



ERATAT LIFESTYLE LIMITED

(Formerly known as "China Eratat Sports Fashion Limited")

(Company Registration No: 200705552D)

FOR IMMEDIATE RELEASE

CMIA Capital Partners Makes Strategic Investment into Eratat Lifestyle

26 January, 2011 - SGX Mainboard-listed **Eratat Lifestyle Limited** (鰐莱特时尚生活有限公司) (the "**Company**" or "**Eratat Lifestyle**"), a leading casual fashion footwear and apparel company based in Jinjiang, Fujian Province, PRC, is pleased to announce that it has entered into a subscription agreement with Best Increase Limited, an investment fund managed by CMIA Capital Partners Pte. Ltd. ("**CMIA**") to issue 50,000,000 new ordinary shares of Eratat Lifestyle by way of a private placement to CMIA at an issue price of S\$0.2135 per share. Upon completion of the transaction, CMIA will hold 10.5% of the enlarged issued share capital. Consequently, CMIA will become a substantial shareholder of the Company. In addition, CMIA has been granted options to subscribe for an additional 15,000,000 new ordinary shares of Eratat Lifestyle (the "**Option Shares**") at an exercise price of S\$0.30 on or before 18 January 2013.

Under the same subscription agreement, the Company has agreed to issue 13,000,000 new ordinary shares of Eratat Lifestyle to another investor, Mr. Khoo Boo Kok, by way of a private placement at an issue price of S\$0.2135 per share. Upon completion of the transaction, Mr Khoo will hold 2.9% of the enlarged issued shares. Mr. Khoo has also been granted options to subscribe for an additional 3,900,000 new ordinary shares of Eratat Lifestyle (the "**Option Shares**") at an exercise price of S\$0.30 on or before 18 January 2013.

If all the options granted to CMIA and Mr. Khoo are exercised, CMIA and Mr. Khoo will hold 13.1% and 3.6% of the enlarged issued share capital of Eratat Lifestyle respectively.

Completion of the proposed placement is subject to terms and conditions of the subscription agreement.

Proceeds from the proposed placement will be used for working capital purposes to grow the Group's revenue and expand distribution network for its ERATAT Brand lifestyle casual wear business.

Commented Mr. Lin Jiancheng, Executive Chairman & CEO of Eratat Lifestyle, "CMIA is an established investor with extensive experience in investments in growing companies in China. We are honored and welcome CMIA onboard as one of our substantial shareholders, which is an endorsement to the ERATAT Brand and business expansion strategy. With our strategic partnership, I believe we will be able to bring Eratat Lifestyle to new heights of success."

Mr. Lee Chong Min, Managing Partner of CMIA, said "China's Apparel sector has grown rapidly over the past five years to emerge as the world's second largest apparels market. In particular, the lifestyle casual wear sector is expected to see strong growth as a result of the continued strength of the Chinese economy, increasing urbanization, growing affluence and rising disposable incomes of the population. These factors will drive demand for good quality and affordable lifestyle casual wear apparel, which is exactly the business focus of Eratat Lifestyle. We are confident of the prospects of the sector, the strength of the management of Eratat Lifestyle and its business strategies and look forward to working closely with Eratat Lifestyle to grow the business and bring Eratat Lifestyle to greater heights."

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.

About CMIA

CMIA Capital Partners (“**CMIA**”) is a Singapore homegrown private equity firm focused on growth capital investment opportunities in China and SouthEast Asia. Headquartered in Singapore, CMIA also operates out of offices in Shanghai and Hong Kong. CMIA’s investment team comprises of experienced investment professionals with complementary skill sets from diverse backgrounds.

For additional information, please visit the firm's website at www.cmia.com.

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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ERATAT LIFESTYLE LIMITED
(Company Registration No: 200705552D)

PROPOSED SUBSCRIPTION OF 63,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF ERATAT LIFESTYLE LIMITED (THE "COMPANY") AT A SUBSCRIPTION PRICE OF S\$0.2135, AND A GRANT OF SUBSCRIPTION OPTIONS TO SUBSCRIBE FOR 18,900,000 ADDITIONAL NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN EXERCISE PRICE OF S\$0.30 FOR EACH ADDITIONAL NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY

1. INTRODUCTION

The Board of Directors (the "**Directors**") of the Company wishes to announce the proposed subscription (the "**Proposed Subscription**") of 63,000,000 new ordinary shares in the capital of the Company (the "**New Shares**") at a subscription price of S\$0.2135 for each New Share (the "**Subscription Price**"), and the proposed grant of options (the "**Subscription Options**") to subscribe for additional 18,900,000 new shares in the capital of the Company (the "**Additional New Shares**"), at an exercise price of S\$0.30 for each Additional New Share (the "**Exercise Price**") on or prior to 18 January 2013 (the "**Option Period**").

Details on the Proposed Subscription and the grant of Subscription Options are provided herein.

2. PROPOSED SUBSCRIPTION

2.1 The Subscription Agreement

The Directors wish to announce that the Company has on 26 January 2011 entered into a subscription agreement (the "**Subscription Agreement**") with Best Increase Limited ("**BIL**") and Khoo Boo Kok ("**KBK**") (collectively, the "**Subscribers**"). Please refer to paragraph 2.2 below for more information on the Subscribers.

Under the terms and subject to the conditions of the Subscription Agreement: (i) the Subscribers have agreed to subscribe for a total of 63,000,000 New Shares at the Subscription Price for each New Share; and (ii) the Subscribers have been granted the Subscription Options by the Company, exercisable in full or in part at the Exercise Price, at any time during the Option Period, to subscribe for up to an additional 18,900,000 Additional New Shares.

The Subscribers have agreed to subscribe for the New Shares, and have been granted the Subscription Options in the proportions as set out against their respective names below:

Name of Subscriber	Number of New Shares	Number of Additional New Shares
BIL	50,000,000	15,000,000
KBK	13,000,000	3,900,000
Total	63,000,000	18,900,000

The New Shares, when issued and fully paid, will rank *pari passu* in all respects and carry all rights similar to the existing issued ordinary shares in the capital of the Company ("**Shares**"), except that they will not rank for any dividend, right, allotment or other distribution, accruing on the record date of which falls on or before the completion of the subscription and the allotment and issue of the New Shares pursuant to the Subscription Agreement.

Pursuant to the Proposed Subscription, the number of Shares held by the shareholders of the Company ("**Shareholders**"), comprising the substantial Shareholders, the Subscribers and other Shareholders as well as their respective percentage of shareholdings, is as follows:

Substantial Shareholder & Other Shareholders	Number of Shares Held Before Proposed Subscription	% of existing issued share capital ^{(1) (2)}	Number of Shares Held After Proposed Subscription	% of enlarged issued share capital ^{(2) (3)}	Number of Shares Held After Proposed Subscription and After Exercise of Subscription Options	% of enlarged issued share capital ^{(2) (5)}
Sunny Joy Limited ⁽⁴⁾	120,325,000	29.0%	120,325,000	25.2%	120,325,000	24.2%
Ye Sunzhi	32,175,000	7.8%	32,175,000	6.7%	32,175,000	6.5%
Lin Jiancheng ⁽⁴⁾	1,200,000	0.3%	1,200,000	0.2%	1,200,000	0.2%
Best Increase Limited	-	-	50,000,000	10.5%	65,000,000	13.1%
Khoo Boo Kok	961,000	0.2%	13,961,000	2.9%	17,861,000	3.6%
Other Shareholders	260,251,514	62.7%	260,251,514	54.5%	260,251,514	52.4%
Total	414,912,514	100.0%	477,912,514⁽⁶⁾	100.0%	496,812,514⁽⁷⁾	100.0%

Notes:

- (1) Based on the Company's existing issued share capital of 414,912,514 Shares.
- (2) All discrepancies in the figures included herein between the listed and total amounts thereof are due to rounding. Accordingly, figures shown as totals in this announcement may not be an arithmetic aggregation of the figures that precede them.
- (3) Based on the Company's enlarged issued share capital of 477,912,514 Shares.
- (4) Sunny Joy Limited is an investment holding company incorporated in British Virgin Islands. It is wholly-owned by Mr Lin Jiancheng.
- (5) Based on the Company's enlarged issued share capital of 496,812,514 Shares.
- (6) The total number of Shares after the Proposed Subscription includes the 63,000,000 New Shares which may be issued if the Subscription Options are fully exercised.
- (7) The total number of Shares after the Proposed Subscription includes the 63,000,000 New Shares and the 18,900,000 Additional New Shares which may be issued if the Subscription Options are fully exercised.

The Subscribers have not participated in any previous share placement exercise by the Company.

The New Shares, which will be priced at S\$0.2135 each, represents a discount of 9.99% to the weighted average price of S\$0.2372 for trades done on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the full market day on 25 January 2011, being the preceding full market day up to the time which the Subscription Agreement was entered into.

Pursuant to the Subscription Agreement, the Company has undertaken to and for the benefit of the Subscribers:

- (a) to procure the board of Directors of the Company (the "**Board**") to appoint the chief executive officer or the managing director of the Company as the legal representative of the subsidiaries of the Company, including but not limited to (i) Eratat (Fujian) Light Industry Development Co. Ltd ("**Eratat Fujian**"), (ii) Fujian Haimingwei Shoes Co., Ltd. ("**Fujian Haimingwei**") and (iii) Jinjiang Wanshida Computer Embroidery CO., Ltd. ("**Jinjiang Wanshida**") and (iv) Quanzhou City Quangang Hongli Shoes Co., Ltd ("**Quangang Hongli**"), within six (6) months from the completion date of the Subscription Agreement;
- (b) to procure the Board to appoint at least (3) directors, comprising the directors and/or senior management within the Group, to the board of directors of each of the subsidiaries of the Company, including but not limited to (i) Eratat Fujian, (ii) Fujian Haimingwei, (iii) Jinjiang Wanshida and (iv) Quangang Hongli, within six (6) months from the completion date of the Subscription Agreement;
- (c) subject to all applicable laws and regulations, to procure the Board to do all acts necessary to amend the constitutive documents (including but not limited to the Articles of Association) of each of the subsidiaries of the Company, including but not limited to (i) Eratat Fujian, (ii) Fujian Haimingwei, (iii) Jinjiang Wanshida and (iv) Quangang Hongli, such that the Listco Board will be entitled to, from time to time, appoint and remove the legal representative and the majority directors at its sole discretion, within six (6) months from the completion date of the Subscription Agreement; and
- (d) to procure the Board to review, on an annual basis, the composition of the board of directors and legal representative of each of the subsidiaries of the Company, including but not limited to the following (i) Eratat Fujian, (ii) Fujian Haimingwei, (iii) Jinjiang Wanshida and (iv) Quangang Hongli and, where necessary, replace any director or legal representative as it deems appropriate.

The Company has further agreed, subject to all applicable laws and regulations, that the Subscribers shall have the right to nominate one (1) director or observer to the Board.

Pursuant to the Subscription Agreement, the Subscribers have represented, warranted and undertaken to and for the benefit of the Company, *inter alia*, that:-

- (a) that any on sale of the New Shares or the Additional New Shares pursuant to any arrangement that it/he may have with any third parties will be in compliance with Section 272B of the SFA;
- (b) each of the Subscribers is not any of the persons set out in Rule 812(1) of the Listing Manual;
- (c) each of the Subscribers is not acting in concert with any other Subscriber(s), Director(s) and/or substantial Shareholder(s) which would trigger the requirement for a mandatory offer to be carried out pursuant to Rule 14.1 of the Singapore Code on Take-overs and Mergers; and

- (d) each of the Subscribers is not acting in accordance with the instructions of any other Subscriber(s), Director(s) and/or substantial Shareholder(s).

Further, BIL has represented, warranted and undertaken to and for the benefit of the Company that, as of the date of the Subscription Agreement, CMIA (as defined below) does not have any interests, direct or indirect, in the Company's issued share capital.

Upon completion of the Proposed Subscription, BIL will be interested in more than 5% of the Company's enlarged issued share capital.

2.2 Background of the Subscribers

Best Increase Limited is an investment vehicle managed by CMIA Capital Partners Pte. Ltd. ("**CMIA**"), a private equity firm focused on investment opportunities in the People's Republic of China and Southeast Asia. CMIA is a private company limited by shares incorporated under the laws of Singapore and is an Exempt Fund Manager under the Securities and Futures Act (Cap. 289) of Singapore ("**SFA**") and an Exempt Financial Adviser under the Financial Advisers Act (Cap. 110 of Singapore).

As of the date hereof, CMIA does not have any interests, direct or indirect, in the Company's issued share capital.

KBK is a trading representative of AmFraser Securities Pte. Ltd. ("**AmFraser**"), which is a capital markets services licence holder under the SFA. As at the date hereof, KBK holds 961,000 Shares and 400 bonus warrants issued by the Company, each such warrant to entitle the holder thereof to subscribe for one(1) new Share.

Based on the information available, the Directors understand that each of the Subscribers is not related to any of the Directors or the substantial shareholders of the Company.

2.3 Placement Agent Fee

Separately, the Company has on 26 January 2011 entered into a separate arrangement letter with AmFraser pursuant to which the Company has appointed AmFraser on a non-exclusive basis to assist the Company in seeking investor(s) in the Company on a best efforts basis by way of share placement of up to 82,000,000 new Shares at a placement price of not more than 10% discount from weighted average price for trades done on the Company's shares on the SGX-ST for the full market day on the last full market day prior to the announcement of the Proposed Subscription. Pursuant to the Arrangement Letter, the Company will pay to AmFraser Securities Pte. Ltd. a placement agent's fee (the "**Placement Agent's Fee**") of 3.0% of the gross proceeds to be received by the Company from the Proposed Subscription and the exercise of the Subscription Options.

2.4 Financial Effects of the Proposed Subscription

As at the date of this announcement, the issued and paid-up ordinary capital of the Company is approximately RMB239.2 million comprising 414,912,514 Shares. When the Proposed Subscription is completed and assuming that the Subscription Options are not exercised, and 63,000,000 New Shares are issued, the Proposed Subscription will increase the existing issued and paid-up ordinary capital of the Company by approximately 28.0% to approximately RMB306.1 million comprising 477,912,514 Shares.

When the Proposed Subscription is completed and 63,000,000 New Shares are issued, and assuming that the Subscription Options are fully exercised, the Proposed Subscription will increase the existing issued and paid-up ordinary capital of the Company by approximately 39.8% to approximately RMB344.4 million comprising 496,812,514 Shares.

Based on the audited consolidated balance sheet of the Company and its subsidiaries (the "**Group**") as at 31 March 2010, assuming that the Subscription Options are not exercised, and 63,000,000 New Shares are issued, the number of Shares of the Company will be increased from 414,912,514 Shares to 477,912,514 Shares and the consolidated net tangible asset ("**NTA**") per Share attributable to equity Shareholders of the Company will be increased by 12.5% or from RMB1.29 to RMB1.45 per Share (after adjusting for the issue of 63,000,000 New Shares and assuming the Proposed Subscription had been completed on 31 March 2010).

Based on the audited consolidated balance sheet of the Company and its subsidiaries (the "**Group**") as at 31 March 2010, assuming that the Subscription Options have been exercised in full, and 63,000,000 New Shares and 18,900,000 Additional New Shares are issued, the number of Shares of the Company will be increased from 414,912,514 Shares to 496,812,514 Shares and the consolidated NTA per Share attributable to equity Shareholders of the Company will be increased by 17.8% or from RMB1.29 to RMB1.52 per Share (after adjusting for the issue of 63,000,000 New Shares and assuming the Proposed Subscription had been completed on 31 March 2010).

As at the date of this announcement, the Directors are of the opinion that the Proposed Subscription and the Subscription Options (if exercised) will not have a material effect on the earnings per Share of the Company. As and when the net proceeds from the Proposed Subscription and the Subscription Options (if exercised) are deployed, the effect on the earnings per Share of the Company will depend on the then prevailing earnings per Share of the Company and the returns or earnings generated from such deployment.

The Directors are of the opinion after taking into consideration the cash and cash equivalents, internal resources and available banking facilities of the Group and barring unforeseen circumstances, that the working capital available to the Group is sufficient to meet its present requirements at the date of this announcement. In addition, the Directors are of the opinion that, barring unforeseen circumstances and after taking into account the estimated net proceeds from the Proposed Subscription and the Subscription Options (the "**Net Proceeds**"), the cash and cash equivalents, internal resources and available banking facilities, the working capital available to the Group are sufficient to meet its present requirements.

2.5 Use of Proceeds

Assuming that the Subscription Options are not exercised, and 63,000,000 New Shares are issued at the Subscription Price of S\$0.2135, the estimated amount of Net Proceeds would be approximately S\$13.0 million, after deducting the Placement Agent's Fee and estimated expenses of approximately S\$0.4 million incurred in connection with the Proposed Subscription. 100% of the Net Proceeds will be used for general working capital purposes to increase the Group's revenue and expand the distribution network for its ERATAT brand products.

Assuming that the Subscription Options are exercised in full, and 63,000,000 New Shares are issued at the Subscription Price of S\$0.2135, and 18,900,000 Additional New Shares are issued at the Exercise Price of S\$0.30, the estimated amount of Net Proceeds would be approximately S\$18.5 million, after deducting the Commission and estimated expenses of approximately S\$0.6 million incurred in connection with the Proposed Subscription. 100% of the Net Proceeds will be used for general working capital purposes to increase the Group's revenue and expand the distribution network for its ERATAT brand products.

Pending deployment, the Net Proceeds may be deposited with banks and/or financial institutions or invested in short term money markets and/or marketable securities, as the Directors may deem appropriate in the interests of the Company and its subsidiaries. The Company will make periodic announcements on the utilisation of proceeds from the Proposed Subscription as and when such proceeds are materially disbursed.

2.6 Conditions Precedent

An application will be made to the SGX-ST for the admission of all the New Shares and the Additional New Shares to the Official List of the SGX-ST and for the listing of and quotation for all the New Shares and the Additional New Shares on the Main Board of the SGX-ST.

Completion of the Proposed Subscription is conditional upon, *inter alia*, approval in-principle for the listing and quotation of the New Shares and the Additional New Shares on the Main Board of the SGX-ST being obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions, such conditions being acceptable to the Company, and, to the extent that any conditions for the listing and quotation of the New Shares and the Additional New Shares on the SGX-ST are required to be fulfilled on or before the completion date, they are so fulfilled.

Pursuant to the Subscription Agreement, completion of the Proposed Subscription shall also be subject to conditions that are customary for transactions of this nature, including but not limited to the following:

- (a) the due diligence carried out on the Company and its subsidiaries by the Subscribers being reasonably satisfactory to the Subscribers;
- (b) the Company obtaining approval in-principle for the listing and quotation of the New Shares and the Additional New Shares on the Official List of the SGX-ST and such approval not having been revoked and, where such approval is subject to conditions, such conditions being reasonably acceptable to the Company and the Subscribers and, to the extent that any conditions for the listing and quotation of the New Shares and the Additional New Shares on the Official List of the SGX-ST are required to be fulfilled on or before the completion of the Subscription Agreement, they are so fulfilled;
- (c) the allotment, issue and subscription of the New Shares and the Additional New Shares, and all the transactions contemplated by the Subscription Agreement not being prohibited by any statute, order, rule, regulation, directive or request promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority (including without limitation, the MAS and the SGX-ST) in Singapore or any other jurisdiction which is applicable to the Company and/or the Subscribers, including but not limited to the provisions of the Listing Manual or the SFA;
- (d) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct in all respects as if made on the completion date of the Subscription Agreement, with reference to the then existing circumstances and the Company having performed in all respects all of its obligations herein to be performed on or before the completion date of the Subscription Agreement;
- (e) the Subscription Agreement constituting legal valid and binding obligations of the Subscribers enforceable by the Company in accordance with its terms;
- (f) the execution by the Subscribers of the Subscription Agreement being duly authorised and such authorisation being in full force and effect; and
- (g) there being no material adverse change in the financial condition, business prospects and economic environment of the Company and to the representations and warranties given by the Company herein, since the date of the Subscription Agreement.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 27 July 2010 (the "**AGM**"), the Shareholders had, pursuant to Rule 806 of the Listing Manual, passed a resolution authorising the directors of the Company, *inter alia*, to issue such aggregate number of new Shares not exceeding 50% of the total number of issued Shares in the capital of the Company at the time of passing of the resolution, after adjusting for any new Shares arising from the conversion or exercise of convertible securities, any new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of the resolution; and any subsequent bonus issue, consolidation or subdivision of the Shares ("**Issued Share Capital**"), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed 20% of the Issued Share Capital ("**General Mandate**"). Pursuant to the General Mandate, the Company proposes to issue up to 63,000,000 New Shares and up to 18,900,000 Additional New Shares in the event the Proposed Subscription is completed and the Subscription Options are exercised in full, by way of a placement in Singapore pursuant to Section 272B of SFA at the Subscription Price or the Exercise Price (as applicable).

The aggregate number of New Shares and Additional New Shares represents approximately 19.7% of the aggregate number of issued Shares and 16.5% of the enlarged issued share capital. The proposed allotment and issue of the New Shares to the Subscribers at the Subscription Price are within the limits of the General Mandate obtained at the AGM.

2.7 No Prospectus or Offer Information Statement to be Issued

The Proposed Subscription will be undertaken by way of private placement in accordance with Section 272B of the SFA. As such, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Subscription.

3. RATIONALE FOR THE SUBSCRIPTION

The Proposed Subscription is transacted on a willing-buyer-willing-seller basis. Each of the Subscribers have represented to the Company that they are subscribing for the New Shares purely for the purposes of investment.

The Proposed Subscription, when completed will result in an injection of funds into the Company and consequently will increase its working capital in order to fund its existing business operation and future expansions.

4. INTEREST OF THE DIRECTORS, CONTROLLING SHAREHOLDERS AND/OR SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, none of the Directors or substantial Shareholders has any interest, direct or indirect, in the Proposed Subscription (other than through their shareholdings in the Company).

The Proposed Subscription would not result in any transfer of controlling interest in the Company.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any Director who may have been delegated detailed supervision of the preparation of this announcement and/or the Proposed Subscription) have individually and collectively reviewed and approved the issue of this announcement, and have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate in all material aspects and that no material facts have been omitted from this announcement which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly.

Where any information contained in this announcement has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

BY ORDER OF THE BOARD

LIN JIANCHENG

Executive Chairman and CEO
26 January 2011