialty shops progressively. As such, this would increase the Distributors' working capital needs.
   - The Group supports the Distributors in their effort to increase their direct-owned specialty shops by extending longer credit terms to them. However, extension of credit terms will only be given to good performing distributors in their sales, retail promotional activities, payment performance and inventory management. (The higher risk of longer credit term is also mitigated by the personal guarantee of the owner of the Distributors given to the Group). By extending credit terms will be a better strategy than to incentivize by giving sales discounts or rebates or renovation subsidies, which would adversely impact the Group's margins.

   The trade receivables ageing of the Group is as follows:

(RMB 'mil)	1-60 days	61-90 days	91-180 days	Total
Balance as at 31.12.2009	184.1	53.8	-	237.9
Percentage	77.4%	22.6%	-	100.0%

2. The increase in trade and other payables was in line with the Group's increase in sales activities.

B. The Company

1. The amounts due from subsidiaries are mainly advances to subsidiaries for working capital purposes. The amounts due are unsecured, interest free and are repayable on demand.

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

None.

1(c) *A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year*

	Third Quarter Ended on		Nine Months Period Ended on	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities :				
Profit before income tax	28,041	45,496	106,296	115,557
Adjustments for :				
Interest income	(117)	(365)	(404)	(843)
Depreciation of property, plant and equipment	1,241	1,093	3,531	2,692
Amortisation of land use rights	130	130	390	390
Amortisation of prepaid land lease	48	-	144	-
Exchange difference arising from consolidation	-	(8,603)	-	(8,617)
Operating cash flows before movements in working capital	**29,343**	**37,751**	**109,957**	**109,179**
Inventories	9,368	(9,655)	1,109	(26,682)
Trade and other receivables	9,449	(114,569)	(71,685)	(114,136)
Trade and other payables	(18,479)	(23,201)	22,037	27,031
Due to directors	-	-	(175)	-
Cash generated from/(used in) operations	**29,681**	**(109,674)**	**61,243**	**(4,608)**
Income tax paid	(8,064)	(5,083)	(27,685)	(11,666)
Net cash generated from/(used in) operating activities	**21,617**	**(114,757)**	**33,558**	**(16,274)**
Cash flows from investing activities :				
Interest received	117	365	404	843
Purchase of property, plant and equipment	(48)	(490)	(150)	(8,595)
Construction-in-progress	-	(7,683)	(1,708)	(12,009)
Proceeds from disposal of property, plant and equipment	-	-	33	31
Net cash generated from/(used in) investing activities	**69**	**(7,808)**	**(1,421)**	**(19,730)**
Cash flows from financing activities :				
Proceeds from issue of shares	-	-	-	170,168
Short-term borrowings	-	-	-	573
Dividends paid	-	(6,000)	(6,059)	(6,000)
Net cash (used in)/generated from financing activities	**-**	**(6,000)**	**(6,059)**	**164,741**
Net increase/(decrease) in cash and cash equivalents	**21,686**	**(128,565)**	**26,078**	**128,737**
Cash and cash equivalents at beginning of financial period	**158,643**	**261,204**	**154,251**	**3,902**
Cash and cash equivalents at end of financial period	**180,329**	**132,639**	**180,329**	**132,639**
Cash and cash equivalents comprise :				
Cash and bank balances	180,329	132,711	180,329	132,711
Less: Pledged deposits	-	(72)	-	(72)
	180,329	**132,639**	**180,329**	**132,639**

1(d)(i) *A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.*

GROUP	Share capital RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Retained earnings/ (Accumu-lated losses) RMB'000	Total RMB'000
Balance at 1 April 2008	68,991	10,957	2,545	60	81,136	163,689
Profit for the period	-	-	-	-	100,858	100,858
Exchange difference arising from consolidation recognised directly in equity	-	-	-	(8,617)	-	(8,617)
Total comprehensive income	-	-	-	(8,617)	100,858	92,241
New shares issued	170,168	-	-	-	-	170,168
Balance at 31 December 2008	239,159	10,957	2,545	(8,557)	181,994	426,098
Balance at 1 April 2009	239,159	10,957	2,545	(16,043)	207,060	443,678
Profit for the period	-	-	-	-	77,021	77,021
Total comprehensive income	-	-	-	-	77,021	77,021
First and final dividend - FY2009	-	-	-	-	(6,059)	(6,059)
Balance at 31 December 2009	239,159	10,957	2,545	(16,043)	278,022	514,640

COMPANY	Share capital RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Retained earnings/ (Accumu-lated losses) RMB'000	Total RMB'000
Balance at 1 April 2008	68,991	-	-	-	(2,290)	66,701
Loss for the period	-	-	-	-	(3,062)	(3,062)
Exchange difference arising from consolidation recognised directly in equity	-	-	-	(8,777)	-	(8,777)
Total comprehensive income	-	-	-	(8,777)	(3,062)	(11,839)
New share issued	170,168	-	-	-	-	170,168
Balance at 31 December 2008	239,159	-	-	(8,777)	(5,352)	225,030
Balance at 1 April 2009	239,159	-	-	(16,213)	8,139	231,085
Profit for the period	-	-	-	-	2,930	2,930
Total comprehensive income	-	-	-	-	2,930	2,930
First and final dividend - FY2009	-	-	-	-	(6,059)	(6,059)
Balance at 31 December 2009	239,159	-	-	(16,213)	5,010	227,956

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

	Number of Ordinary Shares	Resultant Issued Share Capital	
		S$'000	**RMB'000**
Share capital as at 1 April 2009 and 31 December 2009	414,912,514	47,647	239,159

Pursuant to the Proposed Bonus Warrant Issue as announced on 10 November 2009, the Company had on 12 January 2010 issued 123,580,653 Warrants to its Shareholders. The Warrantholders may exercise the Warrants on 12 January 2013 to subscribe for the Company's Shares at S$0.30 each.

The Company does not have any treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the preceding year

	Group		Company	
	31/12/2009	**31/03/2009**	**31/12/2009**	**31/03/2009**
Number of issued shares	414,912,514	414,912,514	414,912,514	414,912,514

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed by the auditors.

3 ***Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)***

Not applicable.

4 ***Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied***

The Group has applied the same accounting policies and methods of computation for the current reporting period ended 31 December 2009 as those used for the audited financial statement as at 31 March 2009, except for the adoption of the new or revised Financial Reporting Standards ("FRS") applicable for the financial period beginning 1 April 2009.

FRS 1 *Presentation of Financial Statement* which requires an equity to present, in a statement of changes equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are presented in a statement of comprehensive income. Revised FRS 1 does not have any impact on the Group's financial position or results.

5 ***If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change***

On 1 April 2009, the Group adopted Revised, FRS 1 *Presentation of Financial Statements* as described above.

6 ***Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-***

(a) Based on the weighted average number of ordinary shares on issue; and

(b) On a fully diluted basis (detailing any adjustments made to the earnings)

	Financial Period Ended on	
	31/12/2009	**31/12/2008**
Profit attributable to shareholders of the Company (RMB'000)	77,021	100,858
Number of shares		
Weighted average number of ordinary shares in issue for basic EPS	414,912,514	407,646,585
Earnings per share (RMB cents)		
- Basic	18.56	24.74

Diluted earnings per share is not presented as there is no potential dilutive ordinary share existing during the relevant financial years presented.

7 ***Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-***

(a) current financial period reported on; and

(b) immediately preceding financial year

	Group		Company	
	31/12/2009	**31/03/2009**	**31/12/2009**	**31/03/2009**
Net assets (RMB'000)	514,640	443,678	227,956	231,085
Number of shares	414,912,514	414,912,514	414,912,514	414,912,514
Net assets value per share (RMB cents)	124.04	106.93	54.94	55.69

8 ***A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-***

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Our performance for the nine months financial period ended on 31 December 2009 ("**9MFY10**") remained strong with the revenue increased by 17.6% to RMB717.9 million, amidst economic uncertainties and keen price competition in the retail market.

Revenue

	9M FY10		**9M FY09**		**Change**	
	RMB mil	**%**	**RMB mil**	**%**	**RMB mil**	**%**
Footwear						
- Eratat Brand	423.3	59.0%	358.8	58.8%	64.5	18.0%
- Third Party Brand	18.2	2.5%	51.6	8.5%	(33.4)	-64.7%
	441.5	61.5%	410.4	67.3%	31.1	7.6%
Apparel	276.4	38.5%	199.8	32.7%	76.6	38.3%
	717.9		610.2		107.7	17.6%

The increase in revenue was contributed by:

(i) an increase in revenue contribution from our footwear segment of RMB31.1 million (or 7.6%) to RMB441.5 million in 9MFY10. During the financial period, the sale of Eratat Brand footwear increased by RMB64.5 million, but offset by reduction of sale of Third Party Brand footwear of RMB33.4 million, which contributed 2.5% of total revenue this year as compared to 8.5% last year; and

(ii) an increase in revenue contribution from our apparel segment of RMB76.6 million (or 38.3%) to RMB276.4 million in 9MFY10.

The revenue contribution by footwear and apparel was 61.5% and 38.5% respectively (9MFY09: 67.3% and 32.7% respectively). The Group has strategically increased the apparel sales contribution ratio so as to provide wider apparel product range to meet the needs of our target consumers, which is part of the Group's business strategy to focus on growing its Eratat Brand equity.

The increase in Eratat Brand revenue was mainly due to higher sales of both product segments achieved in 9MFY10 as a result of the success of our product development and sales and marketing strategies to further penetrate into our existing and new markets. The absolute sales contribution by key distributors also increased proportionately. The ex-factory sales per square meters ("sqm") of retail location had also increased from about RMB750 per sqm per month to RMB890 per sqm per month for current financial period as compared to last financial period. It reflects our strategy of encouraging distributors to replace small retail outlets with larger retail outlets which has resulted in higher sales.

	FY08	FY09	Change		9M FY09	9M FY10	Change	
Ex-factory sales per sqm (RMB)	550	760	210	27.6%	750	890	140	15.7%

Our distribution network expanded to increase the number of retail locations of our Eratat products from 1635 retail locations via PRC Distributors as at the end of FY09 to 1685 retail locations as at the end of 9MFY10. As part of the Group's effort to raise and enhance Eratat Brand's visibility and market positioning as a mass appeal and casual lifestyle brand, we will continue to put pressure on Distributors to strengthen the existing retail locations measured by better sales performance, upgrading outlet-frontage, enlarging outlet-floor area and relocate to new locations if necessary. Under-performing retail locations will be closed as soon as possible. Our strategy of focusing on improving the quality of the retail outlets measured by ex-factory sales per sqm may result in the number of retail outlets growing at a slower rate in the short term. However, we believe the Group will benefit from enhanced Eratat Brand in the long run.

Eratat Brand Revenue, ASP and gross margin

The Eratat Brand revenue contributed by autumn/winter season (i.e. July – December 2009) which amounted to RMB447.3 million had exceeded the sales orders received in March 2009 of RMB427.5 million, representing an increase of 4.6%.

The overall cumulative gross margin contribution for 9MFY10 was 29.6% as compared to 30.4% recorded during the same corresponding period last year. This was mainly contributed by Eratat Brand footwear and apparel of 24.4% and 36.5% (9MFY09: 25.4% and 38.5%) respectively.

Eratat Brand footwear ("ERATAT FW")

	FY09Q1 Apr-Jun 08	FY09Q2 Jul-Sep 08	FY09Q3 Oct-Dec 08	FY09Q4 Jan-Mar 09	FY10Q1 Apr-Jun 09	FY10Q2 Jul-Sep 09	FY10Q3 Oct-Dec 09	TOTAL FY103Q
		< Autumn/winter season >		< Spring/summer season >		< Autumn/winter season >		
ERATAT FW (RMB Mil)	91.0	126.1	141.7	104.4	152.2	137.3	133.8	**423.3**
ERATAT FW (Mil Pairs)	1.42	1.95	2.24	1.57	2.36	1.75	1.74	**5.84**
ASP (RMB)	64.0	64.8	63.1	66.4	64.5	78.5	77.0	**72.4**
ERATAT FW GM (%)	25.2%	26.1%	25.0%	25.9%	26.1%	23.7%	23.2%	**24.4%**

(i) Following the launch of markedly improved footwear product range with better designs and quality for the autumn/winter season, we had raised the ex-factory average selling price ("ASP") by more than 18% to about RMB77 per pair from about RMB64 per pair in the same season last year.

(ii) The cost of production had also risen substantially due to higher cost of materials resulting from better material quality being used. However, the ASP did not increase in direct proportion with the increase in cost of production, thus resulting in a decrease in gross margin for footwear.

Eratat Brand apparel ("ERATAT APP")

	FY09Q1 Apr-Jun 08	FY09Q2 Jul-Sep 08	FY09Q3 Oct-Dec 08	FY09Q4 Jan-Mar 09	FY10Q1 Apr-Jun 09	FY10Q2 Jul-Sep 09	FY10Q3 Oct-Dec 09	TOTAL FY103Q
		< Autumn/winter season >		< Spring/summer season >		< Autumn/winter season >		
ERATAT APP (RMB Mil)	61.0	65.6	73.2	58.7	100.2	87.6	88.6	**276.4**
ERATAT APP (Mil Pcs)	1.63	1.61	1.06	0.98	1.69	1.04	1.07	**3.80**
ASP (RMB)	37.4	40.6	69.2	60.1	59.2	84.2	82.9	**72.7**
ERATAT APP GM (%)	37.7%	38.8%	38.9%	38.4%	38.9%	35.0%	35.4%	**36.5%**

(i) Similarly, we have launched better designs and quality apparel product range for the autumn/winter season. We also raised the ASP by more than 50% to about RMB83 per piece from about RMB52 per piece in the same season last year.

(ii) The cost of products (which are currently 100% outsourced) had risen substantially due to better quality of materials used. However, the ASP did not increase in direct proportion with the increase in cost of production, thus resulting in a decrease in gross margin for apparel.

The Group had sold less Eratat Brand footwear and apparel of 3.5 million pairs and 2.1 million pieces respectively for the autumn/winter season as compared to 4.2 million pairs and 2.7 million pieces in the same period last year respectively but with higher ASP.

Successfully repositioned as a casual lifestyle company

Since 2008, we have made strategic changes to reposition ourselves as a mass appeal and casual lifestyle company and away from the sportswear segment. This was a response to our observation that the age group of our target consumers has been widening, ranging from 18 to 48 years old, and increasingly, they prefer casual lifestyle wear over sportswear.

We are pleased to report that we have successfully repositioned ourselves as a mass appeal and casual lifestyle company as our casual lifestyle wear had increased to account for 68% of our total Eratat Brand revenue in 9MFY10 from 41% last year, as illustrated in the tables below:

	3 Months Period Ended on				9 Months Period Ended on			
ERATAT Brand (RMB Mil)	**FY10Q3**		**FY09Q3**		**9M FY10**		**9M FY09**	
Casual Lifestyle	153.8	69%	105.8	49%	476.1	68%	229.4	41%
Sports	68.5	31%	109.1	51%	223.7	32%	329.0	59%
	222.3	100%	214.9	100%	699.8	100%	558.4	100%

	3 Months Period Ended on				9 Months Period Ended on			
ERATAT Brand FW (RMB Mil)	**FY10Q3**		**FY09Q3**		**9M FY10**		**9M FY09**	
Casual Lifestyle	86.0	64%	54.2	38%	236.5	56%	140.2	39%
Sports	47.7	36%	87.5	62%	186.9	44%	218.5	61%
	133.7	100%	141.7	100%	423.4	100%	358.7	100%

	3 Months Period Ended on				9 Months Period Ended on			
ERATAT Brand APP (RMB Mil)	**FY10Q3**		**FY09Q3**		**9M FY10**		**9M FY09**	
Casual Lifestyle	67.8	77%	51.6	71%	239.6	87%	89.2	45%
Sports	20.8	23%	21.6	29%	36.8	13%	110.5	55%
	88.6	100%	73.2	100%	276.4	100%	199.7	100%

Operating profit before income tax

The selling and distribution expenses, which represented about 11.6% (9MFY09: 9.7%) of the overall revenue, increased by 41.1% to RMB83.4 million in 9MFY10. The increase was mainly attributable to increase in advertising and promotional expenses, which was caused by our increased marketing and sales activities, as well as higher product development expenditure to enhance and expand the footwear and apparel product range. It should also be noted that the advertising and promotional activities only started to intensify during the second half of last financial year (i.e. FY092H), as illustrated below:

	Half Year Period			9 Months Period	
	FY091H	**FY092H**	**FY101H**	**9M FY09**	**9M FY10**
Amount (RMB Mil)	33.6	45.3	54.7	59.1	83.4
% over Revenue	8.8%	11.5%	11.2%	9.7%	11.6%

The administrative expenses, which represented about 3.2% (9MFY09: 3.0%) of the overall revenue, increased by 24.9% to RMB23.2 million. The increase was mainly due to an increase in staff and administrative related expenses to meet the needs of our increased business activities as aforesaid.

As a result, the operating profit before income tax for 9MFY10 marginally decreased by 2.1% to RMB106.3 million.

Profit before income tax ("NPBT")

The "Other income" of RMB7.0 million in 9MFY09 arose from currency translation differences due to appreciation of Renminbi against Singapore dollars. Consequently, profit before income tax decreased by 8.0% to RMB106.3 million in 9MFY10. This was in line with the higher revenue and gross profits arising from our business activities, which were offset by lower gross margin, increases in selling and distribution expenses and administrative expenses, as aforementioned.

Taxation

Our income tax expense increased by 99.2% to RMB29.3 million in 9MFY10, which was mainly due to increase in income tax rate of its subsidiary company. The concessionary tax rate of 12% in Haimingwei had expired on 31 December 2008, and the subsidiary company has been subject to a tax rate of 25% since 1 January 2009, thus resulting in higher tax expense during this financial period.

As a result of higher tax rate, the profit after income tax reduced by 23.6% to RMB77.0 million for the nine months financial period under review.

Use of IPO Proceeds

	Intended use as per Prospectus dated 8 April 2008		Utilised as at 31 December 2009	Unutilised Balance
	SGD mil	RMB mil	RMB mil	RMB mil
Expansion of production capacities and facilities	10.0	50.8	27.2	23.6
Expansion of market presence and distribution network	3.0	15.2	15.2	-
Strengthen of ERATAT brand image and recognition	3.0	15.2	15.2	-
Enhance product development capabilities and expand existing range of ERATAT products	1.0	5.1	5.1	-
Working capital	17.3	87.9	87.9	-
	34.3	174.2	150.6	23.6

Given the global financial crisis since end 2008, and considering that the current market condition remains uncertain, the Group has decided to postpone the expansion plan of production capacities and facilities. Instead, the Group would focus its resources to enhance Eratat Brand visibility and market positioning as a mass appeal and casual lifestyle brand. Hence the remaining unutilised proceeds of RMB23.6 million would be channeled to working capital purposes, and the IPO proceeds would now be fully utilised.

Update on Internal Controls

Our newly appointed internal auditor ("**IA**"), Grant Thornton Transactions Services Pte Ltd, had in December 2009 completed their review on business cycles of the Company's subsidiary company, Quanzhou City Quangang Hongli Shoes Co., Ltd. The Audit Committee had reviewed the findings by the IA and noted no significant internal control weakness. The Management will be following up with the recommendations in the IA Report.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast had been issued for the financial period under review.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

We will continue with our cooperation with influential media to reach out to our target customers (namely the youths and adults). Following our successful TV reality programme called "Eratat Mountain Climbing Show" （鳄莱特登山运动会）in 2008 and "Eratat Life Sports Show" （鳄莱特生活运动会）in 2009, we are currently preparing another programme which is targeting to launch in the first half of 2010. This programme will also be solely sponsored by us and to engage the TV audience to actively participate in the reality shows. Advertisements of our Eratat Brand will also be shown multiple times on the station daily to increase awareness of our brand.

Barring any unforeseen circumstances, the Board of Directors expects the Group to remain profitable for FY2010.

11 Dividend

(a) Any dividend declared for the current period reported on?

None.

(b) Any dividend declared for the previous corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Book closure date and time

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect

Not applicable.

13 Interested Person Transactions for the financial period ended 31 December 2009

There are no interested person transactions for the financial period ended 31 December 2009 pursuant to Chapter 9 of the Listing Manual.

BY ORDER OF THE BOARD

Lin Jiancheng（林建程）
Executive Chairman & CEO

2 February 2010

Confirmation pursuant to the Rule 705(4) of the Listing Manual

Pursuant to SGX Listing Rule 705(4) of the Listing Manual, we, Lin Jiancheng and Ye Sanzhi, on behalf of the Board of Directors of the Company, do hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited results of the Company and of the Group for the financial period ended 31 December 2009 to be false or misleading.

ON BEHALF OF THE BOARD

Lin Jiancheng（林建程）	Ye Sanzhi（叶三支）
Executive Chairman & CEO	Director

Kim Eng Capital Pte. Ltd. ("Kim Eng") was the issue manager in the initial public offering of the Company. This announcement has been prepared and released by the Company. Kim Eng assumes no responsibility for the contents of this announcement.