



ERATAT LIFESTYLE LIMITED

(Company Registration No: 200705552D)

FOR IMMEDIATE RELEASE

ERATAT ACHIEVED FULL YEAR REVENUE RMB 1.0 BILLION

- APPAREL SALES ROSE BY 48%
- GROSS PROFIT JUMPED BY 22%
- OVERALL GPM INCREASED TO 33%
- NET PROFIT GROW BY 12%

(RMB'000)	3 Months Ended 31 December			Full Year Ended 31 December		
	2011	2010	Change	2011	2010	Change
Revenue	254,699	275,165	-7.4%	1,041,937	968,345	7.6%
Gross Profit	85,862	83,922	2.3%	346,010	283,184	22.2%
Operating Profit	10,804	54,091	-80.0%	197,722	176,388	12.1%
Net Profit After Tax	7,315	40,168	-81.8%	146,119	131,004	11.5%
EPS (RMB fen)*	1.54	9.68		32.08	31.57	
EPS (SGD cents)#	0.31	1.94		6.42	6.31	

* Current quarter and full year computed based on weighted average number of issued shares of 474,912,514 and 455,433,062 respectively; Prior periods based on issued shares of 414,912,514.

Exchange rate of S\$1.00 = RMB5.00

21 February, 2012 - 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 lifestyle footwear and apparel company based in Jinjiang, Fujian Province, PRC, today announced its unaudited results for financial year ended 31 December, 2011 (“FY2011”).

Eratat Lifestyle posted a record revenue of RMB1.0 billion in FY2011, an increase of 7.6% as compared to RMB968.3 million in FY2010. The rise in revenue was mainly due to growth in sales of higher margin apparels and increase in ex-factory average selling prices (“ASP”) of ERATAT brand products. Revenue contribution ratio for apparel and footwear recorded 63.2% and 36.8% respectively in FY2011 as compared to 45.9% and 54.1% in FY2010.

The overall gross profit margin increased from 29.2% to 33.2%, and the gross profit also rose 22.2% to RMB346.0 million in FY2011, which were attributed to the increase in sales of its higher margin apparel. ASP of ERATAT apparel jumped by 121% to RMB243 per piece in 2011 Autumn/Winter Season as compared to RMB110 per piece in the same season during 2010. The ASP of ERATAT footwear has also increased by 13% to RMB94 per pair in 2011 Autumn/Winter Season as compared to RMB83 per pair during the same period.

Eratat Lifestyle's net profit after tax surged by 51% to RMB197.9 million in FY2011 as compared to RMB131.0 million in FY2010, but this was offset by a sales incentive awards of RMB51.7 million that was given to distributors during the fourth quarter of the financial year ("FY11Q4"), for their sterling performance during the year. As a result, the Group still managed to achieve an increase of net profit after tax by 11.5% to RMB146.1 million.

The sales incentive awards resulted in the increase in the Group's selling and distribution expenses by 48.8% to RMB117.4 million, but was offset by lower advertising costs. The selling and distribution expenses represented 11.3% of the overall revenue in FY2011 (FY2010: 8.1%). Administrative expenses, which represented 2.9% of the total revenue (FY2010: 3.0%) had maintained at RMB30.6 million in FY2011.

Riding on the rising growth in PRC consumer goods retail sales and urban household per capita disposable income, the Group had benefited and turned in sterling results in FY2011. The consumer market would continue to be challenging and competitive, but the current strategy to market ERATAT as a casual lifestyle brand and the newly launch of ERATAT Premium will steer the Group to new growth. Commented Mr Lin Jiancheng, Executive Chairman & CEO of Eratat Lifestyle, *"To stay competitive in this industry, we need to constantly improve and innovate both in our hardware (products) and software (Brand and retail image). I believe we are on the right track to grow our ERATAT Brand in the market."*

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.

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.

ISSUED BY	:	ERATAT LIFESTYLE LIMITED
CONTACT	:	MS KELLYN TAN
DESIGNATION	:	VP, INVESTOR RELATIONS
AT TELEPHONE	:	(65) 9850 0882
EMAIL	:	kellyntan@eratatgroup.com



ERATAT LIFESTYLE LIMITED
(Company Registration No: 200705552D)

UNAUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

	Fourth Quarter Ended on			Full Year Ended on		
	31/12/2011	31/12/2010	Change	31/12/2011	31/12/2010	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	254,699	275,165	-7.4%	1,041,937	968,345	7.6%
Cost of sales	(168,837)	(191,243)	-11.7%	(695,927)	(685,161)	1.6%
Gross profit	85,862	83,922	2.3%	346,010	283,184	22.2%
Other income	-	66	n.m.	-	656	n.m.
Selling and distribution expenses	(67,683)	(20,280)	n.m.	(117,416)	(78,883)	48.8%
Administrative expenses	(7,595)	(9,771)	-22.3%	(30,606)	(28,921)	5.8%
Other operating expenses	(49)	-	n.m.	(1,125)	(237)	n.m.
Finance income	269	154	74.7%	859	589	45.8%
Profit before income tax	10,804	54,091	-80.0%	197,722	176,388	12.1%
Income tax	(3,489)	(13,923)	-74.9%	(51,603)	(45,384)	13.7%
Profit after income tax and comprehensive income for the period attributable to owners of the Company	7,315	40,168	-81.8%	146,119	131,004	11.5%

"n.m." denotes "not meaningful"

Note:

The decrease in net profit after tax in the fourth quarter ended 31 December 2011 was mainly due to sales incentive award of RMB51.7 million being incurred. Please refer item 8 on page 10 for details.

1(a)(ii) Additional information to the income statement

1. Profit before income tax is arrived at after charging/(crediting):

	Fourth Quarter Ended on			Full Year Ended on		
	31/12/2011	31/12/2010	Change	31/12/2011	31/12/2010	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest income	(269)	(154)	74.7%	(859)	(589)	45.8%
Depreciation of property, plant and equipment	1,329	1,294	2.7%	5,349	5,006	6.9%
Amortisation of land use rights	130	124	4.8%	460	518	-11.2%
Amortisation of prepaid land lease	48	48	0.0%	192	192	0.0%
Foreign exchange loss/(gain), net	49	(56)	n.m.	1,125	(357)	n.m.
Loss on disposal of property, plant and equipment	-	-	n.m.	-	221	n.m.
Plant and equipment written off	-	-	n.m.	-	7	n.m.

Note:

The increase in net foreign exchange loss of RMB1.1 million was attributed to:

- foreign exchange loss of RMB1.6 million, resulting from remittance of the placement proceeds (refer to item1(d)(ii) for details) to a subsidiary company of the Group, attributable to the difference in exchange rate between the book rate of S\$1.00 = RMB5.24 and actual exchange rate of S\$1.00 = RMB5.08;
- But this was offset by an foreign exchange gain of RMB0.5 million when the subsidiary paid dividend to the Company for the purpose of paying dividends to shareholders in July 2011.

2. Financial Indicators and Ratios

	Fourth Quarter Ended on			Full Year Ended on		
	31/12/2011	31/12/2010	Change	31/12/2011	31/12/2010	Change
	ppt			ppt		
Gross profit margin: Footwear	21.2%	22.8%	(1.6)	24.8%	23.2%	1.6
Gross profit margin: Apparel	37.9%	38.3%	(0.4)	38.1%	36.4%	1.7
Gross profit margin: Overall	33.7%	30.5%	3.2	33.2%	29.2%	4.0
Distribution cost as a % of Revenue	26.6%	7.4%	19.2	11.3%	8.1%	3.2
Administrative cost as a % of Revenue	3.0%	3.6%	(0.6)	2.9%	3.0%	(0.1)
Profit before tax margin	4.2%	19.7%	(15.5)	19.0%	18.2%	0.8
Profit after tax margin	2.9%	14.6%	(11.7)	14.0%	13.5%	0.5

Note:

ppt - percentage point

Note:

Please refer to item 8 on page 10 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	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets				
Property, plant and equipment	62,876	68,004	7	12
Land use rights	21,611	22,071	-	-
Prepaid land lease	112	304	-	-
Investment in subsidiaries	-	-	49,050	49,050
Goodwill	1,759	1,759	-	-
	<u>86,358</u>	<u>92,138</u>	<u>49,057</u>	<u>49,062</u>
Current Assets				
Inventories	23,057	26,576	-	-
Trade receivables	442,465	366,868	-	-
Other receivables	97,897	76,879	138	76
Prepaid land lease	192	192	-	-
Amounts due from subsidiaries	-	-	246,723	184,065
Cash and bank balances	222,034	159,319	543	1,495
	<u>785,645</u>	<u>629,834</u>	<u>247,404</u>	<u>185,636</u>
Total Assets	<u>872,003</u>	<u>721,972</u>	<u>296,461</u>	<u>234,698</u>
Equity				
Share capital	300,721	239,159	300,721	239,159
Reserves	518,752	386,882	(16,202)	(16,178)
	<u>819,473</u>	<u>626,041</u>	<u>284,519</u>	<u>222,981</u>
Current Liabilities				
Trade and bills payables	22,256	51,213	-	-
Other payables	27,132	31,193	2,129	1,933
Amounts due to subsidiaries	-	-	9,784	9,784
Provision for income tax	3,142	13,525	29	-
	<u>52,530</u>	<u>95,931</u>	<u>11,942</u>	<u>11,717</u>
Total Liabilities	<u>52,530</u>	<u>95,931</u>	<u>11,942</u>	<u>11,717</u>
Total Equity and Liabilities	<u>872,003</u>	<u>721,972</u>	<u>296,461</u>	<u>234,698</u>

Analysis of Statements of Financial Position

A. The Group

1. The decrease in property, plant and equipment, land use rights and prepaid land lease was mainly due to depreciation and amortization charged during the financial year.
2. The decrease in inventories was mainly due to delivery of finished goods to distributors as at 31 December 2011 according to the planned delivery schedule. The breakdown of inventories is as follows:

	As at 31.12.2011	As at 31.12.2010	Inc/(Dec)
	RMB Mil	RMB Mil	RMB Mil
Finished goods	11.6	15.7	(4.1)
Raw materials	8.6	8.8	(0.2)
Work in progress	2.9	2.1	0.8
	<u>23.1</u>	<u>26.6</u>	

3. The trade receivables substantially comprised revenue from sales of goods, including VAT of 17% that were charged to distributors. Excluding the VAT, the trade receivables attributable to revenue as at 31 December 2011 amounted to RMB378.2 million, which was the revenue recorded from August to December 2011 (i.e. 4.5 months, or about 121-150 days).

The trade receivables ageing of the Group is as follows:

(RMB 'mil)	<u>1-90 days</u>	<u>91-120 days</u>	<u>121-150 days</u>	<u>Total</u>
As at 31.12.2011	295.4	98.2	48.9	442.5
Percentage	66.8%	22.2%	11.0%	100.0%

As explained in our past announcements, we have since beginning of 2010 started to encourage our key distributors to open more direct-owned specialty shops and strengthen their distribution network. We believe that more of such direct-owned specialty shops will enhance the quality of the Group's distribution network thereby generating healthy and sustainable revenue stream. We support their expansion growth, which would require high investment outlay from the distributors, by giving them longer credit terms from the usual 61-90 days to 91-120 days.

As also explained in the announcements dated 3rd and 14th November 2011, the Group has decided to upgrade most of the existing retail shops to the image of Premium shops, so as to keep pace with the premium image of the ERATAT Brand in the market. This will not only further enhance ERATAT Brand market positioning and image, but also improve the Group's future profitability in the long run as higher margin apparel products may be sold more than footwear. As such, it has been agreed that the credit days be temporarily extended from 91-120 days to 121-150 days, while the terms and quantum of subsidy were being finalised. The distributors are still expected to continue to make payments (which they have done so) to comply with the agreed credit terms. As at 31 December 2011, about 11% (or RMB48.9 million) of the trade receivables were 121-150 days, due to repayment by distributors while the subsidy was still being finalised.

Currently no provision for doubtful debts is required because:

- i) there are internal control process in place to monitor the collections of trade receivables, which include monthly reconciliation of trade receivables balances and diligent follow up of collection with customers. Remedial actions may also be deployed where necessary to recover debts, such as stop shipment or legal actions; and
- ii) as of to-date, 100% of the 121-150 days old of RMB48.9 million has been collected.

4. All the manufacturing of apparel products are currently outsourced to mid or large sized third party manufacturers, and most of these are operating in Guangzhou, Suzhou and Zhejiang who manufacture apparel products for high end local and international brands. In order to secure delivery of products, we are required to pay about 50-60% as trade deposits at the time of placing order with them as our orders may not be sizeable to the manufacturers.

The increase in other receivables was mainly attributable to trade deposits of RMB88.4 million (As at 30 September 2011: RMB100.4 millions; 31 December 2010: RMB71.2 million) being paid to apparel suppliers. During the current quarter, the trade deposits of RMB88.4 million was being paid for apparel products to be delivered from January to June 2012.

5. The decrease in trade and bills payables was due to payments made to suppliers of footwear raw materials and apparel finished goods.
6. The decrease in other payables was mainly due lower accrual of staff costs which have been paid as at 31 December 2011.
7. The decrease in provision for income tax was mainly due to lower profits recorded during the current quarter (please refer to "Taxation" of item 8 on page 13).

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) *Aggregate amount of group's borrowings and debt securities*

None.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Fourth Quarter Ended on		Full Year Ended on	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities :				
Profit before income tax	10,804	54,091	197,722	176,388
Adjustments for :				
Interest income	(269)	(154)	(859)	(589)
Depreciation of property, plant and equipment	1,329	1,294	5,349	5,006
Amortisation of land use rights	130	124	460	518
Amortisation of prepaid land lease	48	48	192	192
Sales incentive award	51,744	-	51,744	-
Loss on disposal of property, plant and equipment	-	-	-	221
Plant and equipment written off	-	-	-	7
Exchange difference	-	-	-	(266)
Operating cash flows before movements in working capital	63,786	55,403	254,608	181,477
Inventories	19,564	7,259	3,520	(16,700)
Trade and other receivables	36,128	13,597	(148,360)	(145,341)
Trade and other payables	(55,086)	(33,495)	(33,019)	19,298
Cash generated from operations	64,392	42,764	76,749	38,734
Income tax paid	(17,465)	(15,465)	(61,985)	(39,630)
Net cash generated from/(used in) operating activities	46,927	27,299	14,764	(896)
Cash flows from investing activities :				
Interest received	269	154	859	589
Purchase of property, plant and equipment	(3)	(70)	(221)	(1,436)
Proceeds from disposal of property, plant and equipment	-	-	-	68
Net cash generated from/(used in) investing activities	266	84	638	(779)
Cash flows from financing activities :				
Dividends paid	-	-	(14,249)	(19,335)
Net proceeds from the issue of new ordinary shares	-	-	61,562	-
Net cash generated from/(used in) financing activities	-	-	47,313	(19,335)
Net increase/(decrease) in cash and cash equivalents	47,193	27,383	62,715	(21,010)
Cash and cash equivalents at beginning of financial year	174,841	131,936	159,319	180,329
Cash and cash equivalents at end of financial year	222,034	159,319	222,034	159,319
Cash and cash equivalents comprise :				
Cash and bank balances	222,034	159,319	222,034	159,319

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

	Number of Ordinary Shares	Resultant Issued Share Capital	
		S\$'000	RMB'000
Share capital as at 1 January 2011	414,912,514	47,647	239,159
New shares issued on 20 April 2011, net of expenses	45,000,000	8,795	45,933
New shares issued on 9 May 2011, net of expenses	15,000,000	2,982	15,629
Share capital as at 31 December 2011	474,912,514	59,424	300,721

The Company had on 19 January 2010 issued 123,580,653 Warrants to its Shareholders. The Warrant holders may exercise the Warrants on 18 January 2013 to subscribe for the Company's Shares at S\$0.30 each.

On 20 April 2011, the Company issued 45,000,000 new ordinary shares for cash at an issue price of S\$0.202 each (please refer to announcement dated 20 April 2011) (the "Placement I"). These shares rank *pari passu* in all respect with the existing ordinary shares of the Company.

On 9 May 2011, the Company issued 15,000,000 new ordinary shares for cash at an issue price of S\$0.202 each (please refer to announcement dated 9 May 2011) (the "Placement II"). These shares rank *pari passu* in all respect with the existing ordinary shares of the Company.

Save for the Placement I and Placement II, there was no other change in the share capital of the Company as at the date of this announcement.

The Company does not have any treasury shares.

Use of Proceeds

As announced on 3 August 2011, the total net proceeds of about S\$11.8 million (or RMB61.6 million) raised from the Placement I and Placement II had been fully utilized as working capital for the Group.

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

	Group		Company	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Number of issued shares	474,912,514	414,912,514	474,912,514	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 period ended 31 December 2011 as those used for the audited financial statement as at 31 December 2010, except as disclosed in paragraph 5 below.

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

The Group has adopted the Singapore Financial Reporting Standards ("SFRS") that are mandatory for financial years beginning on or after 1 January 2011, where applicable, including improvements to SFRS and Interpretation of FRS ("INT FRS"). The adoption of these standards has no significant impact to the Group.

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

	Fourth Quarter Ended on		Full Year Ended on	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Profit attributable to shareholders of the Company (RMB'000)	7,315	40,168	146,119	131,004
<u>Number of shares</u>				
Weighted average number of ordinary shares in issue for basic EPS	474,912,514	414,912,514	455,433,062	414,912,514
Earnings per share (RMB fen)				
- Basic	1.54	9.68	32.08	31.57

Please refer to item 8 on page 10 for explanations on the lower profit attributable to shareholders and earnings per share during the fourth quarter ended 31 December 2011.

Diluted earnings per share is not presented as there was no potential dilutive ordinary share existing during the relevant financial period 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	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Net assets (RMB'000)	819,473	626,041	284,519	222,981
Number of shares	474,912,514	414,912,514	474,912,514	414,912,514
Net assets value per share (RMB fen)	172.55	150.89	59.91	53.74

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

For the financial year ended 31 December 2011 ("FY2011"), revenue increased by 7.6% to a record of RMB1.0 billion and net profit after tax increased by 11.5% to RMB146.1 million. The improved results were mainly due to increase in revenue and improvement in overall profit margin from 29.2% to 33.2%, mainly resulting from increase in sales contribution of higher margin apparel and increase in ex-factory average selling prices ("ASP") of ERATAT Brand products. During the current quarter under review, the Group gave the distributors sales incentive award of RMB51.7 million as a reward for their sterling sales performance during FY2011. Had the sales incentive award not been incurred, the net profit after tax would have been a record of RMB197.9 million, representing an increase of about 51%.

Revenue

	<----- Current Quarter (Oct - Dec) ----->					
	2011		2010		Change	
	RMB mil	%	RMB mil	%	RMB mil	%
Footwear						
- Eratat Brand	46.8	18.4%	126.2	45.9%	(79.4)	-62.9%
- Third Party Brand	16.6	6.5%	12.3	4.5%	4.3	34.9%
	<u>63.4</u>	<u>24.9%</u>	<u>138.5</u>	<u>50.3%</u>	<u>(75.1)</u>	<u>-54.2%</u>
Eratat Brand Apparel	191.3	75.1%	136.6	49.7%	54.7	40.0%
	<u>254.7</u>		<u>275.1</u>		<u>(20.4)</u>	<u>-7.4%</u>

	<----- Twelve Months Period (Jan - Dec) ----->					
	2011		2010		Change	
	RMB mil	%	RMB mil	%	RMB mil	%
Footwear						
- Eratat Brand	320.8	30.8%	469.7	48.5%	(148.9)	-31.7%
- Third Party Brand	62.6	6.0%	53.9	5.6%	8.7	16.1%
	<u>383.4</u>	<u>36.8%</u>	<u>523.6</u>	<u>54.1%</u>	<u>(140.2)</u>	<u>-26.8%</u>
Eratat Brand Apparel	658.5	63.2%	444.7	45.9%	213.8	48.1%
	<u>1,041.9</u>		<u>968.3</u>		<u>73.6</u>	<u>7.6%</u>

The revenue during the current quarter under review (“FY11Q4”) decreased by 7.4% to RMB245.7 million, mainly due to increase in apparel sales by 40.0% to RMB191.3 million, but offset by decrease in footwear sales of 54.3% to RMB63.4 million. For the full year of FY2011, the revenue increased by 7.6% to a record of RMB1.0 billion, which was mainly attributed to increase in apparel sales by 48.1% to RMB658.5 million, but offset by decrease in sales of footwear by 26.8% to RMB383.4 million.

The revenue contribution by footwear and apparel during FY11Q4 was 24.9% and 75.1% respectively (FY10Q4: 50.3% and 49.7% respectively), whereas the FY2011 contribution ratio was 36.8% and 63.2% respectively (FY2010: 54.1% and 45.9% respectively). The Group has been increasing the apparel sales contribution ratio so as to provide wider apparel product range, which is part of the Group’s strategic focus on growing its ERATAT Brand equity.

There was less distributors in FY2011 as compared to the same period last year. Since the beginning of 2011, we have 12 distributors as compared to 29 distributors during 2010. The discontinued distributors had been under-performing or could no longer align with our growth strategy. However, the remaining distributors had generated higher revenue during FY2011 (as shown in table below).

	2011	2010	Inc/(Dec)
	RMB'000	RMB'000	%
Existing 12 distributors	979.3	735.9	33.1%
OEM footwear distributor	62.6	53.9	16.1%
Discontinued distributors	-	178.5	-100.0%
	1,041.9	968.3	7.6%

ERATAT Brand Revenue, ASP and gross margin

The overall gross profit margin improved from 29.2% to 33.2% in FY2011, contributed by footwear gross profit margin of 24.8% (FY2010: 23.2%) and apparel gross profit margin of 38.1% (FY2010: 36.4%).

ERATAT Brand footwear (“ERATAT FW”)

	2009		2010		2011	
	Spring/Summer	Autumn/Winter	Spring/Summer	Autumn/Winter	Spring/Summer	Autumn/Winter
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec
ERATAT FW (RMB Mil)	256.5	271.1	219.6	250.0	214.3	106.5
ERATAT FW (Mil Pairs)	3.93	3.49	3.05	3.01	2.43	1.14
ASP (RMB)	65.29	77.74	71.98	83.12	88.10	93.63
ERATAT FW GM (%)	26.0%	23.4%	25.8%	23.5%	25.8%	24.4%

For 2011 Autumn/Winter Season, the ASP of ERATAT Brand footwear further increased to about RMB94 per pair (by 13% as compared to RMB83 per pair in 2010 Autumn/Winter Season). The average gross profit margin of footwear usually ranges between 23 – 26%, depending on product designs and material used.

ERATAT Brand apparel ("ERATAT APP")

	2009		2010		2011	
	Spring/Summer	Autumn/Winter	Spring/Summer	Autumn/Winter	Spring/Summer	Autumn/Winter
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec
ERATAT APP (RMB Mil)	158.9	176.2	168.5	276.3	274.2	384.3
ERATAT APP (Mil Pcs)	2.67	2.11	2.90	2.52	3.05	1.58
ASP (RMB)	59.56	83.53	58.16	109.82	89.81	242.72
ERATAT APP GM (%)	38.7%	35.2%	32.8%	39.2%	38.8%	38.2%

Similarly for ERATAT Brand apparel, the ASP surged by about 121% to RMB243 per piece (as compared to RMB110 per piece in 2010 Autumn/Winter Season), while the gross profit margin had maintained at about 38.0%. The average gross profit margin of apparel now ranges between 38 – 40%, depending on product mix.

As a result of higher sales contribution from apparel in FY2011, the attributable gross profit from apparel amounted to RMB251.0 million exceeded that from footwear of RMB95.0 million (FY2010: RMB161.7 million and RMB121.4 million respectively).

Net profit before income tax

FY11Q4:

- Revenue decreased by RMB20.4 million (or 7.4%) to RMB254.7 million, while gross profit increased by RMB1.9 million (or 2.3%) to RMB85.9 million due to reasons as aforementioned.
- The selling and distribution expenses, which represented about 26.6% (FY10Q4: 7.4%) of the overall revenue, increased by RMB47.4 million to RMB67.7 million. The increase was mainly due to sales incentive award of RMB51.7 million to reward our distributors who had performed well for FY2011, but offset by lower advertising expenses.
- The administrative expenses, which represented about 3.0% (FY10Q4: 3.6%) of the overall revenue, maintained at RMB7.6 million in FY11Q4.
- As a result, the net profit before income tax for FY11Q4 decreased by RMB43.3 million (or 80.0%) to RMB10.8 million. However, had the sales incentive award not been incurred, the net profit before tax would have been RMB62.5 million, representing an increase of about 16%.

FY2011:

- Revenue increased by RMB73.6 million (or 7.6%) to RMB1.0 billion, while gross profit increased by RMB62.8 million (or 22.2%) to RMB346.0 million due to reasons as aforementioned.
- The selling and distribution expenses, which represented about 11.3% (FY2010: 8.1%) of the overall revenue, increased by RMB38.5 million (or 48.8%) to RMB117.4 million. The increase was due to the reasons explained for FY11Q4.
- The administrative expenses, which represented about 2.9% (FY2010: 3.0%) of the overall revenue, maintained at RMB30.6 million in FY2011.
- As a result, the net profit before income tax for FY2011 increased by RMB21.3 million (or 12.1%) to a record of RMB197.7 million. However, had the sales incentive award not been incurred, the net profit before tax would have been RMB249.5 million, representing an increase of about 41%.

Taxation

The decrease of income tax expense in FY11Q4 was mainly due to lower net profit before tax, while the increase in FY2011 was due to higher net profit before tax, which were explained above.

Cash flows

Operating Activities:

The Group generated a net cash inflow from operating activities of RMB46.9 million and RMB14.8 million during FY11Q4 and FY2011 respectively (FY10Q4: RMB27.3 million; FY2010: net cash outflow of RMB0.9 million). The net cash inflow for the full year was mainly attributable to increase in net profit but offset by increase in trade receivables (due to increase in sales and longer credit terms) and payment of trade deposits to place orders with apparel suppliers for the 2012 Spring/Summer Season products (please refer to item 4 on page 5 for explanation).

Financing Activities

During FY2011, the net cash used in financing activities was attributable to payment of dividends in July 2011, while net proceeds of RMB61.6 million was received from issue of new shares by the Company in April/May 2011 (please refer to item 1(d)(ii) for details).

Internal Audit

As announced in our results announcement made on 3rd November 2011, our internal auditor, Grant Thornton Transaction Services Pte Ltd ("**Internal Auditors**"), had carried out their audit at the subsidiaries in October 2011 for the following business cycles:

- (i) Quangang Hongli Shoes Co., Ltd ("**Quangang**")
 - Capital expenditure and fixed asset management
- (ii) Fujian Haimingwei Shoes Co., Ltd ("**Haimingwei**")
 - Production planning and quality control
 - Inventory management
 - Procurement, payable and payments
 - Accounts receivables
- (iii) Review and verification of material receipts and payments from 1 January to September 2011 to ensure that these were in line with the normal course of business
- (iv) Obtain confirmation of bank balances as at 30 September 2011 directly from bank (namely Agricultural Bank of China, a bank listed in Shanghai and Hong Kong Stock Exchanges).

The Audit Committee ("**AC**") had reviewed the findings by the Internal Auditors and noted no significant internal control weakness. The Internal Auditors had been requested to follow up with the Management on the implementation of the recommendations and report to the AC accordingly.

9 ***Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results***

No other 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

In 2011, China's economy continued to expand and the retail market remained buoyant. According to the data from the National Bureau of Statistics (中华人民共和国国家统计局), it appears that consumption growth remain strong. The total retail sales of consumer goods for the year 2011 amounted to RMB18.1 trillion, representing a year on year increase of 17%. Of which the total retail sales for garments, footwear, hats and knitwear amounted to RMB795.5 billion, representing a year on year increase of 24%. The per capita disposable income of urban households in 2011 was RMB21,810, representing a year on year increase of 14.1%. Riding on the macroeconomic trend, our Group would benefit from the growth in consumer goods retail sales and urban household per capita disposable income.

As at the end of FY2011, the Group was in the process of finalizing the renovation subsidy to be given to the distributors, which would affect the Group's profitability in FY2012. The consumer market continues to be challenging and competitive. But the Group believes the current strategy to market ERATAT as a casual lifestyle brand and the newly launch of ERATAT Premium will steer the Group to new growth. Barring any unforeseen circumstances, and with the 2012 Spring/Summer Season order book of RMB380 million on hand, the Board of Directors is optimistic about the Group's financial performance in FY2012.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

First and Final dividend

Name of Dividend : First and Final
Dividend Type : Cash
Dividend Rate : RMB 0.025 per share
Number of shares : 474,912,514
Tax rate : Tax exempt one-tier

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

First and Final dividend

Name of Dividend : First and Final
Dividend Type : Cash
Dividend Rate : RMB 0.030 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) Books closure date

To be announced at a later date.

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

Not applicable.

- 13 ***If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect***

No IPT general mandate has been obtained from the shareholders.

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

	Footwear RMB'000	Apparel and accessories RMB'000	Total RMB'000
<u>FY2011</u>			
Revenue	383,394	658,543	1,041,937
Segment results	95,050	250,960	346,010
Unallocated expenses			(149,147)
Finance income			859
Income tax			(51,603)
Profit for the year			146,119
<u>FY2010</u>			
Revenue	523,593	444,752	968,345
Segment results	121,446	161,738	283,184
Unallocated expenses			(107,385)
Finance income			589
Income tax			(45,384)
Profit for the year			131,004

(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 above for details.

16 A breakdown of sales

	Financial Year Ended on		
	31/12/2011	31/12/2010	Change
	RMB'000	RMB'000	%
Revenue reported for first half year:			
Footwear - Eratat Brand	214,324	219,597	-2.4%
Footwear - Third Party	33,955	29,943	13.4%
Eratat Brand Apparel	274,223	168,452	62.8%
	522,502	417,992	25.0%
Operating profit after tax reported for first half year	90,425	46,723	93.5%
Revenue reported for second half year:			
Footwear - Eratat Brand	106,482	250,110	-57.4%
Footwear - Third Party	28,633	23,943	19.6%
Eratat Brand Apparel	384,320	276,300	39.1%
	519,435	550,353	-5.6%
Operating profit after tax reported for second half year	55,694	84,281	-33.9%
Revenue reported for full year	1,041,937	968,345	7.6%
Operating profit after tax reported for full year	146,119	131,004	11.5%

17 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Please refer to item 8 above for details.

18 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement

There is no person who occupies a managerial position in the Company and the Group who is a relative of director, chief executive officer or substantial shareholder pursuant to Rule 704(13) of the Listing Rules.

BY ORDER OF THE BOARD

Lin Jiancheng (林建程)
Executive Chairman & CEO

21 February 2012