

CIRCULAR DATED 5 JULY 2010

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY

This Circular is issued by China Eratat Sports Fashion Limited. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of China Eratat Sports Fashion Limited, you should at once hand this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



CHINA ERATAT SPORTS FASHION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200705552D)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) **THE PROPOSED CHANGE OF NAME OF THE COMPANY TO “ERATAT LIFESTYLE LIMITED”;**
- AND**
- (2) **THE PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE**

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	25 July 2010 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	27 July 2010 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held on the same day and at the same place)
Place of Extraordinary General Meeting	:	M Hotel Singapore Anson Room 3 81 Anson Road Singapore 079908

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:-

- “ACRA” : Accounting and Corporate Regulatory Authority
- “Act” : The Companies Act, Chapter 50 of Singapore, as may be amended from time to time
- “AGM” : The Annual General Meeting of the Company to be held on 27 July 2010 at 9.30 a.m.
- “Articles” or “Articles of Association” : The Articles of Association of the Company, as may be amended from time to time
- “Associate” : a) In relation to any Director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means:-
i. his immediate family;
ii. the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
iii. any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and
b) In relation to a substantial shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Associated Company” : A company in which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries and the composition of its board of directors is controlled by the Company
- “Business Day” : A day (other than Saturday and Sunday) on which banks are open for business in Singapore
- “Board” : Board of Directors of the Company
- “CDP” : The Central Depository (Pte) Limited
- “Circular” : This circular to Shareholders dated 5 July 2010
- “Company” : China Eratat Sports Fashion Limited

DEFINITIONS

“Controlling Shareholder”	: A person who:- a) holds directly or indirectly 15% or more of all voting shares in the company, unless determined by SGX-ST that such person is not a controlling shareholder; or b) in fact exercises control over a company
“Director”	: A director of the Company as at the date of this Circular and the term “Directors” shall be construed accordingly
“EGM”	: The extraordinary general meeting of the Company, notice of which is set out on pages 24 to 26 of this Circular, to be held on 27 July 2010 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the AGM of the Company to be held on the same day and at the same place)
“EPS”	: Earnings per Share
“FY”	: Financial year
“Group”	: The Company and its subsidiaries
“LPD” or “Latest Practicable Date”	: 15 June 2010
“Listing Manual”	: The Listing Manual of the SGX-ST
“Listing Rules”	: The rules prescribed under the Listing Manual
“Market Day”	: A day on which the SGX-ST is open for trading in securities
“Memorandum” or “Memorandum of Association”	: The Memorandum of Association of the Company, as may be amended from time to time.
“NAV”	: Net asset value
“Notice of EGM”	: The notice of EGM as set out on pages 24 to 26 of this Circular
“Securities Account”	: A securities account maintained by a Depositor with CDP
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Share” of “Shares”	: Ordinary shares in the capital of the Company
“Shareholders”	: Registered holders of Shares, except that where the registered holder is the CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons to whose direct securities accounts maintained with CDP are credited with Shares. Any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders’ Securities Accounts
“Share Buy-Back”	: The purchase or acquisition of Shares by the Company in accordance with the Act

DEFINITIONS

“Share Buy-Back Mandate”	: The general mandate to authorise the Directors to exercise all the powers of the Company to purchase or otherwise acquire its issued Shares upon and subject to the terms of such mandate
“SIC”	: Securities Industry Council
“Take-over Code”	: Singapore Code on Takeovers and Mergers, and all practice notes, rules and guidelines thereunder, as may from time to time be issued or amended
“Treasury Shares”	: Issued Shares of the Company which was (or is treated as having been) purchased by the Company in circumstances which Section 76H of the Act applies and has since purchase been continuously held by the Company
“RMB” and “RMB cents”	: PRC Renminbi and Renminbi fen respectively
“S\$” or “\$” and “cents”	: Singapore dollar and cents respectively
“%” or “per cent.”	: Per centum or percentage

The terms “Depositor” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act or any statutory modification thereof, as the case may be.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing one gender shall, where applicable, include the other genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the SGX-ST Listing Manual or any statutory modification thereof and used in this Circular shall have the meaning assigned to it under the Act, the SGX-ST Listing Manual or any statutory modification thereof, as the case may be.

All timing referred to in this Circular is made by reference to Singapore time.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and/or percentages and the totals thereof are due to rounding.

Unless otherwise stated, the exchange rate between RMB and S\$ as at the Latest Practicable Date was S\$1.00 : RMB4.9020. This exchange rate should not be construed as a representation that the S\$ amounts would have been, or could be, converted into RMB at the rate stated, or at all, and vice versa.

LETTER TO SHAREHOLDERS

CHINA ERATAT SPORTS FASHION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200705552D)

5 July 2010

Board of Directors:

Lin Jiancheng
Ye Sanzhi
Lim Yeow Hua
Lam Peck Heng
Tao Yeoh Chi

Registered Office:

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

**To: The Shareholders of
China Eratat Sports Fashion Limited**

Dear Sir/Madam,

(1) THE PROPOSED CHANGE OF NAME OF THE COMPANY TO “ERATAT LIFESTYLE LIMITED”;

AND

(2) THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

1. INTRODUCTION

1.1 EGM

The Directors propose to convene an EGM to be held on 27 July 2010 to seek Shareholders' approval for the following :-

- (a) the proposed change of name of the Company to “Eratat Lifestyle Limited”; and
- (b) the proposed renewal of the Share Buy-Back Mandate to allow the Company to purchase its issued Shares in the capital of the Company.

1.2 Circular

The purpose of this Circular is to explain the reasons for, and to provide Shareholders with the relevant information pertaining to, and to seek Shareholders' approval for the above proposals to be tabled at the EGM.

1.3 SGX-ST

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.

LETTER TO SHAREHOLDERS

2. CHANGE OF NAME OF THE COMPANY

2.1 Rationale for the Change of Name

The Company proposes to change its name to “**ERATAT LIFESTYLE LIMITED**”.

The rationale for the proposed change of the Company’s name is as follows:-

- (a) to reflect the successful repositioning of the Company from a sports fashion company to a casual lifestyle wear company as illustrated in the Company’s announcement on the same on 13 January 2010; and
- (b) to allow the public and the Company’s associates to identify and remember the Company through the name of Eratat Lifestyle Limited, which is consistent with the business strategy and direction of the Company.

2.2 Approvals

Application had been made to ACRA for the reservation of the name of “**Eratat Lifestyle Limited**” and the application was approved on 27 May 2010. The proposed name had been reserved for 60 days from 27 May 2010 (being the date of the application).

The proposed change of the Company’s name to “**Eratat Lifestyle Limited**” is subject to Shareholders’ approval, and will be proposed as a special resolution at the EGM.

Subject to Shareholders’ approval and registration by ACRA, the Company shall change its name to “**Eratat Lifestyle Limited**” with effect from the issue by ACRA of the Certificate Confirming the Incorporation of the Company under the New Name. The new name “**Eratat Lifestyle Limited**” shall be substituted for “**China Eratat Sports Fashion Limited**” wherever the latter name appears in the Company’s Memorandum and Articles.

2.3 Existing Share Certificates

Shareholders should note that the change of the Company’s name does not affect the legal status of the Company. The Company will not be recalling existing share certificates. Existing share certificates of the Company bearing the current name, that is, “China Eratat Sports Fashion Limited”, issued prior to the date on which the proposed change of name takes effect, will continue to be *prima facie* evidence of legal title. **No further action is required to be taken on the part of the Shareholders.**

3. THE SHARE BUY-BACK MANDATE

3.1 Background

Any purchase or acquisition of Shares by the Company would have to be made in accordance with and in the manner prescribed by the Act and the Listing Rules and such other laws and regulations as may, for the time being, be applicable.

It is a requirement under the Act that a company which wishes to purchase or acquire its own shares should obtain approval of its shareholders to do so at a general meeting. Accordingly, approval is being sought from Shareholders at the EGM for a renewed general and unconditional mandate to be given for the purchase or acquisition by the Company of its issued Shares.

If approved by Shareholders at the EGM, the authority conferred by the Share Buy-Back Mandate will continue to be in force until the next annual general meeting (“**AGM**”) of the Company (whereupon it will lapse, unless renewed at such meeting) or until it is varied or revoked by the Company in a general meeting (if so varied or revoked prior to the next AGM).

LETTER TO SHAREHOLDERS

3.2 Rationale

The proposed Share Buy-Back Mandate will give the Directors the flexibility to purchase or acquire the Shares of the Company if and when circumstances permit. The Directors believe that Share Buy-Backs provide the Company and its Directors the flexibility to better manage the Company's share capital structure, dividend payout and cash reserves. In addition, it provides the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner.

The buy-back of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS of the Company, and will only be made when the Directors believe that such buy-backs would benefit the Company and its Shareholders.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate would only be made when the Directors believe that such purchases or acquisitions would be made in circumstances which would not have a material adverse effect on the financial position of the Company.

3.3 Terms of the Share Buy-Back Mandate

The authority and limitations placed on purchases of Shares by the Company under the Share Buy-Back Mandate are summarised below:-

3.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired is limited to that number of Shares representing not more than 10% of the issued share capital of the Company, ascertained as at the date of the EGM at which the Share Buy-Back Mandate is approved (the "**Approval Date**"), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the relevant period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered. For purposes of calculating the percentage of issued shares above, any of the Shares which are held as Treasury Shares will be disregarded.

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date comprising 414,912,514 Shares, and assuming that no further Shares are issued on or prior to the EGM, not more than 41,491,251 (representing 10% of the issued and paid-up share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate.

3.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earlier of:-

- (a) the conclusion of the next AGM or the date by which such AGM is required by law to be held;
- (b) the date on which the Share Buy-Backs are carried out to the full extent mandated; or
- (c) the date on which the authority conferred in the Share Buy-Back Mandate is varied or revoked by the Company in a general meeting.

LETTER TO SHAREHOLDERS

3.3.3 Manner of Purchase of Shares

Shares Buy-Backs may be made by way of, *inter alia*:-

- (a) on-market purchases (“**Market Purchase**”), transacted on the SGX-ST through the ready market, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchase**”) (if effected otherwise than on the SGX- ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Listing Rules.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-Back Mandate, the Listing Rules and the Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

An Off-Market Purchase must, however, satisfy all the following conditions:-

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their issued Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:-
 - (aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (bb) (if applicable) differences in consideration attributable to the fact that the offers relates to Shares with different amounts remaining unpaid; and
 - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Rules provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:-

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share Buy-Back;
- (d) the consequences, if any, of Share Buy-Backs by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the Share Buy-Back, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (f) details of any Share Buy-Back made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

LETTER TO SHAREHOLDERS

3.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share as determined by the Directors must not exceed:-

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, up to 120% of the Average Closing Price (as defined hereinafter),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase.

For the above purposes:-

“**Average Closing Price**” means the average of the closing market prices of a Share over the last 5 Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

“**date of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

The Listing Manual restricts a listed company from purchasing or acquiring shares by way of a Market Purchase at a price per share which is more than 5% above the “average closing market price”, defined as the average of the closing market prices of the shares over the last 5 Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

The Listing Manual does not prescribe a maximum price in relation to purchases or acquisitions by a listed company of its shares by way of an Off-Market Purchase pursuant to an equal access scheme. Nevertheless, the Company has set a cap of 20% above the average closing market price of a Share as the maximum price of a Share to be purchased or acquired by way of an Off-Market Purchase.

3.4 **Status of Purchased Shares under the Share Buy-Back Mandate**

3.4.1 Cancellation

Any Share which is purchased or acquired by the Company shall, unless held as Treasury Shares to the extent permitted under the Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Act) will be automatically de-listed by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

LETTER TO SHAREHOLDERS

3.4.2 Treasury Shares

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provisions on treasury shares under the Act are summarised below:-

(i) *Maximum Holdings*

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares.

(ii) *Voting and Other Rights*

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of Treasury Shares. However, the allotment of shares as fully paid bonus shares in respect of Treasury Shares is allowed. A subdivision or consolidation of any Treasury Share into Treasury Shares of a smaller amount is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

(iii) *Disposal and Cancellation*

Where Shares are held as Treasury Shares, the Company may at any time:-

- (a) sell the Treasury Shares for cash;
- (b) transfer the Treasury Shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the Treasury Shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the Treasury Shares; or
- (e) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance.

In any event that the Treasury Shares purchased or acquired by the Company under the Share Buy-Back Mandate are subsequently sold, transferred, cancelled and/or used, the Company will, pursuant to Rule 704(26) of the Listing Manual, immediately announce any sale, transfer, cancellation and/or use of the Treasury Shares, stating the following:-

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of Treasury Shares sold, transferred, cancelled and/or used;
- (d) number of Treasury Shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of Treasury Shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the Treasury Shares if they are used for a sale or transferred or cancelled.

LETTER TO SHAREHOLDERS

3.5 Source of funds

In buying back Shares, the Company may only apply funds legally available for such purchase in accordance with its Memorandum and Articles of Association, and the applicable laws in Singapore. The Company may not buy Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The buy-back of Shares by the Company may be made out of the Company's profits or capital so long as the Company is solvent. The Company may use internal sources of funds and/or external borrowings to finance purchases of its Shares pursuant to the Share Buy-Back Mandate.

Pursuant to Section 76F(4) of the Act, the Company is solvent if (a) it is able to pay its debts in full at the time of payment and will be able to pay its debts as they fall due in the normal course of business in the 12 months following such date of payment; and (b) the value of its assets is not less than the value of its liabilities (including contingent liabilities) and such value of its assets will not, after any purchase of Shares for purposes of any proposed acquisition or release of the Company's obligations, become less than the value of its liabilities (including contingent liabilities). In determining that the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations or estimates of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

The Directors do not propose to exercise the Share Buy-Back Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially adversely affected.

3.6 Financial impact

3.6.1 General

Shareholders should note that the financial effects illustrated below are for illustration purposes only. In particular, it is important to note that the financial analysis set out below is based on the announced (unaudited) financial results of the Group and the Company for the financial year ended 31 March 2010 ("FY2010") and is not necessarily representative of future financial performance of the Group.

Although the proposed Share Buy-Back Mandate would authorise the Company to buy-back up to 10% of the Company's issued Shares, the Company may not necessarily buy-back or be able to buy-back 10% of the issued Shares in full.

3.6.2 Financial Effects of the Share Buy-Back Mandate

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buy-Back Mandate on the financial effects as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled.

Where the Shares are purchased or acquired out of the capital of the Company and cancelled, the issued share capital of the Company will be reduced by the corresponding total purchase price of the Shares purchased or acquired; if on the other hand, the purchased or acquired Shares are not cancelled but held in treasury, then there will be no change in the Company's issued capital.

LETTER TO SHAREHOLDERS

Where the consideration paid by the Company for the Share Buy-Back is out of the profits of the Company, such consideration (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profits proportionately by the total amount of the Purchase Price.

The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The proposed Share Buy-Back Mandate will be exercised with a view to enhance the earnings and/or NAV per Share of the Group. The financial effects presented in this Section of this Circular are based on the assumptions set out below.

Illustrative Financial Effects

As at the Latest Practicable Date, the Company has 414,912,514 issued Shares. On this basis and assuming no further Shares are issued on or prior to the EGM, the purchase by the Company of 10% of its issued Shares will result in the purchase of 41,491,251 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 41,491,251 Shares at the Maximum Price of S\$0.1554 each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 41,491,251 Shares is S\$6.4 million (or RMB31.6 million).

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 41,491,251 Shares at the Maximum Price of S\$0.1776 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 41,491,251 Shares is S\$7.4 million (or RMB36.1 million).

For illustrative purposes only and on the basis of the assumptions set out above and assuming the purchase of Shares is funded wholly by internal resources and is paid out of capital, the financial effects of:-

- (i) the acquisition of 10% Shares by the Company in (a) a Market Purchase; or (b) an Off-Market Purchase, pursuant to the Share Buy-Back Mandate, by way of purchases made entirely out of capital and held as Treasury Shares; and
- (ii) the acquisition of 10% Shares by the Company in (a) a Market Purchase; or (b) an Off-Market Purchase, pursuant to the Share Buy-Back Mandate, by way of purchases made entirely out of capital and cancelled;

on the announced (unaudited) financial results of the Group and Company for FY2010, are set out below:-

LETTER TO SHAREHOLDERS

(i) ***Purchases made entirely out of capital and held as Treasury Shares***

(a) ***Market Purchases***

RMB'000	Group		Company	
	Before Buy-Back	After Buy-Back	Before Buy-Back	After Buy-Back
Share Capital	239,159	239,159	239,159	239,159
Treasury Shares	-	(31,607)	-	(31,607)
Reserves	294,836	294,836	(12,272)	(12,272)
Total Equity	533,995	502,388	226,887	195,280
Net Asset Value	533,995	502,388	226,887	195,280
Cash & Cash Equivalent	176,001	144,394	983	(30,624)
Current Assets	511,254	479,647	188,996	157,389
Current Liabilities	73,097	73,097	11,175	11,175
Number of Shares ('000)	414,913	414,913	414,913	414,913
Financial Ratios				
NAV per Share (RMB cents)	128.70	121.08	54.68	47.07
Gearing Ratio	-	-	-	-
Working Capital Ratio	6.99	6.56	16.91	14.08
EPS (RMB cents)	23.29	23.29	0.51	0.51

(b) ***Off-Market Purchases***

RMB'000	Group		Company	
	Before Buy-Back	After Buy-Back	Before Buy-Back	After Buy-Back
Share Capital	239,159	239,159	239,159	239,159
Treasury Shares	-	(36,122)	-	(36,122)
Reserves	294,836	294,836	(12,272)	(12,272)
Total Equity	533,995	497,873	226,887	190,765
Net Asset Value	533,995	497,873	226,887	190,765
Cash & Cash Equivalent	176,001	139,879	983	(35,139)
Current Assets	511,254	475,132	188,996	152,874
Current Liabilities	73,097	73,097	11,175	11,175
Number of Shares ('000)	414,913	414,913	414,913	414,913
Financial Ratios				
NAV per Share (RMB cents)	128.70	119.99	54.68	45.98
Gearing Ratio	-	-	-	-
Working Capital Ratio	6.99	6.50	16.91	13.68
EPS (RMB cents)	23.29	23.29	0.51	0.51

LETTER TO SHAREHOLDERS

(ii) **Purchases made entirely out of capital and cancelled**

(a) Market Purchases

RMB'000	Group		Company	
	Before Buy-Back	After Buy-Back	Before Buy-Back	After Buy-Back
Share Capital	239,159	207,552	239,159	207,552
Treasury Shares	-	-	-	-
Reserves	294,836	294,836	(12,272)	(12,272)
Total Equity	533,995	502,388	226,887	195,280
Net Asset Value	533,995	502,388	226,887	195,280
Cash & Cash Equivalent	176,001	144,394	983	(30,624)
Current Assets	511,254	479,647	188,996	157,389
Current Liabilities	73,097	73,097	11,175	11,175
Number of Shares ('000)	414,913	373,422	414,913	373,422
Financial Ratios				
NAV per Share (RMB cents)	128.70	134.54	54.68	52.29
Gearing Ratio	-	-	-	-
Working Capital Ratio	6.99	6.56	16.91	14.08
EPS (RMB cents)	23.29	25.88	0.51	0.57

(b) Off-Market Purchases

RMB'000	Group		Company	
	Before Buy-Back	After Buy-Back	Before Buy-Back	After Buy-Back
Share Capital	239,159	203,037	239,159	203,037
Treasury Shares	-	-	-	-
Reserves	294,836	294,836	(12,272)	(12,272)
Total Equity	533,995	497,873	226,887	190,765
Net Asset Value	533,995	497,873	226,887	190,765
Cash & Cash Equivalent	176,001	139,879	983	(35,139)
Current Assets	511,254	475,132	188,996	152,874
Current Liabilities	73,097	73,097	11,175	11,175
Number of Shares ('000)	414,913	373,422	414,913	373,422
Financial Ratios				
NAV per Share (RMB cents)	128.70	133.33	54.68	51.09
Gearing Ratio	-	-	-	-
Working Capital Ratio	6.99	6.50	16.91	13.68
EPS (RMB cents)	23.29	25.88	0.51	0.57

The financial effects set out above are for illustrative purposes only. Although the Share Buy-Back Mandate would authorise the Company to purchase up to 10% of the issued Shares, the Company may not necessarily purchase or be able to purchase the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

LETTER TO SHAREHOLDERS

3.7 Taxation

Pursuant to Sections 10I and 10J of the Income Tax Act, Chapter 134 of Singapore (the “**Income Tax Act**”), where a company buys back its own shares and makes payment out of its contributed capital, it will not be regarded as a payment of dividend but a return of capital. Where a company buys back its own shares using its distributable profits, it is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

Share Buy-Backs using contributed capital

The Share Buy-Back made out of contributed capital may be undertaken through a Market Purchase or an Off-Market Purchase. The proceeds received by the Shareholders from a Share Buy-Back regardless of whether via a Market Purchase or an Off-Market Purchase will be treated as a disposal of Shares. The taxability of the proceeds will depend on whether the receipts are capital or revenue in nature.

Share Buy-Backs using distributable profits

In relation to a Market Purchase, in the case of the Company (since it is listed on the SGX-ST), the Company may apply to the SGX-ST for a special trading counter for the purposes of effecting the Market Purchase, subject to approval being obtained from Shareholders for the Share Buy-Back Mandate at the EGM.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the special trading counter set up on the SGX-ST will, subject to the fulfillment of certain conditions by the Shareholders, be treated for income tax purposes, in the hands of the Shareholders as the receipt of a dividend. This dividend is exempt from tax under the one-tier corporate tax system which became effective on 1 January 2003. Under the one-tier corporate system, resident companies pay a final income tax on their corporate profits and any distributions of dividends from their corporate profits will be exempt from tax in the hands of its shareholders.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the normal ready counters will be treated for income tax purposes like any other disposal of shares and not as a dividend. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipt of an income or a capital nature.

Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase in accordance with the equal access scheme authorized by the Company, and such Shareholders are not transferees to whom Section 10N of the Income Tax Act applies, such proceeds will be treated for income tax purposes as the receipt of dividends and therefore exempt from tax in the hands of the Shareholders.

The above statements are general in nature and are based on certain aspects of current tax laws in Singapore which are in force as of the date of this letter and are subject to any changes in such laws, or in the interpretation of these laws occurring after the date of this letter, which changes could be made on a retroactive basis. These statements should not be regarded as a comprehensive description of all the tax considerations that may be relevant to a decision to vote in favour of or against the Share Buy-Back Mandate.

Shareholders should note that the foregoing statements are not to be regarded as advice on the tax position of any Shareholder or on any tax implications arising from the Share Buy-Back Mandate. Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisors.

LETTER TO SHAREHOLDERS

3.8 Reporting requirements under the Act

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA.

Within 30 days of a purchase of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as Treasury Shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

3.9 Listing Manual

Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term average closing market price is defined as the average of the closing market prices of shares over the last 5 market days, on which transactions in the shares were recorded, before the day on which purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 3.3.4 of this Circular, conforms to this restriction.

Additionally, the Listing Manual also specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:-

- (i) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares; and
- (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement shall include *inter alia*, details of the total number of shares authorised for purchase, the date of purchase, the total number of shares purchased, the purchase price per share or (in the case of Market Purchases) the purchase price per share or the highest price and lowest price per share, the total consideration paid for the shares and the number of issued shares after purchase, in the form prescribed under the Listing Manual.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced.

Further, in conformity with the best practices on dealing with securities under the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its FY, or one month immediately preceding the announcement of the Company's annual (full-year) results respectively.

3.10 Details of Shares bought by the Company in the previous 12 months

No purchases of Shares have been made by the Company in the 12 months preceding the Latest Practicable Date.

LETTER TO SHAREHOLDERS

3.11 Listing Status on SGX-ST

As at the Latest Practicable Date, Shares representing 62.96% of the issued share capital of the Company are held in the hands of the public by an aggregate of 261,212,514 Shares. Assuming that the Company had bought back the maximum of 10% of its total number of issued Shares as at the Latest Practicable Date from members of the public by way of a Market Purchase, the percentage of Shares held by the public would be approximately 58.84%.

The Listing Manual provides that a listed company shall ensure that at least 10% of a class of its listed securities is at all times held by the public. The Directors are of the view that there is at present a sufficient number of the Shares in public hands as would permit the Company to potentially undertake buy-backs of its Shares up to the full 10% limit pursuant to the Share Buy-Back Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading.

The Directors will use their best efforts to ensure that the Company does not effect Share Buy-Backs if such Share Buy-Backs would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company.

3.12 Take-over implications under the Take-over Code

Appendix 2 of the Take-over Code (“**Appendix 2**”) contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any Share Buy-Back by the Company are set out below.

Obligation to Make a Take-over Offer

Pursuant to Appendix 2, an increase of a Shareholder’s proportionate interest in the voting rights of the Company resulting from a Share Buy-Back by the Company will be treated as an acquisition for the purposes of Rule 14 of the Takeover Code (“**Rule 14**”).

Under Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory takeover offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company’s voting rights, increase their voting rights in the Company by more than 1% in any period of 6 months.

Consequently, a Shareholder or a group of Shareholders acting in concert could, depending on the level of increase in his or their interest in the Company, become obliged to make a mandatory offer in accordance with Rule 14 as a result of the Company’s purchase or acquisition of Shares.

Persons Acting in Concert

Under the Takeover Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the Takeover Code presumes, *inter alia*, the following persons to be acting in concert with each other:

- I. a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;
- II. a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

LETTER TO SHAREHOLDERS

- III. a company with any of its pension funds and employee share schemes;
- IV. a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- V. a financial or other professional adviser, including a stock broker, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total over 10% or more of the client's equity share capital;
- VI. directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- VII. partners; and
- VIII. an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions and companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors, and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a Share Buy-Back are set out in Appendix 2.

In general terms, the effect of Appendix 2 is that:

- (a) unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by 1% in any period of 6 months;
- (b) a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1 % in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a takeover offer under the Take-over Code as a result of Share Buy-Backs by the Company pursuant to the Share Buy-Back Mandate are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity before they acquire any Shares in the Company during the period when the Share Buy-Back Mandate is in force.

The interests of the Directors and substantial Shareholders of the Company as at the Latest Practicable Date are set out in paragraph 3.15 of this Circular.

LETTER TO SHAREHOLDERS

3.13 SIC Rulings in connection with the Proposed Share Buy-Back Mandate

As per the Company's disclosure at the time that the Existing Share Buy-Back Mandate was renewed and approved, Mr Lin Jiancheng, its founder, Executive Chairman and CEO, had, on 21 May 2009, purchased 120,325,000 Shares, representing approximately 29.0% of the issued and paid up share capital of the Company, through his wholly-owned company, Sunny Joy Limited, from Hero Win Group Limited.

Details of Mr Lin Jiancheng's and Sunny Joy Limited's respective interests in the shareholding of the Company are set out below and on page 22 of this Circular.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders' and on information provided to the Company, as at the Latest Practicable Date, and as at the date of the EGM (on the assumption that the voting rights will not change between the Latest Practicable Date and the date of the EGM), the respective interests and voting rights of Mr Lin Jiancheng and Sunny Joy Limited before and after the purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate, assuming (a) the Company purchases the maximum amount of 10% of the total number of issued Shares and (b) there is no change in the number of Shares held by Mr Lin Jiancheng or Sunny Joy Limited, will be as follows:-

	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total Interest before Share Buy-Back		Total Interest after Share Buy-Back	
			No. of Shares	%	No. of Shares	%
Lin Jiancheng	1,200,000	120,325,000 ⁽¹⁾	121,525,000	29.3	121,525,000	32.5
Sunny Joy Limited	120,325,000	-	120,325,000	29.0	120,325,000	32.2

Note:-

- (1) Mr Lin Jiancheng is deemed to have an interest in these shares, which are held by his wholly-owned company, Sunny Joy Limited.

Under the Code, Mr Lin Jiancheng and Sunny Joy Limited may be deemed to be parties acting in concert for the purpose of the Share Buy-Back Mandate. In the event that the Company undertakes Share Buy-Backs of up to 10% of the total number of issued Shares as permitted by the Share Buy-Back Mandate, the total interest of Mr Lin Jiancheng and Sunny Joy Limited acting as parties in concert may be increased to 30% or more as a result of the Share Buy-Backs undertaken by the Company. As a consequence, Mr Lin Jiancheng and Sunny Joy Limited acting as parties in concert may be required to make an offer to the other Shareholders under Rule 14.

The Company had, on 21 May 2009 written to the SIC in respect of the obligations of Mr Lin Jiancheng and Sunny Joy Limited acting as parties in concert to make an offer under Rule 14 of the Take-over Code in the event that their voting rights in the Company increased to 30% or more as a result of a Share Buy-Back pursuant to the Share Buy-Back Mandate.

LETTER TO SHAREHOLDERS

The SIC had, in their letter of 8 June 2010, ruled that:

- (a) Mr Lin Jiancheng and Sunny Joy Limited are deemed to be parties acting in concert under the Code for the purpose of the Share Buy-Back Mandate;
- (b) the requirement for Mr Lin Jiancheng and Sunny Joy Limited acting as parties in concert to make a general offer for the Company in the event that their aggregate voting rights in the Company increases to 30% or more as a result of the Share Buy-Backs shall be waived, subject to the following conditions:-
 - I. the circular to Shareholders in respect of the renewal of the Share Buy-Back Mandate contains advice to the effect that by voting for the Share Buy-Back Mandate, Shareholders are waiving their right to a general offer at the required price from Mr Lin Jiancheng and Sunny Joy Limited acting as parties in concert and discloses details of Mr Lin Jiancheng's and Sunny Joy Limited's voting rights at the time of the EGM and after the Share Buy-Backs;
 - II. the resolution to authorise the renewal of the Share Buy-Back Mandate is approved by a majority of those Shareholders present and voting at the EGM, on a poll, who could not become obliged to make an offer as a result of the Share Buy-Backs;
 - III. Mr Lin Jiancheng and/or Sunny Joy Limited shall abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to authorise the renewal of the Share Buy-Back Mandate;
 - IV. Mr Lin Jiancheng and/or Sunny Joy Limited shall not have acquired and shall not acquire any Shares between the date on which they know that the announcement of the Share Buy-Back proposal is imminent and the earlier of:-
 - the date on which the authority of the renewed Share Buy-Back Mandate expires; and
 - the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be;

if such acquisitions, taken together with the Share Buy-Backs, would cause their aggregate voting rights to increase to 30% or more.

Shareholders should note that by voting for the renewal of the Share Buy-Back Mandate, they are waiving their rights to a take-over offer by Mr Lin Jiancheng and Sunny Joy Limited in the circumstances set out above. Such a take-over offer, if required to be made and had not been exempted by SIC, would have to be made in cash or be accompanied by a cash alternative at not less than the highest price (excluding related expenses) paid by Mr Lin Jiancheng, Sunny Joy Limited or by the Company for any Share within the preceding six months.

Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the proposed Share Buy-Back Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

LETTER TO SHAREHOLDERS

3.14 No Previous Purchase of Shares

The Company has not undertaken any purchase or acquisition of Shares pursuant to the Existing Share Buy-Back Mandate approved by Shareholders at the Last General Meeting in the last 12 months immediately preceding the Latest Practicable Date.

3.15 Directors' and Substantial Shareholders' Interests

The interests of the Directors and Substantial Shareholders in the Shares as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders respectively as at the Latest Practicable Date are set out below:-

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors						
Lin Jiancheng ⁽¹⁾	1,200,000	0.3	120,325,000	29.0	121,525,000	29.3
Ye Sanzhi	32,175,000	7.8	-	-	32,175,000	7.8
Substantial Shareholder⁽²⁾						
Sunny Joy Limited ⁽³⁾	120,325,000	29.0	-	-	120,325,000	29.0

Notes:-

- (1) Mr Lin Jiancheng is deemed to be interested in the Shares held by Sunny Joy Limited by virtue of Section 7 of the Act.
- (2) Excluding Mr Ye Sanzhi who is listed under the section relating to the Directors.
- (3) Sunny Joy Limited is an investment holding company incorporated in British Virgin Islands. It is wholly-owned by Mr Lin Jiancheng.

Save for their respective interests in the Company, if any, none of the Directors or the Substantial Shareholders has any direct or indirect interest in the proposed Share Buy-Back Mandate.

3.16 Directors' recommendations

The Directors, save for Mr Lin Jiancheng, are of the opinion that the proposed Share Buy-Back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Resolution, being the Ordinary Resolution relating to the proposed renewal of the Share Buy-Back Mandate.

4. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 24 to 26 of this Circular, is being convened to be held on Tuesday, 27 July 2010, at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held on the same day and at the same place) for the purpose of considering and, if thought fit, passing the Ordinary Resolution set out in the Notice of the EGM.

LETTER TO SHAREHOLDERS

5. ACTION TO BE TAKEN BY SHAREHOLDERS

5.1 Appointment of Proxies

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not later than 48 hours before the time fixed for the EGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes.

5.2 When Depositor Regarded as Shareholder

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

6. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, during normal business hours, from the date of this Circular up to the date of the EGM:-

- (a) the annual report of the Company for the financial year ended 31 March 2010; and
- (b) the Memorandum and Articles of Association of the Company.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate and that there are no material facts the omission of which would make any statement in this Circular misleading.

Yours faithfully,
For and on behalf of the Board of Directors

Lin Jiancheng
Executive Chairman & CEO
China Eratat Sports Fashion Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

CHINA ERATAT SPORTS FASHION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200705552D)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of the Members of **CHINA ERATAT SPORTS FASHION LIMITED** (the “**Company**”) will be held on Tuesday, 27 July 2010 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without any modification, the following Resolutions:–

Special Resolution (By Taking of a Poll)

THE PROPOSED CHANGE OF NAME OF THE COMPANY

THAT :-

- (a) the name of the Company be and is hereby changed from “China Eratat Sports Fashion Limited” to “Eratat Lifestyle Limited” and that the name “Eratat Lifestyle Limited” be substituted for “China Eratat Sports Fashion Limited” wherever the name appears in the Memorandum and Articles of Association of the Company; and
- (b) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to this Special Resolution.

Ordinary Resolution (By Taking of a Poll)

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

THAT:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (“**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-
 - (i) market purchases (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“SGX-ST”); and/or
 - (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable (the “**Share Buy-Back Mandate**”);

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy-Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:-
- (i) the date on which the next annual general meeting of the Company (“**AGM**”) is held or is required by law to be held;
 - (ii) the date on which the Share Buy-Backs are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked;

- (d) for purposes of this Resolution:-

“**Prescribed Limit**” means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

“**Relevant Period**” means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

“**Maximum Price**” in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:-

- (i) in the case of a Market Purchase: 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:-

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

“**Day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“**Market day**” means a day on which the SGX-ST is open for trading in securities; and

- (e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

By Order of the Board

Tan Cher Liang
Company Secretary

5 July 2010

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:-

1. A member of the Company entitled to attend and vote at the EGM of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy shall be deemed to be treated as representing 100% of the shareholding and any named second proxy as an alternate to the first named proxy or at the Company's option to treat the instrument of proxy as invalid.
3. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore to attend and vote for and on behalf of such corporation.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.
5. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for holding the EGM of the Company.

PROXY FORM

CHINA ERATAT SPORTS FASHION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200705552D)

IMPORTANT:

1. For investors who have used their CPF monies to buy CHINA ERATAT SPORTS FASHION LIMITED's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Extraordinary General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, _____ (Name)

of _____ (Address)

being a member/members of CHINA ERATAT SPORTS FASHION LIMITED (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons referred to above, the Chairman of the EGM as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held on 27 July 2010 at 10.30 a.m., and at any adjournment thereof.

I/We have indicated with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting.

		TO BE USED IN THE POLL	
		Number of Votes For*	Number of Votes Against*
SPECIAL RESOLUTION			
1.	To approve the change of name of the Company		
ORDINARY RESOLUTION			
1.	To approve the proposed renewal of the Share Buy-Back Mandate		

* If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2010

*Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder*

Total Number of Shares in:		
(a)	CDP Register	
(b)	Register of Members	

Important: Please read notes on the reverse side

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of Shares.

If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy shall be deemed to be treated as representing 100% of the shareholding and any named second proxy as an alternate to the first named proxy or at the Company's option to treat the instrument of proxy as invalid.
4. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore to attend and vote for and on behalf of such corporation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Extraordinary General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting of the Company.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are deposited with The Central Depository (Pte) Limited, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.