

CHINA ERATAT SPORTS FASHION LIMITED
(Company Registration No. 200705552D)

QUERIES REGARDING THE THIRD QUARTER RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2008

In response to the queries from the Singapore Exchange Securities Trading Limited (the “Exchange”) dated 18 February 2009, China Eratat Sports Fashion Limited (the “Company” or the “Group”) wishes to respond as follows:

Question:

1. Cash Flow Statement

The period reported on is the third quarter from 1 Oct 2008 - 31 Dec 2008. Please disclose the cash flow statement for the 3-month period ended 31 Dec 2008.

Answer:

	Third Quarter Ended on		Nine Months Period Ended on	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities :				
Profit before income tax	45,496	21,616	115,557	59,365
Adjustments for :				
Interest income	(365)	(14)	(843)	(31)
Interest expense	-	356	-	1,527
Depreciation of property, plant and equipment	1,093	301	2,692	870
Amortisation of land use rights	130	130	390	274
Loss on disposal of property, plant and equipment	-	-	-	154
Exchange difference arising from consolidation	(8,603)	293	(8,617)	293
Operating cash flows before movements in working capital	37,751	22,682	109,179	62,452
Inventories	(9,655)	(964)	(26,682)	431
Trade and other receivables	(114,569)	(31,137)	(114,136)	(85,549)
Due to directors	-	(4,651)	-	7,469
Trade and other payables	(23,201)	29,514	27,031	83,632
Cash used in operations	(109,674)	15,444	(4,608)	68,435
Income tax paid	(5,083)	(2,801)	(11,666)	(11,195)
Net cash (used in)/generated from operating activities	(114,757)	12,643	(16,274)	57,240
Cash flows from investing activities :				
Interest received	365	14	843	31
Purchase of property, plant and equipment	(490)	(9,790)	(8,595)	(11,108)
Construction-in-progress	(7,683)	(10,665)	(12,009)	(11,051)
Due from a related company	-	-	-	(652)
Proceeds from disposal of property, plant and equipment	-	-	31	246
Net cash received from acquisition of a subsidiary	-	-	-	15
Acquisition of subsidiaries pursuant to Restructuring Exercise	-	(23,716)	-	(23,716)
Net cash used in investing activities	(7,808)	(44,157)	(19,730)	(46,235)

	Third Quarter Ended on		Nine Months Period Ended on	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from financing activities :				
Interest paid	-	(356)	-	(1,527)
Proceeds from issue of shares	-	-	170,168	-
Advances to related parties, net	-	1,911	-	6,878
Advances from third parties, net	-	6,987	-	13,705
Short-term borrowings	-	-	-	(26,500)
Pledged deposits	-	(75)	573	725
Dividends paid	(6,000)	(3,150)	(6,000)	(3,150)
Net cash from/(used in) financing activities	(6,000)	5,317	164,741	(9,869)
Net (decrease)/increase in cash and cash equivalents	(128,565)	(26,197)	128,737	1,136
Cash and cash equivalents at beginning of financial period	261,204	30,028	3,902	2,695
Cash and cash equivalents at end of financial period	132,639	3,831	132,639	3,831
Cash and cash equivalent comprise :				
Cash and bank balances	132,711	4,476	132,711	4,476
Less: Pledged deposits	(72)	(645)	(72)	(645)
	132,639	3,831	132,639	3,831

2. Trade Receivables

We note that the Group recorded trade receivables of RMB 172,281,000 as at 31 Dec 2008. In addition, there was a net cash outflow from operations of RMB 16,274,000 resulting primarily from an increase in trade receivables of RMB 114,136,000. In view of this, please disclose: -

- i. The trade receivables turnover days and usual credit period granted to customers.*
- ii. The ageing schedule for the Group's trade receivables.*
- iii. Whether any of the outstanding trade receivables are past due.*
- iv. If there are trade receivables past due, whether any provision has been made for doubtful trade debts. If not, why. If so, please disclose the Directors' views on whether the provision for doubtful trade debts is adequate and the basis for their views.*

Answer:

- i. The trade receivable turnover days for the reported financial period was 47 days, which was within the usual credit period granted to customers between 30 to 60 days.
- ii. The trade receivables ageing of the Group is as follows:

(RMB 'mil)	1 to 60 days	61 to 90 days	> 91 days	Total
Balance as at 31.12.2008	166.6	5.4	0.3	172.3
Percentage	96.7%	3.1%	0.2%	100.0%

- iii. As at 31 December 2008, about RMB5.7 million (or 3.3% of total trade receivables balance) was past due.
- iv. No provision has been made on these past due trade receivables because these debts remain collectible as of to-date. The Group continues to monitor credit performance of all customers and will take necessary steps to recover all receivables.

By Order of the Board
CHINA ERATAT SPORTS FASHION LIMITED

Lin Jiancheng
Executive Chairman and CEO
20 February 2009

The initial public offering of the Company's shares was sponsored by Kim Eng Capital Pte. Ltd. who assumes no responsibility of the content of this announcement.