



## CHINA ERATAT SPORTS FASHION LIMITED

(Company Registration No: 200705552D)

### FOR IMMEDIATE RELEASE

#### CHINA ERATAT BRAND REPOSITIONING PAID OFF

- ✈ ERATAT BRAND FOOTWEAR AND APPAREL SALES ROSE 18.0% AND 38.3% RESPECTIVELY
- ✈ CASUAL LIFESTYLE WEAR ACCOUNTED FOR 68% OF REVENUE IN 9MFY10 FROM 41% LAST YEAR
- ✈ ASP FOR ERATAT BRAND FOOTWEAR AND APPAREL INCREASED BY MORE THAN 18% AND 50% RESPECTIVELY
- ✈ ACTUAL ERATAT BRAND AUTUMN/WINTER SEASON SALES EXCEEDED INITIAL SALES ORDERS RECEIVED BY 4.6%
- ✈ EX-FACTORY SALES PER RETAIL LOCATION ROSE 15.7%

(RMB'000)	3 months ended 31 December			9 months ended 31 December		
	2009	2008	CHANGE	2009	2008	CHANGE
	FY10Q3	FY09Q3		9MFY10	9MFY09	
Revenue	229,405	227,587	0.8%	717,946	610,248	17.6%
Gross Profit	64,196	69,924	-8.2%	212,780	185,352	14.8%
Operating Profit	27,983	38,176	-26.7%	106,259	108,516	-2.1%
Net Profit after Tax	20,412	40,238	-49.3%	77,021	100,858	-23.6%
EPS (RMB cents)*	4.92	9.70		18.56	24.74	
EPS (SGD cents)#	1.03	2.02		3.87	5.15	

**2 February, 2010** - SGX mainboard-listed China Eratat Sports Fashion Limited (中国鳄莱特运动时尚有限公司) (“**China Eratat**” and together with its subsidiaries, the “**Group**”), a leading sports fashion footwear and apparel company based in Jinjiang, Fujian Province, PRC, today announced strong performance for its nine months financial period ended on 31 December 2009 (“**9MFY10**”). The Group’s revenue leaped 17.6% to RMB 717.9 million, which was attributed to the successful repositioning of Eratat Brand in the market.

Revenue contributed from Eratat brand footwear jumped 18.0% to RMB423.3 million in 9MFY10, but was offset by reduction of sale of Third Party Brand footwear. The footwear segment contributed 61.5% to total revenue in 9MFY10 compared to 67.3% during the same period last financial year. The Group had increased its apparel sales contribution ratio to 38.5% of total revenue in the current financial period (from 32.7% last financial period), with revenue from its apparel segment growing by 38.3% to RMB276.4 million.

Revenue contributed by its Eratat brand autumn/winter collection (i.e. from July – December 2009), which amounted to RMB447.3 million, had exceeded its initial sales orders received in March 2009 by 4.6%. Revenue split between footwear and apparel were 61.5% and 38.5% respectively in 9MFY10, compared to 67.3% and 32.7% respectively in the previous financial period.

The increase in Eratat Brand revenue was mainly due to increase in ex-factory average selling price (“**ASP**”), resulting from its business strategy and successful branding and marketing activities and enhancing of product designs and quality. The ASP of Eratat Brand footwear rose by more than 18% from about RMB64 per pair to about RMB77 per pair while apparel rose by more than 50% from about RMB52 per piece to about RMB83 per piece for the autumn/ winter season (i.e. July – December).

After making strategic changes since 2008 to reposition ourselves as a mass appeal and casual lifestyle company, we are pleased to report that our casual lifestyle wear segment had increased to account for 68% of our total Eratat Brand revenue in 9MFY10 from 41% in previous financial period.

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. While Eratat Brand ASP had risen significantly, it was offset by the higher cost of production for footwear and apparel due to the Group’s decision of using better raw material quality to enhance Eratat product quality and brand equity.

Selling and distribution expenses, which represented approximately 11.6% (9MFY09: 9.7%) of the total revenue, increased by 41.1% to RMB83.4 million in 9MFY10. It had remained about 11-12% of total revenue since the second half of last financial year (i.e. FY09H2). Administrative expenses, which represented approximately 3.2% (9MFY09: 3%) of the total revenue, increased by 24.9% to RMB23.2 million was mainly due to an increase in staff administrative related expenses because of increased business activities. As a result, the Group recorded an operating profit before income tax of RMB106.3 million in 9MFY10, a marginal decrease of 2.1% from the same period last year.

Last year, the Group recorded a foreign exchange translation gain of RMB7.0 million resulting from appreciation of Renminbi against Singapore dollars. In addition, the Group's subsidiary company, Haimingwei, no longer enjoy concessionary tax rate of 12% since 1 January 2009, thus resulting in higher tax expense during the current financial period. As a result, the Group's net profit after tax was reduced by 23.6% to RMB77.0 million in 9MFY10.

In the current third quarter ("**FY10Q3**"), the operating profit before income tax was lower than that of last year by 26.7%, which was mainly due to lower overall gross margin, higher selling and distribution expenses and administrative expenses that were explained as above.

As part of the Group's effort to raise and enhance the visibility of its Eratat brand and its market positioning as a mass appeal and casual lifestyle brand, China Eratat will continue to strengthen the quality of the existing retail locations measured by better sales performance per location, 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 quality of 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 the Eratat Brand would be enhanced in the long run.

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

Following the success of its first series reality shows called “Eratat Mountain Climbing Show” (鳄莱特登山运动会) and the second series reality show called “Eratat Life Sports Show” (鳄莱特生活运动会), which were telecast nationwide last year, China Eratat is currently preparing another TV programme which is targeting to be launched in the first half of 2010. This programme will also be solely sponsored by us and is designed to engage TV audience to actively participate in games and various fun activities. Advertisements on Eratat brand will also be shown multiple times on the TV station and internet daily to increase its brand awareness.

### **About China Eratat Sports Fashion Limited**

China Eratat is principally engaged in the design, manufacture and distribution of casual sports footwear, and the design and distribution of casual fashion apparel under its well-established proprietary brand “ERATAT” (“鳄莱特”). The Group’s products are designed for a wide range of activities catering to the sports and casual lifestyles. With its strong focus on brand management, product development and quality, the Group has received numerous awards which include “China Best Public Image Brand” in 2006. Eratat products are sold across 21 provinces/cities in more than 1685 retail locations.

*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.*

China Eratat is listed on SGX-ST on 17 April, 2008. Kim Eng Capital Pte. Ltd. is the Manager, Underwriter and Placement Agent for the IPO.

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