



ERATAT LIFESTYLE LIMITED
(Company Registration No: 200705552D)

PROPOSED SUBSCRIPTION OF 15,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF ERATAT LIFESTYLE LIMITED (THE "SUBSCRIPTION")

Introduction

The Directors of Eratat Lifestyle Limited (the "**Company**") wish to announce that the Company has on 21 April 2011 entered into a subscription agreement (the "**Subscription Agreement**") with Delta Lloyd Azie Deelnemingen Fonds (the "**Subscriber**"). Pursuant to the Subscription Agreement, the Company has agreed to issue 15,000,000 new ordinary shares (the "**Subscription Shares**") in the capital of the Company at a subscription price (the "**Subscription Price**") of S\$0.202 for each Subscription Share.

The Subscriber

Delta Lloyd Azie Deelnemingen Fonds is a mutual fund managed by Delta Lloyd Asset Management.

The investment philosophy of the fund is to focus on long term value creation through significant participation in undervalued small cap companies. The fund typically evaluates and ensures that the companies which they are investing in, have, i) a stable business model with profitable growth plus attractive dividend yield, and ii) there is open communication with the senior management team, prior to making its investment decision.

Delta Lloyd Asset Management is a division of Delta Lloyd Group, listed on NYSE Euronext Amsterdam, Delta Lloyd has been a trusted partner for insurance, pensions, banking and asset management since as early as 1807 and is now primarily active in the Netherlands, Belgium and Germany.

The Subscription

As at the date of this announcement, the issued and paid up share capital of the Company is RMB284,718,000 divided into 459,912,514 Shares (the "**Existing Share Capital**"). Upon completion of the Subscription, the issued share capital of the Company will increase to approximately RMB300,349,000 divided into 474,912,514 Shares. The Subscription Shares will represent approximately 3.16% of the enlarged issued share capital of the Company immediately after the completion of the Subscription.

The Subscription Shares, if and when fully allotted, issued and fully paid, will rank *pari passu* in all respects with the existing ordinary shares in the capital of the Company (the "**Shares**") save that they shall not rank for any entitlements, distributions, dividends or rights (if any), the record date in respect of which falls prior to the date of issue of the Subscription Shares.

The Subscription Price represents a discount of 6.13% to the volume weighted average price of S\$0.2152 of the Company's Shares traded on the SGX-ST for the full market day on 20 April 2011 up to 12.00 noon on 21 April 2011 before the trading halt was effected prior to the signing of the Subscription Agreement.

The Subscription Shares will be subscribed by the Subscriber pursuant to Section 272B of the Securities and Futures Act, (Chapter 289) of Singapore. As such, no prospectus or offer information statement will be lodged by the Company with the Monetary Authority of Singapore in connection with the Subscription.

Stirling Coleman Capital is the arranger for the subscription of shares of the Company by the Subscriber.

Use of Proceeds

The net proceeds from the Subscription, after deducting estimated expenses pertaining to the Subscription, amounts to approximately S\$3.0 million.

The Company intends to use the net proceeds from the Subscription for general working capital purposes to increase the Group's revenue and expand the distribution network for its ERATAT brand products which are expected to enhance shareholders' value.

Authority to Issue Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the share issue mandate obtained from Shareholders of the Company at its annual general meeting held on 27 July 2010, for the issue and allotment of a total of 82,982,502 shares, of which 37,982,502 Shares remain prior to the Subscription.

Conditions of the Subscription

The Subscription is conditional upon, *inter alia*, the approval-in-principle of the SGX-ST for the listing and quotation of the Subscription Shares on the Official List of the SGX-ST being obtained by the Company and not having been revoked or amended.

The Company will be making an application to the SGX-ST for the listing of and quotation for the Subscription Shares on the Official List of the SGX-ST.

Under the terms of the Subscription Agreement, the Subscriber has represented and warranted to the Company that it will not offer the Subscription Shares for sale to or procure the subscriptions from any director or substantial shareholder of the Company nor an immediate family member of any director or substantial shareholder of the Company or any of the persons specified in Rule 812(1) of the Listing Manual of SGX-ST.

Financial Effects of the Subscription

Based on the audited consolidated financial statements of the Group as at 31 March 2010, the net asset value per Share of the Group, after adjusting for the issue of the Subscription Shares, will decrease from RMB1.29 to RMB1.28. The earnings per Share of the Group, after adjusting for the issue of the Subscription Shares, will decrease from RMB0.23 to RMB0.22. The adjusted earnings per Share of the Group was computed assuming that the Subscription was completed at the beginning of the current financial year and does not take into account the effects of the use of proceeds from the Subscription on the earnings of the Group.

Interests of Directors and Substantial Shareholders

None of the Directors or substantial shareholders of the Company or their respective associates have any interest, direct or indirect in the Proposed Subscription.

Fund Raising in the Past 12 Months

The Company had raised a total of S\$8.78 million pursuant to a placement of 45 million shares new ordinary shares in the capital of the Company, which is more fully described in the announcements of the Company dated 4 April 2011 and 14 April 2011.

Responsibility Statement

The Directors (including any Director who may have delegated detailed supervision of the preparation of this announcement) have collectively and individually accepted full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this announcement are fair and accurate in all material aspects as at the date hereof, and that there are no material facts the omission of which would make this announcement misleading.

Documents Available For Inspection

A copy of both the Subscription Agreement entered into between the Company and Subscriber and the Arranger Agreement entered between the Company and the arranger are available for inspection during normal business hours at 50 Raffles Place, Singapore Land Towers, #32-01, Singapore 048623 for a period of three (3) months from the date of this announcement.

General

The Company will make the necessary announcement(s) once the approval for the listing of and quotation for the Subscription Shares has been obtained.

BY ORDER OF THE BOARD

Lin Jiancheng
Executive Chairman and CEO
21 April 2011