



CHINA ERATAT SPORTS FASHION LIMITED

(Company Registration No: 200705552D)

UNAUDITED RESULTS FOR FINANCIAL YEAR ENDED 31 MARCH 2010

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*

	Fourth Quarter Ended on			Financial Year Ended on		
	31/03/2010	31/03/2009	Change	31/03/2010	31/03/2009	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	180,774	167,074	8.2%	898,720	777,322	15.6%
Cost of sales	(135,005)	(118,438)	14.0%	(640,171)	(543,334)	17.8%
Gross profit	45,769	48,636	-5.9%	258,549	233,988	10.5%
Selling and distribution expenses	(17,154)	(19,895)	-13.8%	(100,507)	(78,962)	27.3%
Administrative expenses	(3,417)	(4,276)	-20.1%	(26,662)	(22,888)	16.5%
Other operating expenses	(237)	(574)	-58.7%	(237)	(383)	-38.1%
Finance income	172	106	62.3%	576	949	-39.3%
Operating profit before income tax	25,133	23,997	4.7%	131,719	132,704	-0.7%
Other income	615	7,253	-91.5%	325	14,103	-97.7%
Profit before income tax	25,748	31,250	-17.6%	132,044	146,807	-10.1%
Income tax	(6,127)	(6,184)	-0.9%	(35,402)	(20,883)	69.5%
Profit after income tax	19,621	25,066	-21.7%	96,642	125,924	-23.3%
Other comprehensive income	-	-	n.m.	-	(16,103)	n.m.
Total comprehensive income for the period	19,621	25,066	-21.7%	96,642	109,821	-12.0%

"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):

	Fourth Quarter Ended on			Financial Year Ended on		
	31/03/2010	31/03/2009	Change	31/03/2010	31/03/2009	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest income	(172)	(106)	62.3%	(576)	(949)	-39.3%
Depreciation of property, plant and equipment	1,167	1,136	2.7%	4,698	3,828	22.7%
Amortisation of land use rights	127	127	0.0%	518	517	0.2%
Amortisation of prepaid land lease	48	48	0.0%	192	128	50.0%
Foreign exchange gain, net	(147)	(7,062)	-97.9%	(147)	(14,103)	-99.0%
Loss on disposal of property, plant and equipment	221	267	-17.2%	221	267	-17.2%
Plant and equipment written off	7	116	-94.0%	7	116	-94.0%

"n.m." denotes "not meaningful"

Notes:

- The increase in depreciation of property, plant and equipment was mainly attributable to higher amount fixed assets, of which most were acquired in the second half of FY2009.
- The foreign exchange gain last year mainly arose from the revision of translation rate due to appreciation of Renminbi against Singapore dollars. But this year there was no such unrealised translation gain or loss. (Please refer to item 5 for details)

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	
	31/03/2010 RMB'000	31/03/2009 RMB'000	31/03/2010 RMB'000	31/03/2009 RMB'000
Non-Current Assets				
Property, plant and equipment	71,172	73,579	16	22
Land use rights	22,459	22,977	-	-
Prepaid land lease	448	640	-	-
Investment in subsidiaries	-	-	49,050	48,504
Goodwill	1,759	1,759	-	-
	<u>95,838</u>	<u>98,955</u>	<u>49,066</u>	<u>48,526</u>
Current Assets				
Inventories	19,995	10,986	-	-
Trade receivables	269,087	167,726	-	-
Other receivables	45,979	58,995	141	179
Prepaid land lease	192	192	-	-
Amounts due from subsidiaries	-	-	187,872	191,074
Cash and bank balances	176,001	154,251	983	2,459
	<u>511,254</u>	<u>392,150</u>	<u>188,996</u>	<u>193,712</u>
Total Assets	<u>607,092</u>	<u>491,105</u>	<u>238,062</u>	<u>242,238</u>
Equity				
Share capital	239,159	239,159	239,159	239,159
Reserves	294,836	204,519	(12,272)	(8,074)
	<u>533,995</u>	<u>443,678</u>	<u>226,887</u>	<u>231,085</u>
Current Liabilities				
Trade and bills payables	43,566	17,060	-	-
Other payables	23,369	24,011	1,391	1,369
Amounts due to subsidiaries	-	-	9,784	9,784
Amount due to a director	-	175	-	-
Provision for income tax	6,162	6,181	-	-
	<u>73,097</u>	<u>47,427</u>	<u>11,175</u>	<u>11,153</u>
Total Liabilities	<u>73,097</u>	<u>47,427</u>	<u>11,175</u>	<u>11,153</u>
Total Equity and Liabilities	<u>607,092</u>	<u>491,105</u>	<u>238,062</u>	<u>242,238</u>

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 financial year was 95 days, up from 56 days in last financial 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, between 90-120 days. However, extension of credit terms will only be given to good performing distributors in their sales, retail promotional activities, payment performance, inventory management and growth potentials. 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)	<u>1-60 days</u>	<u>61-90 days</u>	<u>91-120 days</u>	<u>> 120 days</u>	<u>Total</u>
Balance as at 31.03.2010	138.9	72.5	57.7	-	269.1
Percentage	51.6%	26.9%	21.5%	-	100.0%

As at 30 April 2010, all the receivables in 91-120 days had been fully collected and there is no impairment.

2. The other receivables mainly comprised trade deposits being paid to suppliers of RMB25.3 million and prepaid advertisement of RMB20.6 million. The decrease was mainly due to lower amount of trade deposits being paid to suppliers as at the financial year end.
3. 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

	Fourth Quarter Ended on		Financial Year Ended on	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities :				
Profit before income tax	25,748	31,250	132,044	146,807
Adjustments for :				
Interest income	(172)	(106)	(576)	(949)
Depreciation of property, plant and equipment	1,167	1,136	4,698	3,828
Amortisation of land use rights	127	127	518	517
Amortisation of prepaid land lease	48	48	192	128
Loss on disposal of property, plant and equipment	221	267	221	267
Plant and equipment written off	7	116	7	116
Exchange difference arising from consolidation	(266)	(7,484)	(266)	(16,101)
Operating cash flows before movements in working capital	26,880	25,354	136,838	134,613
Inventories	(10,117)	33,438	(9,009)	6,756
Trade and other receivables	(16,659)	(8,265)	(88,345)	(121,521)
Trade and other payables	3,824	(22,145)	25,864	4,886
Prepaid land lease	-	-	-	(960)
Due to directors	-	175	(175)	175
Cash generated from operations	3,928	28,557	65,173	23,949
Income tax paid	(7,736)	(5,260)	(35,421)	(16,926)
Net cash (used in)/generated from operating activities	(3,808)	23,297	29,752	7,023
Cash flows from investing activities :				
Interest received	172	106	576	949
Purchase of property, plant and equipment	(760)	(2,457)	(914)	(11,052)
Construction-in-progress	-	594	(1,708)	(11,415)
Proceeds from disposal of property, plant and equipment	68	-	103	31
Net cash used in investing activities	(520)	(1,757)	(1,943)	(21,487)
Cash flows from financing activities :				
Proceeds from issue of shares	-	-	-	170,168
Pledged deposits	-	72	-	645
Dividends paid	-	-	(6,059)	(6,000)
Net cash generated from/(used in) financing activities	-	72	(6,059)	164,813
Net (decrease)/increase in cash and cash equivalents	(4,328)	21,612	21,750	150,349
Cash and cash equivalents at beginning of financial period/year	180,329	132,639	154,251	3,902
Cash and cash equivalents at end of financial period/year	176,001	154,251	176,001	154,251
Cash and cash equivalents comprise :				
Cash and bank balances	176,001	154,251	176,001	154,251

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.

	Share capital RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
GROUP						
Balance at 1 April 2008	68,991	10,957	2,545	60	81,136	163,689
Profit for the year	-	-	-	-	125,924	125,924
Exchange difference arising from consolidation recognised directly in equity	-	-	-	(16,103)	-	(16,103)
Total comprehensive income	-	-	-	(16,103)	125,924	109,821
New shares issued	188,449	-	-	-	-	188,449
Share issue expenses	(18,281)	-	-	-	-	(18,281)
Balance at 31 March 2009	239,159	10,957	2,545	(16,043)	207,060	443,678
Balance at 1 April 2009	239,159	10,957	2,545	(16,043)	207,060	443,678
Profit for the year	-	-	-	-	96,642	96,642
Total comprehensive income	-	-	-	-	96,642	96,642
First and final dividend - FY2009	-	-	-	-	(6,325)	(6,325)
Balance at 31 March 2010	239,159	10,957	2,545	(16,043)	297,377	533,995
COMPANY						
Balance at 1 April 2008	68,991	-	-	-	(2,290)	66,701
Profit for the year	-	-	-	-	10,429	10,429
Exchange difference arising from consolidation recognised directly in equity	-	-	-	(16,213)	-	(16,213)
Total comprehensive income	-	-	-	(16,213)	10,429	(5,784)
New share issued	188,449	-	-	-	-	188,449
Share issue expenses	(18,281)	-	-	-	-	(18,281)
Balance at 31 March 2009	239,159	-	-	(16,213)	8,139	231,085
Balance at 1 April 2009	239,159	-	-	(16,213)	8,139	231,085
Profit for the year	-	-	-	-	2,127	2,127
Total comprehensive income	-	-	-	-	2,127	2,127
First and final dividend - FY2009	-	-	-	-	(6,325)	(6,325)
Balance at 31 March 2010	239,159	-	-	(16,213)	3,941	226,887

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

	<u>Number of Ordinary Shares</u>	<u>Resultant Issued Share Capital</u>	
		<u>S\$'000</u>	<u>RMB'000</u>
Share capital as at 1 April 2009 and 31 March 2010	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 Warrant holders 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

	<u>Group</u>		<u>Company</u>	
	<u>31/03/2010</u>	<u>31/03/2009</u>	<u>31/03/2010</u>	<u>31/03/2009</u>
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 year ended 31 March 2010 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. The Group has also elected to early adopt Classification of Rights Issue (Amendment to FRS 32 *Financial Instruments: Presentation*).

FRS 1 *Presentation of Financial Statement* which requires an equity to present, in a statement of changes to 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.

The amendment to FRS 32 *Financial Instruments: Presentation* addresses the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. The amendment allows a financial instrument relating to an entity's owner equity instruments such as rights issues, options or warrants to be classified as equity if it results in the exchange of a fixed number of equity instruments for a fixed amount of any currency so long as the entity offers all the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

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.

During the financial year, the functional currency of the Company was changed from Singapore dollars to Renminbi, as there had been a change in the underlying transactions, events and conditions in accordance with the FRS 21 *The Effects of Changes in Foreign Exchange Rates*.

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 Year Ended on	
	31/03/2010	31/03/2009
Profit attributable to shareholders of the Company (RMB'000)	96,642	125,924
<u>Number of shares</u>		
Weighted average number of ordinary shares in issue for basic EPS	414,912,514	409,438,184
Earnings per share (RMB cents)		
- Basic	23.29	30.76

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	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
Net assets (RMB'000)	533,995	443,678	226,887	231,085
Number of shares	414,912,514	414,912,514	414,912,514	414,912,514
Net assets value per share (RMB cents)	128.70	106.93	54.68	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

Amidst the economic uncertainties during the financial year ended on 31 March 2010 ("FY2010") and keen price competition in the retail market, the Group had successfully repositioned itself as a casual lifestyle company and still posted strong growth with its revenue increased by 15.6% to RMB898.7 million and maintained operating profit before income tax at RMB131.7 million.

Revenue

	FY2010		FY2009		Change	
	RMB mil	%	RMB mil	%	RMB mil	%
Footwear						
- Eratat Brand	531.0	59.1%	462.3	59.5%	68.7	14.9%
- Third Party Brand	19.8	2.2%	56.6	7.3%	(36.8)	-65.0%
	<u>550.8</u>	61.3%	<u>518.9</u>	66.8%	31.9	6.1%
Eratat Brand Apparel	347.9	38.7%	258.4	33.2%	89.5	34.6%
	<u><u>898.7</u></u>		<u><u>777.3</u></u>		121.4	15.6%

The successful improvement in product development and marketing efforts resulted in the revenue of Eratat Brand products to increase by 22.0% to RMB878.9 million. The increase in overall revenue was contributed by:

- (i) an increase in revenue contribution from our footwear segment of RMB31.9 million (or 6.1%) to RMB550.8 million in FY2010. During the financial year, the sale of Eratat Brand footwear increased by RMB68.7 million, but offset by reduction of sale of Third Party Brand footwear of RMB36.8 million, which contributed 2.2% of total revenue this year as compared to 7.3% last year; and

- (ii) an increase in revenue contribution from our apparel segment of RMB89.5 million (or 34.6%) to RMB347.9 million in FY2010.

The revenue contribution by footwear and apparel was 61.3% and 38.7% respectively (FY2009: 66.8% and 33.2% 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.

The increase in Eratat Brand revenue was mainly due to higher sales of both product segments achieved in FY2010 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 RMB710 per sqm per month to RMB870 per sqm per month for current financial year as compared to last financial year. It reflects our strategy of encouraging distributors to replace small retail outlets with larger retail outlets which has resulted in higher sales.

	FY08	FY09	FY10	Change	
Ex-factory sales per sqm (RMB)	550	710	870	160	22.5%

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 total retail locations as at the end of FY2010 was 1680, which increased from 1635 as at the end of FY2009. 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 the 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 FY2010 was 28.8% as compared to 30.1% recorded during last financial year. This was mainly contributed by Eratat Brand footwear and apparel of 24.6% and 35.8% (FY2009: 26.1% and 38.1%) respectively.

Eratat Brand footwear (“ERATAT FW”)

	< Autumn/winter season >			< Spring/summer season >		< Autumn/winter season >			TOTAL FY2010
	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	FY10Q4 Jan-Mar 10	
ERATAT FW (RMB Mil)	91.0	126.1	141.8	104.4	152.2	137.3	133.8	107.8	531.1
ERATAT FW (Mil Pairs)	1.42	1.95	2.24	1.57	2.36	1.75	1.74	1.52	7.36
ASP (RMB)	64.0	64.8	63.2	66.4	64.6	78.6	76.9	70.9	72.1
ERATAT FW GM (%)	25.2%	26.1%	25.0%	25.9%	26.1%	23.7%	23.2%	25.4%	24.6%

- (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. The overall ASP had thus increased from RMB65 per pair in FY2009 to RMB72 per pair in FY2010.
- (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”)

	< Autumn/winter season >			< Spring/summer season >		< Autumn/winter season >			TOTAL FY2010
	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	FY10Q4 Jan-Mar 10	
ERATAT APP (RMB Mil)	60.9	65.6	73.1	58.7	100.2	87.6	88.6	71.5	347.9
ERATAT APP (Mil Pcs)	1.63	1.61	1.06	0.98	1.69	1.04	1.07	1.05	4.85
ASP (RMB)	37.4	40.6	69.1	60.1	59.2	84.2	82.9	68.0	71.7
ERATAT APP GM (%)	37.7%	38.8%	38.9%	38.4%	38.9%	35.0%	35.4%	32.8%	35.8%

- (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. The overall ASP had thus increased from RMB49 per piece in FY2009 to RMB72 per piece in FY2010
- (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.

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 71% of our total Eratat Brand revenue in FY2010 from 46% last year, as illustrated in the tables below:

ERATAT Brand (RMB Mil)	3 Months Period Ended on				Financial Year Ended on			
	FY10Q4		FY09Q4		FY2010		FY2009	
Casual Lifestyle	150.7	84%	102.8	63%	626.8	71%	332.1	46%
Sports	28.4	16%	60.3	37%	252.1	29%	389.3	54%
	179.2	100%	163.0	100%	879.0	100%	721.5	100%

ERATAT Brand FW (RMB Mil)	3 Months Period Ended on				Financial Year Ended on			
	FY10Q4		FY09Q4		FY2010		FY2009	
Casual Lifestyle	83.6	78%	47.2	45%	320.1	60%	187.5	40%
Sports	24.1	22%	57.1	55%	211.0	40%	275.6	60%
	107.7	100%	104.4	100%	531.0	100%	463.1	100%

ERATAT Brand APP (RMB Mil)	3 Months Period Ended on				Financial Year Ended on			
	FY10Q4		FY09Q4		FY2010		FY2009	
Casual Lifestyle	67.2	94%	55.5	95%	306.8	88%	144.7	56%
Sports	4.4	6%	3.2	5%	41.1	12%	113.7	44%
	71.5	100%	58.7	100%	347.9	100%	258.4	100%

Operating profit before income tax

The selling and distribution expenses, which represented about 11.2% (FY2009: 10.2%) of the overall revenue, increased by 27.3% to RMB100.5 million in FY2010. 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			
	FY091H	FY092H	FY101H	FY102H
Amount (RMB Mil)	33.6	45.3	54.7	45.8
% over Revenue	8.8%	11.5%	11.2%	11.2%

The administrative expenses, which represented about 3.0% (FY2009: 2.9%) of the overall revenue, increased by 16.5% to RMB26.7 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 FY2010 was maintained at RMB131.7 million, representing a marginal decrease of 0.7%.

Profit before income tax (“NPBT”)

The “Other income” of RMB14.1 million in FY2009 arose from currency translation differences due to appreciation of Renminbi against Singapore dollars, but there was no such item this year. Consequently, profit before income tax decreased by 10.1% to RMB132.1 million in FY2010. 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 69.5% to RMB35.4 million in FY2010, 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 (i.e. 4th Quarter of FY2009), thus resulting in higher tax expense during this financial year.

As a result of higher tax rate, the profit after income tax reduced by 23.3% to RMB96.7 million for the financial year under review.

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. In addition, they had reviewed our follow-up implementation of recommendations proposed during the IPO in April 2008 and the past audits since then. 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. Henceforth, the IA will conduct their reviews on the Group’s selected business cycles until the end of year 2011 when the current appointment ends.

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***

Following our successful TV reality programme with Anhui TV 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 have in March 2010 launched a new TV reality programme with CCTV-5.

The new programme, called “Judose Challenge Competition”（挑战脚斗王），is a collaboration with China National Sports Directive Centre（国家体育总局社会体育指导中心），China National Judose Promotional Committee（全国脚斗士大赛推广委员会），and CCTV Sports Station（中央电视台体育节目中心）(collectively, “Judose Organising Parties”), to promote one of China’s ancient “mass-appeal sports”（民族运动），called “Judose”, across China. The Judose Organising Parties have been promoting Judose and organizing nationwide competitions since 2009, and we are delighted and honoured to be able to participate in this campaign this year. Eratat Brand has been named the sole sponsor of the 2010 competition, and the competition programmes are being telecast at prime time weekly on CCTV-5 nationwide, and advertisements

of our Eratat Brand are also shown multiple times on the station daily to increase awareness of our brand and the competition.

We believe that such wide coverage by the media can accelerate the awareness of Eratat brand across China.

Our Autumn/Winter season trade fair that was held in April 2010 had also shown encouraging response from our PRC distributors, from which we received strong order book amounting to RMB500 million to be delivered from July to December 2010. This represented an increase of about 12% over last year's Autumn/Winter season actual sales of RMB447 million.

Barring any unforeseen circumstances, the Board of Directors is optimistic about the Group's financial performance in year 2010.

11 Dividend

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

Yes.

Final dividend

Name of Dividend : First and Final
Dividend Type : Cash
Dividend Rate : RMB 0.0466 per share
Number of shares : 414,912,514
Tax rate : Tax exempt one-tier

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

Yes.

Final dividend

Name of Dividend : First and Final
Dividend Type : Cash
Dividend Rate : RMB 0.0152 per share
Number of shares : 414,912,514
Tax rate : Tax exempt one-tier

(c) Date payable

To be announced at a later date.

(d) Book closure date and time

To be announced at a later date.

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

Not applicable.

13 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

(a) Ordinary	: RMB19,334,923	(FY09: RMB6,306,670)
(b) Preference	: Nil	(FY09: Nil)
(c) Total	: RMB19,334,923	(FY09: RMB6,306,670)

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14 *Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year*

(a) Business segment

	Sports footwear RMB'000	Sports apparel RMB'000	Total RMB'000
<u>FY2010</u>			
Revenue	550,802	347,918	898,720
Segment results	135,405	123,143	258,548
Unallocated expenses			(127,080)
Finance income			576
Income tax			(35,402)
Profit for the year			<u>96,642</u>
<u>FY2009</u>			
Revenue	518,967	258,355	777,322
Segment results	135,623	98,365	233,988
Unallocated expenses			(88,130)
Finance income			949
Income tax			(20,883)
Profit for the year			<u>125,924</u>

(b) Geographical segment

The assets and liabilities of the Group are located in the PRC. No geographical segment results are presented.

15 *In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments*

Please refer to item 8 and 10 above for details.

16 A breakdown of sales as follows:-

	Financial Year Ended on		
	31/03/2010	31/03/2009	Change
	RMB'000	RMB'000	%
Revenue reported for first half year:			
Footwear - Eratat Brand	289,595	216,288	33.9%
Footwear - Third Party	11,104	39,843	-72.1%
Eratat Brand Apparel	187,842	126,530	48.5%
	488,541	382,661	27.7%
Operating profit after tax reported for first half year	56,608	60,620	-6.6%
Revenue reported for second half year			
Footwear - Eratat Brand	241,443	246,051	-1.9%
Footwear - Third Party	8,660	16,785	-48.4%
Eratat Brand Apparel	160,076	131,825	21.4%
	410,179	394,661	3.9%
Operating profit after tax reported for second half year	40,034	65,304	-38.7%
Revenue reported for full year	898,720	777,322	15.6%
Operating profit after tax reported for full year	96,642	125,924	-23.3%

Our revenue is driven by orders received for Spring/Summer season and Autumn/Winter season to be delivered in January - June period and July - December period respectively. Seasonally, January to March period (i.e. 4th quarter) is our weakest period due to Chinese New Year break in January or February, while April to June period (i.e. 1st quarter) is our strongest period where we catch-up to fulfill the Spring/Summer season order book. The revenue of the remaining two quarters usually do not vary significantly.

As such, our revenue and operating profit after tax in first half year was higher than the second half year during the financial year. However, the seasonality trend was not so in the last financial year because our revenue was on a growing trend from FY2008 to FY2009. (Please also refer to item 8 for details on revenue and operating profit).

17 Interested Person Transactions for the financial year ended 31 March 2010

There are no interested person transactions for the financial year ended 31 March 2010 pursuant to Chapter 9 of the Listing Manual.

BY ORDER OF THE BOARD

Lin Jiancheng (林建程)
Executive Chairman & CEO

26 May 2010