



## ERATAT LIFESTYLE LIMITED

(Formerly known as “China Eratat Sports Fashion Limited”)

(Company Registration No: 200705552D)

### FOR IMMEDIATE RELEASE

## ERATAT LIFESTYLE REMAIN FOCUSED ON GROWING ERATAT BRAND EQUITY

- **SPRING/SUMMER SEASON REVENUE MAINTAINED**
- **ERATAT BRAND APPAREL CONTRIBUTED 40.3% OF TOTAL REVENUE**
- **ASP FOR ERATAT BRAND FOOTWEAR AND APPAREL INCREASED BY MORE THAN 10% AND 50% RESPECTIVELY**
- **ERATAT BRAND FOOTWEAR GROSS MARGIN IMPROVED**

| (RMB'000)                   | 3 months ended 30 June |         |        | 6 months ended 30 June |         |        |
|-----------------------------|------------------------|---------|--------|------------------------|---------|--------|
|                             | 2010                   | 2009    | Change | 2010                   | 2009    | Change |
| <b>Revenue</b>              | 237,217                | 259,735 | -8.7%  | 417,991                | 426,809 | -2.1%  |
| <b>Gross Profit</b>         | 64,958                 | 82,081  | -19.5% | 110,727                | 130,717 | -15.3% |
| <b>Operating Profit</b>     | 37,014                 | 48,807  | -24.2% | 62,147                 | 73,043  | -14.9% |
| <b>Net Profit After Tax</b> | 27,100                 | 35,404  | -23.5% | 46,721                 | 60,470  | -22.7% |
| <b>EPS (RMB fen) *</b>      | 6.53                   | 8.53    |        | 11.26                  | 14.57   |        |
| <b>EPS (SGD cents) #</b>    | 1.33                   | 1.74    |        | 2.30                   | 2.97    |        |

\* Based on issued shares of 414,912,514

# Exchange rate at S\$1.00 = RMB4.90

SGX mainboard-listed Eratat Lifestyle Limited (鳄莱特时尚生活有限公司) (“**Eratat Lifestyle**” and together with its subsidiaries, the “**Group**”), a leading casual fashion footwear and apparel company based in Jinjiang, Fujian Province, PRC, today announced its financial results for first quarter (“**Q1 2010**”) and six months (“**1H 2010**”) period ended on 30 June 2010.

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The Group had delivered RMB388 million of its 2010 Spring/Summer Season (also 1H 2010) orders of RMB400 million. The shortfall of RMB12 million (or 3.0%) was mainly due to reduction in delivery of Eratat brand footwear to certain under-performing distributors at the Group's own accord, whom the Group progressively discontinued during the financial quarter under review. But the Group managed to replace the shortfall by securing additional sales of Third Party Brand footwear, which attributed to an increase of RMB18.5 million (or 162.3%) to RMB29.9 million. Revenue from its Eratat brand apparel had increased by RMB9.6 million (or 6.0%) to RMB168.5 million. As such, the total revenue of the Spring/Summer Season decreased marginally by RMB8.8 million (or 2.1%) to RMB418.0 million.

The revenue contribution by footwear and apparel was 59.7% and 40.3% respectively (1H 2009: 62.8% and 37.2% respectively). The Group continues to increase the apparel sales contribution ratio so as to provide wider apparel product range, which is part of the Group's business strategy to focus on growing its Eratat Brand equity.

The ex-factory average selling price ("**ASP**") of Eratat Brand footwear rose by more than 10% in Q1 2010 as compared to Q1 2009. While cost of production of footwear increased due to higher cost of materials resulting from better quality material being used, the Group had managed to improve its gross profit margin, as compared to 2009 Autumn/Winter Season prior to this current season.

The ASP of Eratat Brand apparel range also rose by more than 50% in Q1 2010, but the overall ASP had maintained at RMB58 per piece mainly because of overall product mix. The cost of apparel (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.

Commented Mr Lin Jiancheng, Executive Chairman & CEO of Eratat Lifestyle, "*We are pleased with the successful repositioning of Eratat Brand, I believe that this has provided us growth potential in our ASP to improve our gross margin moving forward.*"

Selling and distribution expenses, which represented about 8.9% (Q1 2009: 10.0%) of the Group's overall revenue reduced by RMB5.1 million (or 19.5%) to RMB21.0 million in Q1 2010. This reduction was mainly due to higher product development expenditure incurred last year in our effort to launch better designs and quality product range. Administrative expenses, which represented about 3.0% (Q1 2010: 2.8%) of the Group's overall revenue maintained at RMB7.1 million in Q1 2010.

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The Net profit before income tax decreased by 24.2% to RMB37 million in Q1 2010, mainly due to decrease in revenue and gross profit, but offset by lower selling and distribution expenses, as explained in details above.

The Group continues to strengthen its retail locations and enhance its distribution network by encouraging their key distributors to open more direct-owned specialty shops with larger floor area. This may result in the number of retail outlets growing at a slower rate in the short term, but the Group believe that it will benefit Eratat brand in the long term.

As at the end Q1 2010, there are 1400 retail locations of which 500 are specialty shops and the remaining are shop-in-shop or specialty counters, as compared to 1680 retail locations and 460 specialty shops respectively as at 31 March 2010. Moving forward, we anticipate that the number of larger size specialty shops to grow, while more smaller sized shop-in-shops and specialty counters, which have limited or no retail space to display and sell our apparel range of products, will be discontinued.

However, the reduction in such smaller size locations will not have material impact to our revenue growth as evidenced by the increased order book of 2010 Autumn/Winter Season amounting to RMB500 million, but instead will further enhance Eratat Brand image in the market.

The Group continues with its collaboration with CCTV-5 in the new TV reality programme, called “Judose Challenge Competition” ( 鳄莱特挑战脚斗王 ), which is being telecast at prime time weekly on CCTV-5 nationwide. Advertisements of Eratat brand will also be shown at various times daily to further increase its brand awareness.

Barring any unforeseen circumstances, and with the order book of RMB500 million on hand, the Board of Directors is optimistic about the Group’s financial performance in year 2010.

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## About Eratat Lifestyle Limited

Eratat Lifestyle is principally engaged in the design, manufacture and distribution of lifestyle fashion footwear, and the design and distribution of lifestyle fashion apparel under its well-established proprietary brand “ERATAT” ( “鳄莱特”). With its strong focus on brand management, product development and quality, the Group’s products are specially designed for a wide range of activities catering to casual lifestyle and outdoor activities.

*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.*

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