



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

UNAUDITED RESULTS FOR THE NINE MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2008

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS

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

	Third Quarter Ended on			Nine Months Period Ended on		
	31/12/2008	31/12/2007	Change	31/12/2008	31/12/2007	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	227,587	121,108	87.9%	610,248	317,599	92.1%
Cost of sales	(157,663)	(83,957)	87.8%	(424,896)	(221,948)	91.4%
Gross profit	69,924	37,151	88.2%	185,352	95,651	93.8%
Other income	7,320	-	n.m.	7,041	500	1308.2%
Selling and distribution expenses	(24,247)	(12,646)	91.7%	(56,865)	(28,226)	101.5%
Administrative expenses	(7,866)	(2,547)	208.8%	(20,814)	(6,910)	201.2%
Other operating expenses	-	-	n.m.	-	(154)	n.m.
Finance income	365	14	2507.1%	843	31	2619.4%
Finance costs	-	(356)	n.m.	-	(1,527)	n.m.
Profit before income tax	45,496	21,616	110.5%	115,557	59,365	94.7%
Income tax	(5,258)	(2,426)	116.7%	(14,699)	(7,062)	108.1%
Profit after income tax	40,238	19,190	109.7%	100,858	52,303	92.8%

"n.m." denotes "not meaningful"

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

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

	Third Quarter Ended on			Nine Months Period Ended on		
	31/12/2008	31/12/2007	Change	31/12/2008	31/12/2007	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest income	(365)	(14)	n.m.	(843)	(31)	2619.4%
Interest on borrowings	-	356	n.m.	-	1,527	n.m.
Depreciation of property, plant and equipment	1,093	301	263.1%	2,692	870	209.4%
Amortisation of land use rights	130	130	0.0%	390	274	42.3%
Government subsidies received	-	-	n.m.	-	(500)	n.m.
Foreign exchange gain, net	(7,320)	-	n.m.	(7,041)	-	n.m.
Loss on disposal of property, plant and equipment	-	-	n.m.	-	154	n.m.

"n.m." denotes "not meaningful"

Notes:

- Interest income increased during the nine months financial period ended on 31 December 2008 ("**FY093Q**") mainly attributed to higher cash at bank balance.
 - Interest on borrowings decreased as there were no bank borrowings during FY093Q.
 - The increase in depreciation of property, plant and equipment and amortisation of land use rights was mainly attributable to the additional assets from the acquisition of Quangang Hongli as a result of a restructuring exercise as described in item 3 below.
 - There was no subsidy received during FY093Q.
 - Foreign exchange gain (net) of RMB7.3 million during the third quarter arose from revision of translation exchange rate due to appreciation of Renminbi against Singapore dollars.
- The Company was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 17 April 2008.
 - The Company and its subsidiary companies, collectively known as the "**Group**", was formed as a result of a restructuring exercise as described in the Company's prospectus dated 8 April 2008 (the "**Restructuring Exercise**").

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	GROUP		COMPANY	
	31/12/2008	31/03/2008	31/12/2008	31/03/2008
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets				
Property, plant and equipment	73,320	55,439	24	16
Land use rights	23,104	23,494	-	-
Investment in subsidiaries	-	-	48,560	47,215
Goodwill	1,759	1,759	-	-
	<u>98,183</u>	<u>80,692</u>	<u>48,584</u>	<u>47,231</u>
Current Assets				
Inventories	44,424	17,742	-	-
Trade receivables	172,281	90,279	-	-
Other receivables	46,972	14,838	15	7,218
Amounts due from subsidiaries	-	-	177,990	22,570
Cash and bank balances	132,711	4,547	8,879	543
	<u>396,388</u>	<u>127,406</u>	<u>186,884</u>	<u>30,331</u>
Total Assets	<u>494,571</u>	<u>208,098</u>	<u>235,468</u>	<u>77,562</u>
Equity				
Share capital	239,159	68,991	239,159	68,991
Reserves	186,939	94,698	(14,129)	(2,290)
	<u>426,098</u>	<u>163,689</u>	<u>225,030</u>	<u>66,701</u>
Current Liabilities				
Trade and bills payables	32,913	16,695	-	-
Other payables	30,303	19,490	1,176	2,609
Amounts due to subsidiaries	-	-	9,262	8,252
Dividends payable	-	6,000	-	-
Provision for income tax	5,257	2,224	-	-
	<u>68,473</u>	<u>44,409</u>	<u>10,438</u>	<u>10,861</u>
Total Liabilities	<u>68,473</u>	<u>44,409</u>	<u>10,438</u>	<u>10,861</u>
Total Equity and Liabilities	<u>494,571</u>	<u>208,098</u>	<u>235,468</u>	<u>77,562</u>

Analysis of balance sheets

A. The Group

1. The increase in property, plant and equipment was due to addition of new footwear production machinery in our effort to increase production capacities as part of our expansion plan.
2. The increase in inventories was mainly due to increase in raw material inventory in anticipation of the Group's increase in sales activities.
3. The increase in other receivables was mainly attributed to prepayment of advertising and promotion expenses.
4. The increase in cash and bank balances and share capital was mainly resulted from the IPO net proceeds received of about RMB170.2 million.
5. The increases in trade, bills and other payables were in line with the Group's increase in sales activities.

B. The Company

1. Investment in subsidiaries increased by RMB1.4 million as the Company has completed its increase in registered capital of its wholly owned subsidiary, Fujian Haimingwei Shoes Co., Ltd (福建海明威鞋业有限公司) ("**Haimingwei**") in August 2008. The purpose of the capital increase was to extend the company's registered business to include design, manufacturing and distribution of apparels. The capital increase is funded internally and the Company's interest in Haimingwei remains unchanged at 100%.
2. Other receivables which were substantially related to legal and professional expenses incurred for the Company's IPO listing exercise, had been offset against the proceeds from the IPO during the current reporting period after the Company listed successfully on the Mainboard of SGX-ST on 17 April 2008.
3. The amounts due from subsidiaries are mainly advances to subsidiaries for working capital purposes. The amounts due are unsecured, interest free and repayable on demand.

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

	<u>31/12/2008</u>		<u>31/03/2008</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Borrowings and debt securities</i>				
• Amount repayable in one year or less, or on demand				
(i) Bills payable	-	-	1,900	-
• Amount repayable after one year	-	-	-	-

Details of any collaterals

The bills payable were secured by pledged bank deposits with the bank.

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

	Nine Months Period Ended on	
	31/12/2008	31/12/2007
	RMB'000	RMB'000
Cash flows from operating activities :		
Profit before income tax	115,557	59,365
Adjustments for :		
Interest income	(843)	(31)
Interest expense	-	1,527
Depreciation of property, plant and equipment	2,692	870
Amortisation of land use rights	390	274
Loss on disposal of property, plant and equipment	-	154
Exchange difference arising from consolidation	(8,617)	293
Operating cash flows before movements in working capital	109,179	62,452
Inventories	(26,682)	431
Trade and other receivables	(114,136)	(85,549)
Due to directors	-	7,469
Trade and other payables	27,031	83,632
Cash used in operations	(4,608)	68,435
Income tax paid	(11,666)	(11,195)
Net cash (used in)/generated from operating activities	(16,274)	57,240
Cash flows from investing activities :		
Interest received	843	31
Purchase of property, plant and equipment	(8,595)	(11,108)
Construction-in-progress	(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)
Net cash used in investing activities	(19,730)	(46,235)

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

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP	Share capital RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
Balance at 1 April 2007	5	7,557	24,153	-	(1,446)	30,269
Profit for the period	-	-	-	-	52,303	52,303
Exchange difference arising from consolidation recognised directly in equity	-	-	-	293	-	293
Total recognised income for the year	-	-	-	293	52,303	52,596
Appropriation to statutory reserve	-	3,400	-	-	(3,400)	-
New shares issued by subsidiary prior to Restructuring Exercise	-	-	2,108	-	-	2,108
New shares issued	23,716	-	-	-	-	23,716
Dividends waived	-	-	-	-	15,828	15,828
Adjustments pursuant to the Restructuring Exercise	-	-	(23,716)	-	-	(23,716)
Balance at 31 December 2007	23,721	10,957	2,545	293	63,285	100,801
Balance at 1 April 2008	68,991	10,957	2,545	60	81,136	163,689
Profit for the period	-	-	-	-	100,858	100,858
Exchange difference arising from consolidation recognised directly in equity	-	-	-	(8,617)	-	(8,617)
Total recognised income for the period	-	-	-	(8,617)	100,858	92,241
New shares issued	170,168	-	-	-	-	170,168
Balance at 31 December 2008	239,159	10,957	2,545	(8,557)	181,994	426,098
COMPANY						
Balance at 3 April 2007 (date of incorporation)	5	-	-	-	-	5
Loss for the period	-	-	-	-	(218)	(218)
New shares issued	23,716	-	-	-	-	23,716
Balance at 31 December 2007	23,721	-	-	-	(218)	23,503
Balance at 1 April 2008	68,991	-	-	-	(2,290)	66,701
Loss for the period	-	-	-	-	(3,062)	(3,062)
Exchange difference arising from consolidation recognised directly in equity	-	-	-	(8,777)	-	(8,777)
	-	-	-	(8,777)	(3,062)	(11,839)
New shares issued	170,168	-	-	-	-	170,168
Balance at 31 December 2008	239,159	-	-	(8,777)	(5,352)	225,030

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 April 2008	290,029,357	13,596	68,991
New Shares issued pursuant to the IPO	124,883,157	34,051	170,168
Share capital after the IPO and as at 31 December 2008	<u>414,912,514</u>	<u>47,647</u>	<u>239,159</u>

The Company was listed on the Mainboard of SGX-ST on 17 April 2008 with the issue of 124,883,157 new ordinary shares of the Company at S\$0.30 per share during its initial public offer ("IPO"). The resultant issued number of ordinary shares subsequent to the IPO amounted to 414,912,514.

The Company does not have any treasury shares.

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	
	31/12/2008	31/03/2008	31/12/2008	31/03/2008
Number of issued shares	<u>414,912,514</u>	<u>290,029,357</u>	<u>414,912,514</u>	<u>290,029,357</u>

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 as the most recently audited financial statements for the financial year ended 31 March 2008.

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*

There are no changes to the accounting policies and methods of computation.

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:-*

(a) Based on the weighted average number of ordinary shares on issue; and

(b) On a fully diluted basis (detailing any adjustments made to the earnings)

	Financial Period Ended on	
	31/12/2008	31/12/2007
Profit attributable to shareholders of the Company (RMB'000)	100,858	52,303
Weighted average number of ordinary shares in issue for basic EPS	407,646,585	290,029,357
Earnings per share (RMB cents)		
- Basic	24.74	18.03

The calculation of the basic earnings per share for the previous reporting period (i.e. FY083Q) is based on the combined profits attributable to shareholders of the Company for the relevant financial period on the assumption that pre-invitation share capital of 290,029,357 ordinary shares were assumed to be in issue throughout the entire period presented.

Diluted earnings per share is not presented as there is no potential dilutive ordinary share existing during the relevant financial periods 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	
	31/12/2008	31/03/2008	31/12/2008	31/03/2008
Net assets (RMB'000)	426,098	163,689	225,030	66,701
Number of shares	414,912,514	290,029,357	414,912,514	290,029,357
Net assets value per share (RMB cents)	102.70	56.44	54.24	23.00

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

Our performance for the three quarters financial period ended on 31 December 2008 ("FY093Q") surpassed that of the entire financial year that ended on 31 March 2008 ("FY2008"). In FY2008, we recorded a revenue of RMB453.0 million and net profit after income tax of RMB70.2 million, while in FY093Q we recorded RMB610.2 million and RMB100.9 million respectively.

Revenue

During FY093Q, our revenue increased by RMB292.6 million or 92.1% from RMB317.6 million in FY083Q to RMB610.2 million in FY093Q.

	FY093Q	FY083Q	Change	
	RMB mil	RMB mil	RMB mil	%
Footwear	410.6	206.4	204.2	98.9%
Apparel	199.6	111.2	88.4	79.5%
	<u>610.2</u>	<u>317.6</u>	292.6	92.1%

The increase in revenue was contributed by:

- (i) an increase in revenue contribution of RMB204.2 million or 98.9% from our sports footwear segment from RMB206.4 million in FY083Q to RMB410.6 million in FY093Q; and
- (ii) an increase of RMB88.4 million or 79.5% in revenue from our sports apparel segment from RMB111.2 million in FY083Q to RMB199.6 million in FY093Q.

The increase in revenue was due mainly to higher sales of both product segments achieved in FY093Q as a result of increasing consumer demand in the PRC and the success of our product development and marketing efforts and sales strategies to further penetrate into our existing and new markets. Accordingly, we significantly expanded our distribution network to increase the number of retail locations of our ERATAT products from 1471 retail locations (comprising 1430 via PRC Distributors and 41 via direct sales to retailers) as at the end of FY2008 to 1655 retail locations (comprising 1600 via PRC Distributors and 55 via direct sales to retailers) as at the end of FY093Q.

Profitability

In line with the 92.1% increase in our revenue during FY093Q, our cost of sales also increased by RMB202.9 million or 91.4% from RMB221.9 million in FY083Q to RMB424.8 million in FY093Q.

Our gross profit increased by RM89.7 million or 93.8% from RMB95.7 million in FY083Q to RMB185.4 million in FY093Q, while overall gross profit margin increased marginally from 30.1% in FY083Q to 30.4% in FY093Q. This was mainly due to improvement in gross profit margin of footwear as about 22% of our footwear in FY093Q was outsourced to third party manufacturers in PRC, as compared to about 35% in FY083Q.

The selling and distribution expenses, which represented about 9.3% (FY083Q: 8.9%) of the overall revenue, increased by RMB28.6 million or 101.5% from RMB28.2 million in FY083Q to RMB56.8 million in FY093Q. The increase in selling and distribution expenses was mainly attributable to an increase in advertising and promotional expenses, which was caused by our increased marketing and sales activities, leading to higher sales volumes in FY093Q as aforesaid.

The administrative expenses, which represented about 3.4% (FY083Q: 2.2%) of the overall revenue, increased by RMB13.9 million or 201.2% from RMB6.9 million in FY083Q to RMB20.8 million in FY093Q. The increase was mainly due to an increase in staff and administrative related expenses to meet the needs of our increased business activities as aforesaid. In addition, the Company incurred expenses such as audit fees and director fees for the current financial period.

Other operating expenses of RMB154,000 in the last financial period was related to loss on disposal of plant and equipment, and there was no such expenses in the current financial period.

Finance income and other income

The finance income increased by RMB812,000 from RMB31,000 in FY083Q to RMB843,000 in FY093Q, as there was higher cash balance in the bank during the current reporting period.

Other operating income in the current financial period of RMB7.0 million was due to net foreign exchange gain from revision of translation exchange rate due to appreciation of Renminbi against Singapore dollars, while RMB500,000 in the prior financial period was government subsidies in recognition of our ERATAT brand.

Finance costs

As all bank borrowings were fully repaid during FY2008, there was no interest expense incurred during the current reporting period, whereas there was RMB1.5 million in FY083Q.

Profit before income tax and profit before income tax margin

Our profit before income tax increased by RMB56.2 million or 94.7% from RMB59.4 million in FY083Q to RMB115.6 million in FY093Q. The increase in profit was in line with the higher revenues and gross profits arising from our business activities, which were offset by increases in selling and distribution expenses and administrative expenses, as aforementioned. Our profit before income tax margin increased marginally from 18.7% in FY083Q to 18.9% in FY093Q.

Taxation

Our income tax expense increased by RMB7.6 million, or 108.1%, from RMB7.1 million in FY083Q to RMB14.7 million in FY093Q. This was in line with the increase in profit before income tax as aforementioned.

Use of IPO Proceeds

	Intended use as per Prospectus dated 8 April 2008		Utilised as at 31 December 2008	Unutilised Balance
	SGD mil	RMB mil	RMB mil	RMB mil
Expansion of production capacities and facilities	10.0	50.8	27.2	23.6
Expansion of market presence and distribution network	3.0	15.2	11.2	4.0
Strengthen of ERATAT brand image and recognition	3.0	15.2	15.2	-
Enhance product development capabilities and expand existing range of ERATAT products	1.0	5.1	4.4	0.7
Working capital	17.3	87.9	87.9	-
	34.3	174.2	145.9	28.3

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

No forecast had been issued for the financial period under review.

Please refer to section "Prospects and Future Plans" on pages 118 to 121 of the Company's Prospectus dated 8 April 2008 for the Company's prospect statement.

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*

The Group had in April 2008 launched the Beijing Olympics theme song called “加油中国”. This was commissioned by the Beijing Olympics Committee, with the aim of rallying the entire China population to support its Olympics athletes during the Games. The creation of this song and music video was solely sponsored by the Group. It was telecast continuously nationwide from May 2008 until the end of the Olympics in August 2008 in China over 150 television stations, 18 satellite stations, as well as in various media (such as newspapers and magazines, internet websites and radio stations) that will be covering the Beijing Olympics. The Group can also utilise the eight athletes who appeared in the music video for our own Eratat advertising and promotional activities for the next 2 years.

In line with our market strategy to capture our target customers (namely the youths and adults), we started our cooperation with Anhui TV (安徽卫视) in 2008. Together, we had jointly launched a new TV reality programme called “Eratat Mountain Climbing Show” (鳄莱特登山运动会), which was shown weekly on Anhui TV channel from July to December 2008. This programme was solely sponsored by us, to engage the TV audience to actively participate in the reality shows. Another new series called “Eratat Life Sports Show” (鳄莱特生活运动会) was launched in January 2009, and will be shown weekly from April to November 2009. Advertisements of our Eratat Brand will also be shown multiple times on the station daily to increase awareness of our brand.

We believe that such wide coverage by the media can accelerate the awareness of Eratat brand across China.

Moreover, our bi-annual trade fairs, which were held in April and September 2008, have shown encouraging response from our PRC distributors with their increasing orders. We received approximately RMB500 million worth of orders during the September trade fair, which is expected to be delivered from January to June 2009.

Barring any unforeseen circumstances, the Board of Directors is optimistic about the Group's financial performance in FY2009.

11 Dividend

(a) Any dividend declared for the current period reported on?

None.

(b) Any dividend declared for the previous corresponding period of the immediately preceding financial year?

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Not applicable.

(d) Date payable

Not applicable.

(e) Book closure date and time

Not applicable.

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

No dividend has been declared or recommended for the financial period ended on 31 December 2008.

13 Interested Person Transactions for the financial period ended 31 December 2008

There are no interested person transactions for the financial period ended 31 December 2008.

BY ORDER OF THE BOARD

Lin Jiancheng (林建程)
Executive Chairman & CEO

13 February 2009

Confirmation pursuant to the Rule 705(4) of the Listing Manual

Pursuant to SGX Listing Rule 705(4) of the Listing Manual, we, Lin Jiancheng and Ye Sanzhi, on behalf of the Board of Directors of the Company, do hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited results of the Company and of the Group for the financial period ended 31 December 2008 to be false or misleading.

ON BEHALF OF THE BOARD

Lin Jiancheng (林建程)
Executive Chairman & CEO

Ye Sanzhi (叶三支)
Director

Kim Eng Capital Pte. Ltd. ("Kim Eng") was the issue manager in the initial public offering of the Company. This announcement has been prepared and released by the Company. Kim Eng assumes no responsibility for the contents of this announcement.