



CONSUMER

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Stock Profile/Statistics

	CERAT SP
Bloomberg Ticker	2968.38
STI	414.91
Issued Share Capital (m)	72.61
Market Capitalisation (\$m)	0.30 0.08
52 week H L Price (\$)	2053.60
Average Volume (3m) '000	(16.7)
YTD Returns (%)	Cash
Net gearing (x)	5.67
Altman Z-Score	1.9
ROCE/WACC	1.33
Beta (x)	0.25
Book Value/share (S¢)	

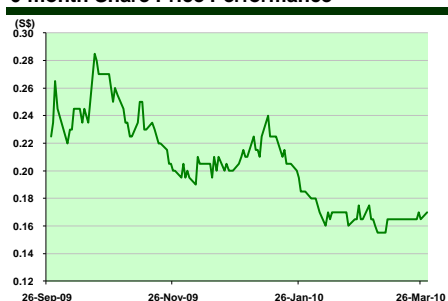
Major Shareholders

Lin Jiancheng/ Sunny Joy	29.29%
Ye Sanzhi	7.75%

Share Performance (%)

Month	Absolute	Relative
1m	12.9	5.8
3m	(18.6)	(21.0)
6m	(22.2)	(36.2)
12m	133.3	68.7

6-month Share Price Performance



Plant Visit

Private Circulation Only

CHINA ERATAT SPORTS
FASHION

UNRATED

Price

S\$0.175

Repositions as a lifestyle brand

We visited China Eratat's (CERAT) plant in Fujian, China last week. Established in 1998, the company caters to the PRC mass-market sports and casual wear segment. CERAT is best remembered as the official sponsor for 2008 Olympics theme song and music video "加油中国", which helped to raise its Eratat brand profile in China. 9M10 revenue for the period ended Dec09 was RMB700m, suggesting a market share of close to 1%.

Group strategy. Faced with an overcrowded sportswear segment, CERAT embarks on three key growth strategies: 1) repositioning towards a lifestyle brand that allows for higher selling prices; 2) growing its apparel segment to withstand margin pressure; and 3) partnering with state agencies to enhance cost effectiveness of its advertising efforts.

CERAT's strategies are starting to see promising results. 9M10 average selling price for footwear and apparel were up 13% and 57% YoY, to RMB72/pair and RMB73/item, respectively. Apparel made up around 39% (9M09: 33%) of Group's revenue, helping to keep its gross margin at 30% despite 1-2ppt margin contractions for individual segments.

Nationwide media reach. CERAT-sponsored Olympic music video was broadcasted intensively over 150 television stations across China in mid-08. Starting Feb 10, another CERAT-sponsored program will be shown every Saturday on CCTV5, a nationwide channel, at 8pm over the next one year.

Positive distributor sentiment. We met one of CERAT's top 10 distributors at its April Fall & Winter trade fair. Joined in 2008, the distributor operates 60 shops (4% of CERAT's total), of which 30+ are self-owned. Optimistic about Eratat's outlook, he is looking to add another 20+ outlets by Dec 10. Nonetheless, he acknowledges industry-wide inventory problem and on-going price-competition.

Valuation. From Bloomberg, CERAT currently trades at 4x FY11E for year ending Mar 11, a discount to China Hongxing's 11x and China Sports' 6x.

Valuation Comparison

Company	Rating	Price	Mkt Cap	3m Avg Vol	P/E (x)			P/B (x)			Yield (%)		
					5Apr	10E	11E	09A	10E	11E	09A	10E	11E
China Hongxing	NR	0.145	406	3.90	14.9	11.2	9.1	0.47	0.45	0.43	1.4	2.4	3.1
China Sports	NR	0.140	118	2.68	4.0	6.5	6.2	0.61	0.56	0.50	3.8	2.8	2.9
China Eratat	NR	0.175	73	0.39	2.8	4.3	3.7	0.80	Na	Na	1.8	4.8	Na

Source: Bloomberg

Advertising and Promotion

Popular artist Wang Lee Hom has been CERAT's brand ambassador since 2001.



CERAT management and members behind the Olympics theme song.



Source: Company

April Fall & Winter Trade Fair

Preview of CERAT-sponsored program on CCTV5 <<挑战脚斗王>>



An estimated 300+ participants



Source: DMG

Plant in Quangan, Fujian



Source: DMG

DMG & Partners Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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