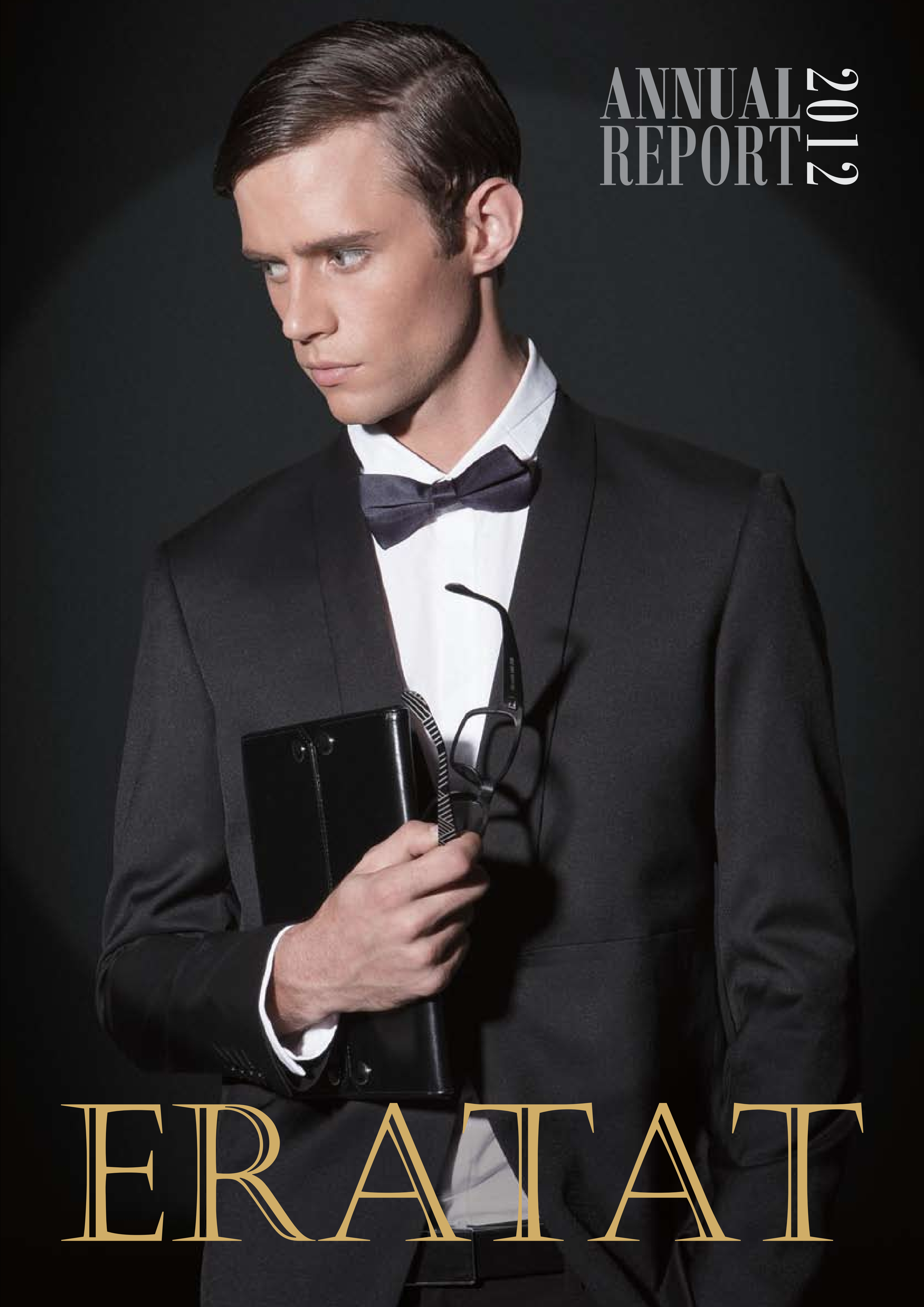


ANNUAL REPORT 2012

ERATAT

CONTENTS

CORPORATE PROFILE

Eratat Lifestyle Limited is principally engaged in the design, manufacture and distribution of lifestyle fashion footwear, and the design and distribution of lifestyle fashion apparel, marketed under our proprietary brand "**ERATAT**" (鳄莱特). With its strong focus on brand management, product development and quality, the Group's products are specially designed for a wide range of activities catering to casual lifestyle and outdoor activities, meeting the needs of our target consumers aged from 18 to 48 years old. The products are distributed through more than 800 specialty shops and shop-in-malls located in first and second tier cities in China. We are successfully listed on the Mainboard of Singapore Stock Exchange on 17 April 2008.





CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Eratat Lifestyle Limited (the "**Group**"), I am pleased to present the Group's Annual Report for the financial year ended 31 December 2012 (**"FY2012**").

BUSINESS OVERVIEW

In 2012, we have continued to fine tune our strategy for the ERATAT Brand and product mix, tailoring to meet the current market demand. This year we saw the product mix ratio of the ERATAT Brand apparel to footwear rise from 67:33 to 81:19. The footwear segment will gravitate towards becoming more accessorial as we steer and grow the ERATAT Brand into a high-end casual fashion house.

To strengthen our product design and development capabilities, we have engaged the services of Mr Vincenzo Romanelli, a well established high-end fashion designer and brand owner from Italy, as our external creative consultant. He will provide regular updates on design trends and concepts, as well as the latest trend reports concerning fabric selection, embellishments, in-season colour preferences and cutting techniques to keep our products current and relevant for our consumers.

The Group continues its focus to renew and maintain a fresh look for its retail outlets. Early 2012, we provided renovation subsidies to about 370 of our existing distributors amounting to RMB41.8 million to upgrade and reposition the retail stalls as Premium ERATAT outlets to better show case our merchandise, as the Group continues to move into higher margin apparel products.

During the year, we incorporated a wholly owned subsidiary in Shanghai, with plans in the pipeline to appoint new distributors to expand our distribution network across China. We believe that this strategic move will help us strengthen the marketing of the ERATAT Brand, as we attract new distributors to improve our domestic visibility and ultimately, driving sales.

OPERATING AND FINANCIAL PERFORMANCE

In FY2012, our revenue maintained at RMB1.0 billion, while net profit after tax decreased marginally by 3.1% to RMB141.6 million. Overall gross profit margin declined from 33.2% to 31.4%, mainly attributed to higher sales of low margin Third Party footwear, while gross profit margin of ERATAT Brand footwear and apparel maintained at 25% and 37% respectively.

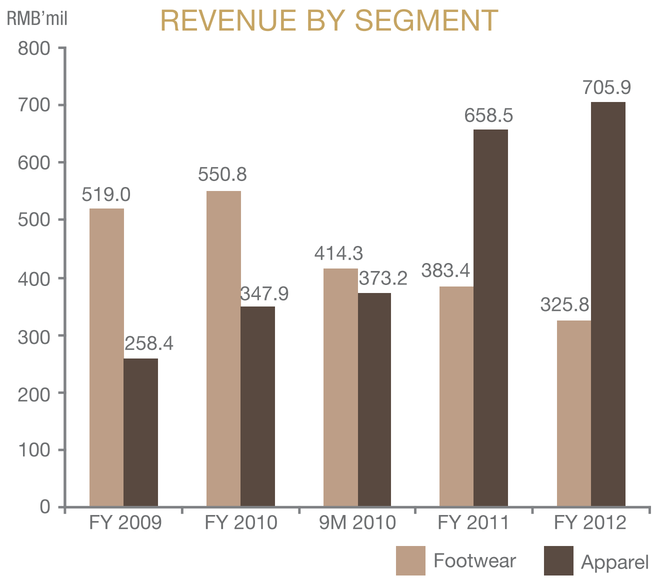
LIN JIANCHENG
EXECUTIVE CHAIRMAN & CEO

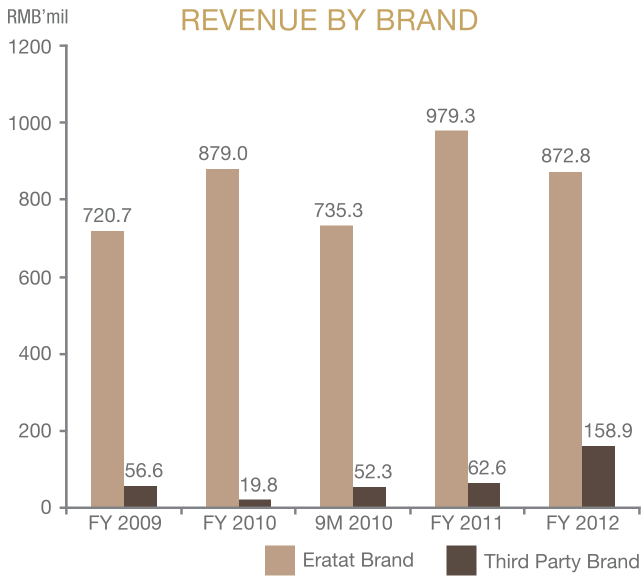
APPRECIATION

Our continued success is the direct result of our committed management team and employees. On behalf of the Board I would like to thank all for their contribution. I would also like to extend my sincere appreciation and thanks to our directors for their guidance and invaluable contribution. Needless to say, much is also owed by us to our valued customers and business associates who have supported and contributed to our ongoing success. Most of all, I wish to express my appreciation to you, our shareholders, for your continued support. I am pleased to announce that your Board has proposed a first and final dividend of RMB0.025 per share for this financial year.

OPERATIONS REVIEW

For the financial year ended 31 December 2012 ("**FY2012**"), we maintained our revenue at RMB1.0 billion with footwear sales continuing to decline while apparel sales maintaining its growth. Since our transformation to a casual lifestyle fashion business, apparel segment has become the main focus while footwear becomes accessorial. Hence, the reduction in ERATAT Brand footwear revenue is in line with our strategic product mix ratio.

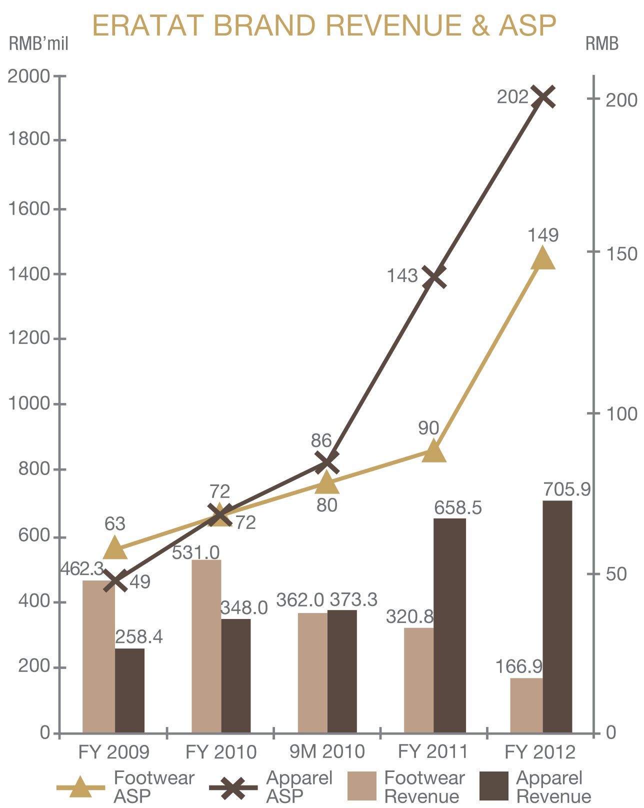


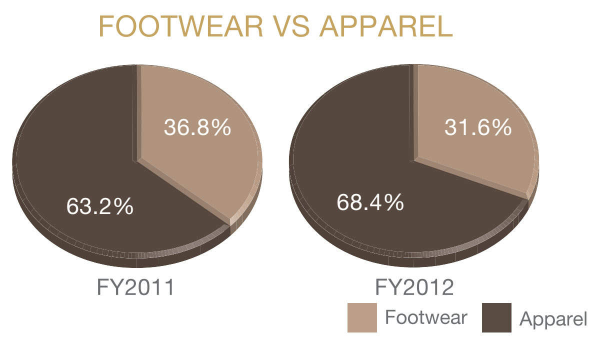


The revenue decreased marginally by 1.0% to RMB1.0 billion, which was mainly due to decrease in ERATAT Brand footwear by 48.0% to RMB166.9 million, but offset by increase in Third Party Brand footwear sales by 153.8% to RMB158.9 million and apparel sales by 7.2% to RMB705.9 million. Revenue contribution by apparel and footwear during FY2012 was 68% and 32% respectively (FY2011: 63% and 37% respectively), but if Third Party footwear sales is excluded, the ERATAT Brand product mix of apparel and footwear would have been 81% and 19% respectively (FY2011: 67% and 33% respectively). The sales of Third Party footwear will continue to fill the excess capacity of our footwear production during low production period. But this arrangement will be dependent on available orders from customer.

For FY2012, the average ex-factory selling price ("**ASP**") of ERATAT Brand footwear further increased by about 66% to RMB149 per pair, as compared to RMB90 per pair in FY2011. The improvement was mainly attributable to increase in sales of high-end ERATAT Brand footwear. For ERATAT Brand apparel, the ASP had increased by about 41% to RMB202 per piece, as compared to RMB143 per piece in FY2011.

The overall gross profit margin maintained at about 31.4% in FY2012, contributed by footwear gross profit margin of 20% (FY2011: 25%) and apparel gross profit margin of 37% (FY2011: 38%). The gross profit margin of footwear lowered because of increasing sales of Third Party Brand footwear with lower gross profit margin of about 8-10%, while ERATAT Brand footwear range from 22-26% depending on designs. The gross profit





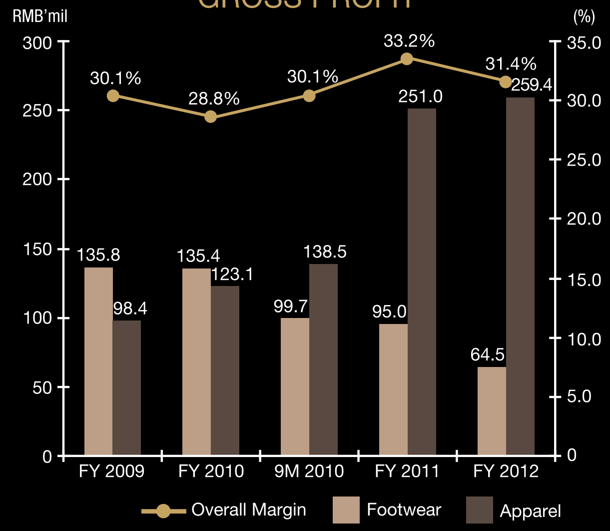
contribution from apparel increased by 3.4% to RMB259.4 million while footwear decreased by 32.2% to RMB64.5 million, resulting in an overall decrease in gross profit by 6.4% to RMB323.9 million.

The selling and distribution expenses, which represented about 9.8% (FY2011: 11.3%) of the overall revenue, decreased by 14.2% to RMB100.7 million. The decrease was mainly due to an one-off sales incentive award of RMB51.7 million that was given to our distributors in FY2011, but was offset by renovation subsidy of RMB41.8 million, as well as lower advertising expenditure being incurred. The renovation subsidy was given to distributors to upgrade about 370 of their existing shops to the ERATAT Premium shop-front image. The total amount of subsidy had been fully amortised over the first half of 2012, when the renovation of these shops were completed by 30 June 2012.

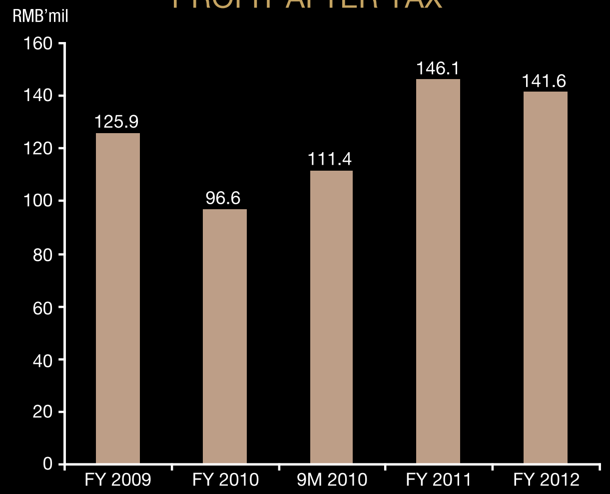
The administrative expenses, which represented about 3.2% (FY2011: 2.9%) of the overall revenue, increased by 7.3% to RMB32.8 million. The increase was mainly attributable to upward adjustments of wages and related staff costs to keep pace with the rising labour costs in China.

As a result, the net profit before income tax for FY2012 decreased by 3.3% to RMB191.3 million, and net profit after tax also correspondingly decreased by 3.1% to RMB141.6 million, as compared to RMB146.1 million in FY2011.

GROSS PROFIT



PROFIT AFTER TAX



FINANCIAL POSITIONS

The decrease in property, plant and equipment, land use rights and prepaid land lease (in current assets) was mainly due to depreciation and amortisation charged during the financial year.

The decrease in inventories was mainly due to delivery of finished goods to distributors and utilisation of raw materials as at 31 December 2012 according to the planned delivery schedule.

The trade receivables include trade receivables from customers of RMB475.5 million (FY2011: RMB442.5 million) and trade deposits paid to suppliers of RMB98.0 million (FY2011: RMB88.4 million). The trade receivables substantially comprised revenue from sales of goods, including VAT of 17% that were charged to distributors. Excluding the VAT, the trade receivables attributable to revenue as at 31 December 2012 amounted to RMB406.4 million, which was the revenue recorded from September to December 2012 (i.e. about 120 days). The trade receivable turnover days for the current reported financial year was approximately 120 days, down from 139 days in the same period last year following the conclusion of the renovation subsidies that were offset against trade receivables in the first half of the year. The trade deposits were paid to suppliers to secure supply of apparel following the orders we received for our "2013 Spring/ Summer Season", which is to be delivered from January to June 2013.

The decrease in other receivables was mainly due to prepaid advertising expenditure being expensed off as at 31 December 2012, while the increase in trade and bills payables was in line with increase in sales during the fourth quarter of FY2012.

CASH FLOWS

The Group generated a net cash inflow of RMB145.4 million (FY2011: RMB14.8 million) during the year, which was mainly due to improved collections from customers after the credit days have been normalized to 120 days. After the payment of dividends which amounted to RMB11.9 million during the third quarter of FY2012, the Group's cash and cash equivalent stood at RMB357.1 million as at 31 December 2012.

OUTLOOK

The Chinese retail market will continue to be challenging and competitive, but with the new growth strategy and barring any unforeseen economic circumstances, the Board of Directors is cautiously optimistic about the Group's financial performance in FY2013.

FINANCIAL HIGHLIGHTS

Summarised Profit and Loss Account (RMB'mil)	FY2012	FY2011[3]	Restated FY2010[3]	9M-2010[2]	FY2010[1]	FY2009[1]
Revenue						
- Footwear	325.9	383.4	523.6	414.3	550.8	519.0
- Apparel	705.9	658.5	444.7	373.3	347.9	258.4
Total	1,031.8	1,041.9	968.3	787.6	898.7	777.4
Profit Before Interest & Tax (“PBIT”)	189.9	196.9	175.8	150.2	131.4	145.9
Finance Income	1.4	0.8	0.6	0.4	0.6	0.9
Profit Before Income Tax ("PBT")	191.3	197.7	176.4	150.6	132.0	146.8
Income Tax	(49.7)	(51.6)	(45.4)	(39.3)	(35.4)	(20.9)
Profit After Income Tax ("PAT")	141.6	146.1	131.0	111.4	96.6	125.9
Selling & Distribution expense as a % over revenue	9.8%	11.3%	8.1%	7.8%	11.2%	10.2%
Administrative expense as a % over revenue	3.2%	2.9%	3.0%	3.2%	3.0%	2.9%
Summarised Balance Sheet (RMB'mil)						
Non-current Assets	79.9	86.4	92.1	92.1	95.8	99.0
Current Assets	943.6	785.6	629.8	629.8	511.3	392.1
Current Liabilities	(74.4)	(52.5)	(95.9)	(95.9)	(73.1)	(47.4)
Equity	(949.1)	(819.5)	(626.0)	(626.0)	(534.0)	(443.7)
Cash and Bank Balances	357.1	222.0	159.3	159.3	176.0	154.3
Financial Indicators / Ratios						
PBIT Margin	18.4%	18.9%	18.2%	19.1%	14.6%	18.8%
PBT Margin	18.5%	19.0%	18.2%	19.1%	14.7%	18.9%
PAT Margin	13.7%	14.0%	13.5%	14.1%	10.8%	16.2%
Annualised Earnings Per Share (RMB fen)	29.81	32.08	31.57	35.79	23.29	30.76
Liquidity Ratio	12.7	15.0	6.6	6.6	7.0	8.3
Inventory Turnover (days)	8	16	16	16	11	25
Receivables Turnover (days)	120	139	100	100	81	56
Payables (including trade deposits) Turnover (days)	(28)	(12)	(2)	(2)	(1)	18
Cash Conversion days	156	167	118	118	93	63
Annualised Return on Equity	14.9%	17.8%	20.9%	23.7%	18.1%	28.4%
Annualised Return on Total Assets	13.8%	16.7%	18.1%	20.6%	15.9%	25.6%
Net Assets Backing Per Share (RMB fen)	199.86	172.55	150.89	150.89	128.70	106.93
Cash Backing Per Share (RMB fen)	75.19	46.75	38.40	38.40	42.42	37.18
Number of Ordinary Shares Issued (million)	474.9	474.9	414.9	414.9	414.9	414.9
Dividends declared (RMB'mil)	11.9	11.9	N.A.	14.2	19.3	6.3
Dividends per share (RMB fen)	2.500	2.500	N.A.	3.000	4.660	1.522
Share price (S$ per share)						
Financial period high	0.1610	0.2700	0.2500	0.2500	0.3000	0.3900
Financial period low	0.0750	0.0990	0.1200	0.1200	0.0750	0.0550
Financial period average closing share price	0.1007	0.1812	0.1790	0.1783	0.1730	0.1556
Financial period average daily traded share volume ('000 shares)	760	2,819	2,744	2,991	5,100	4,424

(1) FY2009 and FY2010 refer to financial year ended 31 March 2009 and 2010 respectively
(2) In 2010, the Company has changed its financial year end from 31 March to 31 December, hence “9M-2010” refers to nine month financial period end 31 December 2010
(3) FY2011 onwards refers to financial year ended 31 December. For comparative purposes only, “Restated FY2010” refers to restated financial year ended 31 December 2010


ERATAT

BOARD OF DIRECTORS

LIN JIANCHENG (林建程)

Mr Lin is the Executive Chairman and CEO of our Company. He was appointed to our Board of Directors on 3 April 2007 and is responsible for directing our Group's overall strategy and growth. He has over 25 years of experience in the sports footwear industry. He started his career in 1983 when he joined his father's company as an apprentice to learn the ropes of the casual and sports footwear business, operating in various departments including product development, production, procurement and business development. He was appointed as general manager in 1998 to oversee the operations and expansion of the Group's sports footwear business. Mr Lin's experience, drive and passion for our business have been instrumental to our Group's success to-date, and he has played a pivotal role in the growth and development of our Group to our current leading position in our industry. Mr Lin obtained a business administration certification from the School of Continuing Education, Tsinghua University (清华大学) in 2007.

YE SANZHI (叶三支)

Mr Ye was appointed to our Board on 20 November 2007 as a Non-Executive Director, and has since become an Executive Director with effect from 1 June 2009. He started his career as a regional chief executive in a PRC company, in charge of business development and customer service in the PRC in 1991. He went on to hold several appointments as manager and key executive of internationally reputable sportswear brand companies in PRC, specializing in management of production quality control and operation. In 2001, he set up his own business in export trading of footwear to overseas markets. Mr Ye graduated from Xiamen University (厦门大学) in 1991 with a Bachelor's Degree majoring in marine bio-technology.

Mr Ye will stand for re-election as a Director at the forthcoming Annual General Meeting pursuant to Article 107 of the Company's Articles of Association.

LIM YEOW HUA

Mr Lim has been our Independent Director since 29 February 2008 and is our Lead Independent Director. He has more than 20 years of experience in the tax, financial services and investment banking industries. He joined Ernst & Whinney (now known as Ernst & Young LLP) as an auditor in 1986. Thereafter, he joined the Inland Revenue Authority of Singapore and was promoted to the position of Deputy Director before he left to join the private sector. Since then, he has held several senior management positions in various organisations including the position of Senior Tax Manager at Pricewaterhouse (now known as PricewaterhouseCoopers) and KPMG, the position of Senior Vice President (Structured Finance) at Macquarie Investment Pte Ltd, and Director (Structured Finance) at UOB Asia Limited. Prior to founding Asia Pacific Business Consultants Pte. Ltd. in 2006, he was a Senior Regional Tax Manager with British Petroleum ("**BP**"), one of the world's leading energy companies, overseeing BP Group's tax function in a number of countries in the Asia Pacific region. He specialises in providing corporate and individual income tax and goods & services tax consultancy and advisory services. Mr Lim holds a Bachelor's Degree in Accountancy and a Master's Degree in Business Administration from the National University of Singapore, obtained in 1986 and 1992 respectively. He is a Fellow of the Institute of Certified Public Accountants of Singapore (ICPAS) and a Full Member of the Singapore Institute of Directors.

Mr Lim will stand for re-election as a Director at the forthcoming Annual General Meeting pursuant to Article 107 of the Company's Articles of Association.

LAM PECK HENG

Mr Lam has been our Independent Director since 7 August 2007. He began his career as a teacher at Raffles Institution from 1963 to 1968, and went on to serve as a senior officer with the Economic Development Board, an administrative officer with the Ministry of Finance, and an assistant general manager with Intraco Limited. He had also held appointments as the Registrar and Executive Director of the Singapore Society of Accountants, the Head of Mission at the Singapore Embassy in Yangon, and the Singapore High Commissioner to India and New Zealand. Mr Lam graduated from the then University of Singapore in 1961 with a B.Sc. (Honours) in Mathematics. He also obtained a M.A. in Mathematics from the University of Kansas in 1963. Mr Lam was awarded the Public Service Medal in 1982, and in 1983, was made a Friend of Labour by the National Trades Union Congress. From 1983 to 1988, Mr Lam represented Bhutan as its Honorary Consul in Singapore. He is a member of the Singapore Institute of Directors. He also serves on the board of two other public-listed companies.

Mr Lam will stand for re-appointment as a Director at the forthcoming Annual General Meeting pursuant to Section 153 (6) of the Companies Act, Cap 50.

TAO YEOH CHI

Mr Tao has been our Independent Director since 29 February 2008. He started his career in 1976 in the Administrative Service of the Government of Singapore where he worked in the Ministry of Defence, Ministry of Education, Public Service Commission, Ministry of Finance, Ministry of Communications and Information and Prime Minister's Office holding various senior positions. He was subsequently seconded to Temasek Holdings where he held the position of General Manager in its Hong Kong wholly-owned subsidiary. From 1988 to 1999, he worked for large Singapore multinational companies such as Times Publishing Ltd, Singapore Technologies Pte Ltd, CapitaLand, and Media Corporation of Singapore. In 2002, Mr Tao started his own education business. Mr Tao graduated from the University of Newcastle, Australia under the Colombo Plan Scholarship in 1974 with a Bachelor's of Arts (Economics) and with a Bachelor's of Engineering with First Class Honours in 1975. He was awarded the INSEAD Executive Program Scholarship and completed the INSEAD Executive Program in 1983.

Date of Directors' initial appointment and last re-election and their directorships in listed companies:

NAME OF DIRECTOR	DATE OF INITIAL APPOINTMENT	DATE OF LAST RE-ELECTION	PRESENT DIRECTORSHIPS IN LISTED COMPANIES	DIRECTORSHIPS IN OTHER LISTED COMPANIES OVER THE PRECEDING THREE YEARS	PRINCIPAL COMMITMENTS
Lin Jiancheng	03 Apr 2007	26 Apr 2012	- Eratat Lifestyle Limited	NIL	NIL
Ye Sanzhi	20 Nov 2007	26 Apr 2011	- Eratat Lifestyle Limited	NIL	NIL
Lim Yeow Hua	29 Feb 2008	26 Apr 2011	- Eratat Lifestyle Limited - Advanced Integrated Manufacturing Corp Limited - China Minzhong Food Corporation Limited - Great Group Holdings Limited - KSH Holdings Limited - KTL Global Limited	NIL	- Asia Pacific Business Consultants Pte Ltd (Managing Director)
Lam Peck Heng	07 Aug 2007	26 Apr 2012	- Eratat Lifestyle Limited - Bright Orient Holding Ltd - Memstar Technology Ltd	- Keda Communications Ltd	NIL
Tao Yeoh Chi	29 Feb 2008	26 Apr 2012	- Eratat Lifestyle Limited - Next-Generation Satellite Communications Limited - Hanwell Holdings Limited (formerly known as "PSC Corporation Ltd")	- China Titanium Ltd	NIL

KEY EXECUTIVES

HO KER CHERN

Mr Ho is our Chief Financial Officer. He joined our Group in October 2007 and oversees our Group's finance and accounting matters, and attends to matters relating to the compliance and regulatory requirements of a listed company. He has more than 20 years of financial control and audit experience. Prior to joining the Group, his working experience includes five years with an international accounting firm, and subsequently went on to hold appointments as group accountant and financial controller in various companies, which included Singapore public listed companies. Mr Ho graduated with a Bachelor of Commerce Degree in Accountancy from Murdoch University, Australia, in 1992 and is a Fellow of the Institute of Certified Public Accountants of Singapore. He has been appointed as an independent director of China Auto Electronics Group Limited since 6 May 2010.

LIAN XIANMAO (练贤茂)

Mr Lian is our Finance Manager. He joined our Group in August 2012 and is responsible for the finance and accounting of our Group's PRC subsidiary companies. He has more than 15 years of experience in managing the finances of a few apparel related companies in China. Mr Lian received his Diploma majoring in international accounting from Xiamen Jimei University of Finance and Economics in Fujian Province, PRC in 1998. He subsequently became a qualified accountant (intermediate level) as certified by the PRC Ministry of Finance in 2005.

TANG XIAOHU (唐孝虎)

Mr Tang is our Product Development and Production Manager. He joined our Group in October 2001 and has been in charge of the Group's production and product development. He has more than 21 years of industry experience, where he started his career in 1991 as a product designer, and worked his way up to become managers in various footwear factories in PRC, specializing in footwear product design, development and production. Mr Tang received his Bachelor's Degree majoring in art design from Sichuan Teachers' College in July 1991.

GROUP STRUCTURE

ERATAT
Eratat Lifestyle Limited
(Incorporated in Singapore)

福建海明威鞋业有限公司
Fujian Haimingwei Shoes Co., Ltd.
(Incorporated in PRC)
"Haimingwei"

福建省晋江万事达电脑机绣有限公司
Jinjiang Wanshida Computer Embroidery Co., Ltd.
(Incorporated in PRC)
"Wanshida"

Eratat Lifestyle Investment Holdings Pte Ltd
(Incorporated in Singapore)
"ELIH"

泉州市泉港宏力鞋业有限公司
Quanzhou City Quangang Hongli Shoes Co., Ltd.
(Incorporated in PRC)
"Quangang Hongli"

鳄莱特(福建)轻工发展有限公司
Eratat (Fujian) Light Industry Development Co., Ltd.
(Incorporated in PRC)
"Fujian Eratat"

鳄莱特国际商贸(上海)有限公司
Eratat International Trading (Shanghai) Co., Ltd.
(Incorporated in PRC)
"Eratat Shanghai"

** All subsidiaries are 100% wholly owned

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lin Jiancheng (Executive Chairman and CEO)
Ye Sanzhi (Executive Director)
Lim Yeow Hua (Lead Independent Director)
Lam Peck Heng (Independent Director)
Tao Yeoh Chi (Independent Director)

AUDIT COMMITTEE

Lim Yeow Hua (Chairman)
Lam Peck Heng
Tao Yeoh Chi

NOMINATING COMMITTEE

Tao Yeoh Chi (Chairman)
Lim Yeow Hua
Lin Jiancheng

REMUNERATION COMMITTEE

Lam Peck Heng (Chairman)
Lim Yeow Hua
Tao Yeoh Chi

REGISTERED OFFICE

50 Raffles Place #32-01 Singapore Land Tower
Singapore 048623
Telephone: (+65) 6230 9520
Facsimile: (+65) 6536 1360

PRINCIPAL PLACE OF BUSINESS

Liupu Industrial Park, Yangdai, Chendai Town
Jinjiang City, Fujian Province
People's Republic of China 362218
Telephone: (+86) 595 85086888
Facsimile: (+86) 595 85083388

COMPANY SECRETARY

Tan Cher Liang

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01 Singapore Land Tower
Singapore 048623
Telephone: (+65) 6536 5355
Facsimile: (+65) 6536 1360

AUDITORS

Moore Stephens LLP
10 Anson Road #29-15 International Plaza Singapore 079903
Partner-in-charge:
Lao Mei Leng (Appointed in FY2012)

PRINCIPAL BANKERS

中国农业银行泉港支行
Agriculture Bank of China, Quangang Sub-branch
中国农业银行陈埭支行
Agriculture Bank of China, Chendai Sub-branch

CORPORATE MILESTONES

1983

Mr Lin Tuqiu founded the first shoe manufacturing factory in Jinjiang City, Fujian Province (China's Shoe Capital – 中国鞋都) – Yangai Shoes and Hats Factory (the predecessor of ERATAT Group)

1990

- Established ERATAT Group factory
- Embarked on ERATAT branding and distribution channels expansion strategy
- Developed wide range of ERATAT brand performance footwear

2001 - 2006

- Appointed Wang Lee Hom (王力宏) as ERATAT Brand Ambassador (*until 2012*)
- Established ERATAT Brand apparel range
- Acquired 57,000 sqm land in Quangang District for new production facility
- Awarded "Fujian Province Famous Brand" (福建省著名品牌)
- Awarded "China Large-scale Enterprise" (全国规模以上工业企业)
- Awarded "China's Most Competitive Footwear Manufacturing Company" (中国最具有竞争力的制鞋工业企业)
- Awarded "China Most Famous Brand" (中国驰名商标)

2008

- **Successful listing on SGX Mainboard on 17 April 2008**
- Completed new production facility at Quangang site
- Sole Sponsor of Beijing Olympics theme song and MV called "加油中国"
- Collaboration with Anhui TV "安徽卫视" in Reality TV Programme called "鳄莱特登山运动会"

2009

- Collaboration with Anhui TV "安徽卫视" in Reality TV Programme called "鳄莱特生活运动会"
- Established its first 2-storey 300sqm flagship concept store in Dongguan called "鳄莱特生活运动会馆"
- CEO, Mr Lin Jiancheng, was awarded "China Top 10 Outstanding Growth Promising CEO of the year 2009" ("2009年十大最具成长性CEO") at the 3rd China CEO Summit Forum 2009 ("2009 [第三届]中国CEO高峰论坛")

2010

- Collaboration with CCTV-5 in TV Reality Programme called "鳄莱特挑战脚斗王"
- Completed transformation from Sportswear Company to Casual Lifestyle Wear Company
- Achieved 2nd highest score in the Governance and Transparency Index 2010 ("**GTI**") amongst the PRC companies listed on SGX-ST (40th Overall, out of 680 Co)

2011

- Launched new high-end menswear series, "**ERATAT PREMIUM**" (金牌鳄莱特) in tier-1 malls and cities in Shanghai, Zhejiang, Guangdng, Henan, Shandong, Anhui and Shanxi
- Placements to issue 60M new shares for S$11.8M as working capital to grow revenue and expand distribution network
- Achieved 3rd highest score in the Governance and Transparency Index 2011 ("**GTI**") amongst the PRC companies listed on SGX-ST (52nd Overall, out of 657 Co)
- Established "**ERATAT Retail Management Training Academy**" in Hangzhou
- Established "**ERATAT Product Design and Development Team**" in Guangzhou

2012

- Co-sponsor production of a movie《瘦身魔方》 with Hunan Satellite TV "湖南卫视", and sponsored ERATAT apparels for all male casts in the show. The movie premiered on 27 April 2012
- Appointed Mr Vincenzo Romanelli, a well established Italian designer, as Creative Consultant
- Established a wholly-owned subsidiary in Shanghai to expand distribution network across China

REPORT ON CORPORATE GOVERNANCE

Eratat Lifestyle Limited (the "**Company**") recognises the importance and is committed to maintaining a high standard of corporate governance within the Company's group of companies (the "**Group**"). Good corporate governance establishes and maintains a legal and ethical environment, which strives to preserve and enhance the interests of all shareholders. This report describes the Company's corporate governance practices and structures, with specific reference made to each of the principles of the Code of Corporate Governance 2005 (the "**2005 Code**"). The Board of Directors (the "**Board**") believes that the Company is in compliance with the Code in all material aspects except where otherwise stated.

The Board had also noted the recommended guidelines under the revised Code of Corporate Governance 2012 (the "**2012 Code**") issued on 2 May 2012 which would be effective for financial year commencing 1 January 2013. The Board would implement these recommendations as and when appropriate for the financial year ending 31 December 2013.

(A) BOARD MATTERS

Principle 1: The Board's Conduct of Its Affairs

The Board is primarily responsible for the protection and enhancement of shareholders' long-term value. The principal functions of the Board include:

- approving the Group's broad policies, strategies, annual operating budgets, major investments and funding decisions;
- overseeing the process for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and satisfying itself as to the adequacy of such processes;
- monitoring management performance; and
- assuming responsibility for corporate governance practices.

To further assist in the execution of its responsibilities, the Board has established a number of Board committees which include an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

The Board meets on a quarterly basis and whenever necessary to discharge their duties. Telegraphic attendance and video conference at Board meetings are allowed under the Company's Articles of Association. The number of meetings held by the Board and Board Committees and attendance for the financial year ended 31 December 2012 ("**FY2012**") are summarized in the table below:

	Board Meeting	AC Meeting	RC Meeting	NC Meeting
Number of meetings held	4	5	1	2
Name of Director				
Lin Jiancheng	4	3*	1*	2
Ye Sanzhi	3	-	-	-
Lim Yeow Hua	4	5	1	2
Lam Peck Heng	4	5	1	2*
Tao Yeoh Chi	4	5	1	2

* Attendance by invitation

Newly appointed directors will be given briefings and orientation by the Chief Executive Officer ("**CEO**") and key executives of the Group on its business activities and strategic directions. Where possible and opportunities arises, the Independent Directors are invited to visit the Group's office in China to enable them to gain a better perspective of the business and enhance their understanding of the Group's operations and businesses. The Company encourages directors to keep abreast with on-going developments and changes to the financial, legal and regulatory requirements through attending courses organised by professional bodies. During the year, the Board was briefed and/or updated on the following (1) changes to 2012 code; (2) changes to the disclosure regime under the Securities and Future Act; and (3) enhanced changes to the Listing Rules to strengthen corporate governance.

Principle 2: Board Composition and Balance

The Board comprises two (2) executive directors and three (3) independent directors, all of whom have the relevant core competence and diversity of experience to enable them to contribute effectively to the Group. The independent directors make up more than half of the Board thus providing an independent element on the Board capable of exercising independent judgment on corporate affairs of the Group and provide management with a diverse and objective perspective to enable balanced and well-considered decisions to be made. Brief profiles of each Director in office at the date of this Report are set out in the "**Board of Directors**" section of this Annual Report.

In line with the changes under the 2012 Code, the Board is of the view that its current size is appropriate for efficient decision-making. The Board considers that its present size, composition and balance between Executive Directors and Independent Directors, is appropriate and allows for a balanced exchange of views, robust deliberations among members and effective oversight over Management. The current composition gives the Board the ability to consider and make decisions objectively and independently on issues relating to the Group. Under the current composition, no one individual or group dominates the Board's decisions or its process. The composition of the Board is reviewed regularly to ensure that the Board has the appropriate size and mix of expertise and experience. The Board is satisfied that there is a strong and independent element on the Board.

The NC determines, on an annual basis, the independence of each independent director based on the relationships identified in the 2005 Code that might impair the Directors' independence and objectivity. The NC is satisfied that three of the Directors, namely Messrs Lim Yeow Hua, Lam Peck Heng and Tao Yeoh Chi, are independent. The Company will put in place some guidelines in 2013 to address the competing time commitments when Directors serve on multiple boards.

Principle 3: Chairman and CEO

Mr Lin Jiancheng is the Executive Chairman and CEO. The roles of the Chairman and CEO are not separated because the Board has more than half of the Directors who are independent and these Directors have full access to our Company's key executives. The Board is of the opinion that sufficient checks and safeguards are in place to ensure that the process of decision making is independent and based on collective decisions without individual exercising any considerable power or influence. Mr Lin is responsible for the day-to-day running of the Group as well as the exercise of control of the quality, quantity and timeliness of information flow between the Board and management.

As Chairman of the Board, Mr Lin bears responsibility for the effective working of the Board. He is responsible for, amongst others, ensuring that Board meetings are held when necessary, setting the Board meeting agenda in consultation with the Chief Financial Officer, assisting in ensuring compliance with the Group's guidelines on corporate governance, acting as a facilitator at Board meetings and maintaining regular dialogue with the management on all operational matters.

Mr Lim Yeow Hua, Chairman of the Audit Committee and member of the Nominating and Remuneration Committees, is the Lead Independent Director ("**LID**"). He is readily available to address the concerns, if any, of the Company's shareholders. The LID will aid in constructively challenge, review the performance of management and monitor the reporting of performance.

The Directors have separate and independent access to the Company Secretary, whose duties include ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, there is constant communication between Board members and key decisions require approval from all Directors prior to implementation.

All major decisions made by the Board are subject to majority approval of the Board members and are reviewed by the AC, whose members comprise only independent directors of the Company. Mr Lin's performance and remuneration are reviewed by the NC and RC respectively. The Board believes that there are adequate safeguards in place to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

Principle 4: Board Membership
Principle 5: Board Performance

The NC is chaired by Mr Tao Yeoh Chi (Independent Director). The members are Mr Lim Yeow Hua (Independent Director) and Mr Lin Jiancheng (Executive Director). Mr Tao and Mr Lim are not associated with any of the substantial shareholders.

The NC is also responsible for the following:

- review the structure, size and composition of the Board with a view to determine the impact of the number upon effectiveness;
- review the required expertise of the Directors to ensure that there are adequate relevant competencies of the Directors in discharging their respective functions in a balanced Board;
- evaluate the performance of the Board objectively based on pre-determined evaluation criterion;
- review and make recommendations on selection of new Directors, re-nominations and retirement of existing Directors, having regard to each Director's contribution and performance, as well as key executives as and when necessary; and
- review and evaluate the independence of Directors based on the guidelines provided by the Code and requires each director to assess whether he considers himself independent despite not being involved in any of the relationships identified by in the Code.

The NC has a process for the selection, appointment and re-appointment of Directors. Every year, the NC will review the size and composition of the Board and will consider the results of the annual appraisal of the Board's performance. It will evaluate the range of skills, knowledge and experience on the Board, and assess whether new competencies are required to improve the Board's competitiveness. When a need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC will source for new candidates with the desired competencies. External help may be engaged to source for potential candidates if considered necessary. Directors and Management may also make recommendations.

The NC undertakes a process to assess the effectiveness of the Board as a whole. Every year, Directors are requested to complete a Board Evaluation Form to assess the overall effectiveness of the Board. The results of the evaluation exercise were considered by the Nominating Committee which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The evaluation process focused on factors such as the size and composition of the Board, the Board's access to information, communication with Management, and the Board's processes and accountability. Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for the current year are based on their contribution made at these meetings. For FY2013, the NC will be looking into the evaluation of board committees as recommended by 2012 Code.

During the year under review, the NC also initiated a process for the succession planning for CEO and key management. As part of the process, potential internal candidates were identified setting out the skill sets that each candidate possesses and conversely, the skill sets that each individual lacks. The NC will evaluate the list from time to time to ensure the suitability of the candidates taking into consideration the changing operating environment.

The Company's Articles of Association currently require one-third of the Directors to retire from office after which they may submit themselves for re-election by the shareholders at the Annual General Meeting ("**AGM**") ("**one-third rotation rule**").

In addition, Directors newly appointed by the Board are appointed by way of Board resolution, following which they are subject to election by shareholders at the next AGM immediately following their appointment and thereafter, they are subject to the one-third rotation rule.

For the forthcoming AGM, Messrs Ye Sanzhi and Lim Yeow Hua will retire pursuant to Article 107 of the Company's Articles of Association. Mr Lam Peck Heng, who has attained the age of 70, will retire pursuant to Section 153(6) of the Companies Act, Cap. 50. The NC had reviewed and recommended the Directors for the re-election and re-appointment at the forthcoming Annual General Meeting.

The dates of first appointment and last re-election/re-appointment of each Director, and their existing and past directorships in listed companies in the last three years are set out in "Board of Directors" section of this Annual Report.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, Management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. The information that is provided by Management to the Board includes background or explanatory information relating to matters to be brought before the Board, budgets, forecasts and internal financial statements. In respect of budgets, any material variances between the projections and actual results are also disclosed and explained. In addition, the Board has separate and independent access to the Company's Management and Company Secretary at all times. Request for information from the Board are dealt with promptly by Management. The Company Secretary and/or his nominee attends all Board and Board Committee meetings and ensures that Board procedures and all other rules and regulations applicable to the Company are complied with.

The Directors and the chairmen of the respective Board Committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the cost of the Company.

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

The RC is chaired by Mr Lam Peck Heng. The members are Mr Lim Yeow Hua and Mr Tao Yeoh Chi, all of whom are Independent Directors.

The primary objective of the RC is to facilitate appropriate transparency and accountability to shareholders and make recommendations to the Board on remuneration matters of the directors and key executives in the Company or the Group. The RC also undertakes the duties of overseeing the administration of the Company's share options and performance share schemes (and such other similar share plans as may be implemented by the Company from time to time) upon the terms of reference as defined in the said schemes.

The RC is responsible for the review and recommendation of the annual remuneration package of key executives and directors' fees for Board members. The review covers all aspects of remuneration, including but not limited to directors' fees, salaries, bonuses and benefits-in-kind based on the performance of the Group and the individual. The Group offers competitive remuneration to recruit, motivate and retain employees and do not over-compensate its employees, as it needs to be competitive in the market.

The Executive Directors, namely Mr Lin Jiancheng and Mr Ye Sanzhi, are remunerated based on a remuneration structure comprising a monthly basic salary and an annual performance incentive that is tied to the Group's financial performance. Both Mr Lin Jiancheng and Mr Ye Sanzhi have service agreements with the Company, which are subjected to periodic review. The Board is of the view that the directors' service agreements are not excessively long or with onerous removal clauses.

Save as disclosed above, there are no existing service contracts entered into by our Directors with the Group. No RC member is involved in deliberations in respect of any remuneration, compensation or any form of benefits to be granted to him. The RC had met subsequent to year-end and had recommended to the Board an amount of S$180,000 as directors' fees for the financial year ending 31 December 2013, to be paid quarterly in arrears. The Board will table this at the forthcoming AGM for shareholders' approval.

There is no employee who is related to a Director or the CEO whose remuneration exceeds S$150,000 or equivalent in the Group's employment for the financial year ended 31 December 2012.

The Company has no employee share option scheme or any long-term incentive scheme in place.

Remuneration of Directors and Key Executives

A breakdown of the remuneration of the Directors and the key executives (who are not also directors) for the financial year ended 31 December 2012 are set out below:

Remuneration Band and Directors	Director Fees	Salary and Other Benefits	Performance Bonus	TOTAL
S$700,000 and above	-	-	-	-
S$500,000 to below S$700,000				
Lin Jiancheng	-	61.0%	39.0%	100.0%
S$250,000 to below S$500,000				
Ye Sanzhi	-	69.4%	30.6%	100.0%
Below S$100,000				
Lim Yeow Hua	100.0%	-	-	100.0%
Lam Peck Heng	100.0%	-	-	100.0%
Tao Yeoh Chi	100.0%	-	-	100.0%

Remuneration Band and Key Executives	Salary and Other Benefits	Performance Bonus	TOTAL
S$300,000 and above	-	-	-
S$200,000 to S$300,000			
Ho Ker Chern	79.5%	20.5%	100.0%
Below S$200,000			
Lian Xianmao	100.0%	-	100.0%
Tang Xiaohu	100.0%	-	100.0%
Xu Zhongmei **	100.0%	-	100.0%
Kellyn Tan **	100.0%	-	100.0%

** *Employees have left the Group since 31 December 2012*

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board and Management of the Group always strive to conduct themselves in ways that deliver maximum sustainable value to our shareholders. The Board, through its announcements of results, aims to provide the shareholders with a balanced and understandable assessment of the Company and the Group's performance, position and prospects.

Prompt fulfillment of statutory reporting requirements is but one way to maintain our shareholders' confidence and trust in the Board and the management's capability and integrity. As part of building and maintaining shareholders' confidence, reporting of consolidated financial results, via SGXNET, was made well within the time-frame stipulated in the SGX-ST Listing Manual.

Management currently provides the Board with appropriately detailed management accounts of the Group's financial performance, position and prospects on a regular basis.

In line with the requirements of SGX-ST, negative assurance confirmations on interim financial results were issued by the Board confirming that to the best of its knowledge, nothing had come to the attention of the Board which may render the Company's quarterly results to be false or misleading in any material aspect.

Principle 11: Audit Committee

The AC is chaired by Mr Lim Yeow Hua. The members are Mr Lam Peck Heng and Mr Tao Yeoh Chi, all of whom are Independent Directors. All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their duties and responsibilities.

The role of the AC is to assist the Board with discharging its responsibility to:

- safeguard the Company's assets;
- maintain adequate accounting records;
- develop and maintain effective systems of internal control;
- ensure the integrity of the Company's and Group's system of accounting and financial reporting and in maintaining a high standard of transparency and reliability in its corporate disclosures;
- provide arrangements whereby concerns on financial improprieties or, other matters raised by "whistle-blowers" are investigated and appropriate follow-up actions are taken; and
- as a sub-committee of the Board, the AC provides a channel of communication between the Board, management, the Internal Auditors (if any) and the External Auditors on matters arising out of the internal and external audits.

Specifically, the duties of the AC shall be:

- to review with the External Auditors:
  (i) their independence and objectivity annually;
  (ii) the audit plan, including the nature and scope of the audit and its cost effectiveness before the audit commences;
  (iii) their evaluation of the system of internal accounting controls in the course of their statutory audit;
  (iv) their audit report;
  (v) their management letter and management's response; and
  (vi) any significant financial reporting issues and judgments so as to ensure integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.
- to review the quarterly, half-yearly and annual financial results before submission to the Board for approval;
- to review the assistance and co-operation given by the management and the officers of the Group to the auditors;
- to review the internal audit programme and ensure co-ordination between the internal and external Auditors and management;
- to review the scope and results of the internal audit procedures and the Internal Auditors to report their findings directly to the AC;
- to meet the External Auditors and with the Internal Auditors, without the presence of management at least once annually;
- to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- to review interested person transactions (if any) falling within the scope of Chapter 9 of the SGX Listing Manual, and to ensure that they are carried out on normal commercial terms and in accordance with the internal control procedures;
- to approve the internal control procedures and arrangements for all current and/or future related party transactions to ensure that they are carried out on arm's length basis and on normal commercial terms which will not be prejudicial to the interests of the Company and the minority shareholders;
- to review transactions falling within the scope of Chapter 10 of the SGX Listing Manual;
- to review potential conflicts of interests, if any;
- to review all non-audit services provided by the auditors to ensure that they would not, in the AC's opinion, affect the independence of the auditors;
- to undertake such other reviews and projects as may be requested by the Board;
- to undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time;
- to make recommendations to the Board on the appointment, re-appointment and removal of the External Auditors, and approving the remuneration and terms of engagement of the External Auditors; and
- to review the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management.

Apart from the duties listed above, the AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation of the Group's management, as well as reasonable resources to enable it to discharge its function properly. The AC has full discretion to invite any Director or management personnel to attend its meetings.

Subsequent to year-end, the AC had met with the External Auditors without Management's presence. The External Auditors have unrestricted access to the AC.

No non-audit services were provided by the External Auditors during the financial year ended 31 December 2012. The aggregate audit fees payable to the External Auditors for the financial year ended 31 December 2012 was S$130,000. The AC was satisfied that the External Auditors had been objective and independent in the audit of the Group. The AC had recommended the re-appointment of Moore Stephens LLP as External Auditors of the Company at the forthcoming AGM.

The AC is satisfied that the Company has complied with Listing Rules 712 and 715 of the Listing Manual regarding the audit of its subsidiaries outside Singapore.

Whistle-Blowing Policy
The Company has also set in place a whistle-blowing procedure pursuant to which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Details of the whistle blowing policy are given to all staff.

Principle 12: Internal Controls
Principle 13: Internal Audit

Management regularly reviews the system of internal controls to ensure that there are sufficient checks and balances to safeguard the Group's assets. The AC ensures that these controls are effective by engaging external consultant as the internal auditor. The internal auditor works within the scope of an audit plan, which has been approved by the AC, to review and test the adequacy and effectiveness of the internal controls of the Group. The External Auditors will (to the extent as required by them to form an audit opinion on the statutory financial statements) conduct a review of the internal control procedures, including financial, operational and compliance controls, and highlight any material internal control weaknesses which have come to their attention in the course of their statutory audit. All audit findings and recommendations made by the internal and external auditors are reported to the AC. Significant issues are discussed at the AC meetings. The Internal Auditor will follow up on all the recommendations made by the Internal and External Auditors to ensure that Management has implemented them in a timely and appropriate fashion. The Group's financial risk management objectives and policies are outlined in the financial statements.

The Company has outsourced its internal audit function to Grant Thornton Transaction Services Pte Ltd. The Internal Auditors' primary line of reporting is directly to the AC and administratively to the CEO of the Company.

The AC had reviewed and approved the scope of the internal audit work in the Internal Audit ("IA") Plan, covering the principal subsidiaries, Fujian Haimingwei Shoes Co., Ltd ("Haimingwei") and Quanzhou City Quangang Hongli Shoes Co., Ltd ("Quangang"), that spanned across a three year period from 2012 to 2014. The AC will be reviewing the scope of the internal audit work for the next internal audit cycle that will span across the next three years.

In November 2012, the Internal Auditors carried out their audit at the subsidiaries for the following business cycles:

(i) Haimingwei
  - Revenue, receivables and receipts cycle
  - Credit management cycle
  - Cash management cycle
  - Procurement, payables and payments cycle
  - Renovation subsidies

(ii) Review and verification of material receipts and payments from 1 January to September 2012 to ensure that these were in line with the normal course of business;

(iii) Obtain confirmation of bank balances as at 31 October 2012 directly from bank (namely Agricultural Bank of China, a bank listed in Shanghai and Hong Kong Stock Exchanges); and

(iv) Follow up of past year audit findings.

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

The AC is satisfied that the IA function is adequately resourced and has the appropriate standing within the Company.

Based on the reviews carried out by Management and the internal and external auditors, the Board, with the concurrence of the Audit Committee, is of the view that the Company's internal controls addressing key financial, operational and compliance risks are adequate to meet the needs of the Group in its current business environment as at 31 December 2012.

The system of internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14 and 15: Communication with Shareholders

The Company is committed to maintain constant and effective communication with shareholders through timely and comprehensive announcements. Price-sensitive information is first publicly released before the Company meets with any group of investors or analysts to ensure a level playing field. Any material information or respective quarterly, half-yearly and full year financial results (all issued within the mandatory period) is disseminated through SGXNET. The Company's Vice Present-Investor Relations is responsible for all manners of communication with its investors, analysts and media.

Pertinent information is communicated to shareholders through:

- quarterly, half-yearly and full year financial results announcements which are published on the SGXNET and in news releases;
- the Company's annual reports that are prepared and issued to all shareholders;
- notices of and explanatory memoranda, for AGMs and extraordinary general meetings; and
- press releases on major developments of the Group.

The Board regards the AGM as an opportunity to communicate directly with shareholders and encourages attendance and participative dialogue during the AGM. The notice of the AGM will be dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 days before the meeting. The notice, first disseminated via SGXNET, is also advertised in newspapers. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his place. The Chairman and the other Directors attending the AGM are available to answer questions from the shareholders present. External Auditors are also invited to attend the AGM and will assist the Directors in addressing relevant queries by shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

In preparation for the AGM, shareholders are encouraged to refer to SGX's investor guides, namely "An Investor's Guide To Reading Annual Reports" and "An Investor's Guide To Preparing For Annual General Meetings". The guides, in both English and Chinese versions, are available at the SGX website (www.sgx.com) under the section named "Investor Guide".

Commencing 2013, the Company will put all resolutions to vote by poll.

In addition, the Company also conducts results briefing for media and analysts in conjunction with the release of the quarterly and full year results announcements. From time to time, the Company participates in relevant roadshows and/or exhibition to enhance communication with investors and shareholders, so as to allow them opportunities to interact with the Company to further understand its operations and financial results, as well as to gain insights to the development and outlook of the Company. Details of these activities are as follows:

	2012	2011
Articles coverage by media and broking houses	8 times	19 times
Results presentation for analysts and media	9 times	11 times
Roadshow, exhibition	May 2012	Aug 2011

(E) MATERIAL CONTRACTS

Apart from the service agreements between Mr Lin Jiancheng (CEO of the Company), Mr Ye Sanzhi (Executive Director) and the Company, there are no material contracts to which the Company or any subsidiary, is a party and which involve the interests of the chief executive officer, directors or controlling shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

(F) DEALINGS IN SECURITIES

The Group has adopted a set of code of conduct to provide guidance to its Directors and officers regarding dealings in the Company's securities, in compliance with Rule 710 of the Listing Manual of the SGX-ST. The Directors and officers are prohibited to trade in the Company's securities, during the period beginning one month and two weeks before the date of the announcement of the full year and quarterly results respectively and ending on the date of the announcement of the relevant results. Directors and officers are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group and on short-term considerations.

In addition, Directors are required to report to the Company Secretary whenever they deal in the Company's securities and the latter will make the necessary announcements in accordance to the requirements of SGX-ST.

(G) INTERESTED PERSON TRANSACTIONS

There is no general mandate obtained for interested person transaction. The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that these transactions are conducted at arm's length.

There are no interested person transactions that exceed S$100,000 during the financial year ended 31 December 2012.

(H) RISK MANAGEMENT

The Company regularly reviews and improves its business and operations activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

Pursuant to the 2012 Code, the Company has established a risk management framework during the financial year, so as to assess the adequacy and effectiveness of the Company's risk management and internal control systems, specifically on financial, operational, compliance and information technology risks. The AC has reviewed the framework and opined that the framework has provided a basis for the Company to systematically assess the adequacy and effectiveness of its internal controls. The Board, through the Audit Committee, will continuously identify, review and monitor the key risks, control measures and management actions as part of the risk management process.

REPORT OF THE DIRECTORS

31 DECEMBER 2012

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Eratat Lifestyle Limited (the “Company”) and its subsidiaries (collectively the “Group”) and the statement of financial position of the Company as at 31 December 2012.

1 Directors

The directors of the Company in office at the date of this report are:

Lin Jiancheng	Executive Chairman and Chief Executive Officer
Ye Sanzhi	Executive Director
Lim Yeow Hua	Lead Independent Director
Lam Peck Heng	Independent Director
Tao Yeoh Chi	Independent Director

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate, other than disclosed under Note 3 of this report.

3 Directors’ Interests in Shares or Debentures

As recorded in the register of directors’ shareholdings under Section 164 of the Singapore Companies Act, Cap. 50 (the “Act”), none of the directors holding office at the end of the financial year had any interests in the shares, warrants and debentures of the Company and related corporations except as follows:

	Direct interest		Deemed interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
The Company				
Ordinary shares				
Lin Jiancheng*	1,200,000	1,200,000	120,325,000	120,325,000
Ye Sanzhi	32,175,000	32,175,000	-	-
Bonus warrants				
Lin Jiancheng*	360,000	360,000	36,097,500	36,097,500
Ye Sanzhi	9,652,500	9,652,500	-	-

* Lin Jiancheng is deemed interested in the shares held by Sunny Joy Limited as he is the controlling shareholder of Sunny Joy Limited.

There were no change in any of the above-mentioned interests between the end of the financial year and 21 January 2013 except that Bonus Warrants had expired on 11 January 2013 and there was no new shares issued for these Bonus Warrants.

Lin Jiancheng, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company’s wholly owned subsidiaries.

Bonus Warrants

The Company had on 19 January 2010 issued 123,580,653 free non-renounceable bonus warrants (“Bonus Warrants”) to its shareholders on the basis of three (3) Bonus Warrants for every ten (10) existing ordinary shares held on books closure date (“BCD”) on 7 January 2010. Each Bonus Warrant entitled the warrantholder to subscribe for one new ordinary share (“New Share”) at the exercise price of S$0.30 (“Exercise Price”), exercisable on the date falling three (3) years from the date of issue, ie 18 January 2013 (“Exercise Date”), subject to the terms and conditions of the Bonus Warrants as set out in a deed poll executed by the Company for the purpose of constituting the Bonus Warrants (“Deed Poll”).

The issue of the Bonus Warrants was carried out pursuant to the share issue mandate obtained from the shareholders at the Company’s Annual General Meeting held on 30 July 2009.

3 Directors' Interests in Shares or Debentures (cont'd)

Principal Terms of the Bonus Warrants Issue

The Bonus Warrants Issue was made on a non-renounceable basis to shareholders whose names appeared in the Register of Members or who had shares entered against their names in the Depository Register as at the date of the closure of the Share Transfer Books on 7 January 2010.

The Bonus Warrants were issued in registered form and constituted by the Deed Poll which set out the terms and conditions of the Bonus Warrants and which may from time to time be amended, modified or supplemented. Each Bonus Warrant, subject to the terms and conditions in the Deed Poll, carries the right to subscribe for one New Share at the Exercise Price on the Exercise Date. Upon exercise of the Bonus Warrants and payment of the Exercise Price under the terms and conditions as set out in the Deed Poll, the warrantholders will be issued the New Shares. Any Bonus Warrant remaining unexercised after the Exercise Date shall lapse and cease to be valid for all purposes.

The Exercise Price of S$0.30 for each Bonus Warrant represented a premium of approximately 20% to the closing price of S$0.25 per Share on the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 10 November 2009, being the last full market day prior to the Company's announcement on the Bonus Warrant Issue. The Exercise Price and the number of Bonus Warrants are subject to adjustments under certain circumstances in accordance with the Deed Poll.

The New Shares arising from the exercise of the Bonus Warrants, when issued and allotted, shall rank *pari passu* in all respects with the existing ordinary shares already issued save for any dividends, rights, allotments or other distributions on the record date for which falls before the Exercise Date.

The Bonus Warrants Issue has been listed on the Mainboard of the SGX-ST since 19 January 2010.

The Bonus Warrants had expired on 11 January 2013 and there was no new shares issued for these Bonus Warrants.

4 Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in the notes to the financial statements. Certain directors also received remuneration from the Company's subsidiaries in their capacity as directors of those subsidiaries.

5 Options Granted

During the financial year, no options to take up unissued shares of the Company or its subsidiaries were granted.

6 Options Exercised

During the financial year, there were no shares of the Company or its subsidiaries issued by virtue of the exercise of options to take up unissued shares.

7 Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

8 Audit Committee

The Audit Committee comprises all non-executive directors. The members of the Audit Committee ("AC") are:

Lim Yeow Hua (Chairman)
Lam Peck Heng
Tao Yeoh Chi

8 Audit Committee (cont'd)

The AC carried out its functions in accordance with Section 201B(5) of the Act, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual and the Code of Corporate Governance, which includes the following:

(a) Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the internal and external auditors;

(b) Reviews the quarterly announcements of financial performance and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;

(c) Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls, risk management and information technology via reviews carried out by the internal auditors;

(d) Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(e) Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(f) Reviews the cost effectiveness and the independence and objectivity of the external auditors;

(g) Reviews the nature and extent of non-audit services provided by the external auditors;

(h) Recommends to the Board of Directors the external auditors to be nominated, and reviews the scope and results of the audit;

(i) Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;

(j) Reviews interested person transactions in accordance with the requirements of the SGX-ST Listing Manual; and

(k) Undertakes such other functions and duties as may be agreed to by the AC and the Board of Directors.

Further details regarding the AC are disclosed in the Report on Corporate Governance included in the Company's Annual Report.

The AC has recommended to the Board of Directors the nomination of Moore Stephens LLP for their appointment as independent auditors of the Company at the forthcoming Annual General Meeting.

9 Independent Auditors

The independent auditors, Moore Stephens LLP, Public Accountants and Certified Public Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

Lin Jiancheng
Director

Ye Sanzhi
Director

28 March 2013

STATEMENT BY DIRECTORS

In the opinion of the directors:

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with notes thereto, as set out on pages 32 to 59, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Lin Jiancheng
Director

Ye Sanzhi
Director

28 March 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ERATAT LIFESTYLE LIMITED

We have audited the accompanying financial statements of Eratat Lifestyle Limited (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 32 to 59, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Certified Public Accountants

Singapore
28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group	
		2012 RMB'000	**2011 RMB'000**
Revenue	5	1,031,751	1,041,937
Cost of sales		(707,853)	(695,927)
Gross profit		323,898	346,010
Other operating income		100	-
Selling and distribution expenses		(100,734)	(117,416)
Administrative expenses		(32,827)	(30,606)
Other operating expenses		(559)	(1,125)
Finance income	6	1,375	859
Profit before income tax	8	191,253	197,722
Income tax expense	9	(49,694)	(51,603)
Profit for the year		141,559	146,119
Other comprehensive income for the year		-	-
Total comprehensive income for the year		141,559	146,119
Profit attributable to owners of the Company		141,559	146,119
Total comprehensive income attributable to owners of the Company		141,559	146,119
Earnings per share			
- basic (RMB fen)	10	29.81	32.08
- diluted (RMB fen)	10	29.81	32.08

The accompanying notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	Group		Company	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	57,000	62,876	4	7
Land use rights	12	21,140	21,611	-	-
Prepaid land lease	13	-	112	-	-
Investment in subsidiaries	14	-	-	49,050	49,050
Goodwill	15	1,759	1,759	-	-
		79,899	86,358	49,054	49,057
Current assets					
Inventories	16	11,986	23,057	-	-
Trade receivables	17	573,552	530,909	-	-
Other receivables and other current assets	18	912	9,453	147	138
Prepaid land lease	13	112	192	-	-
Due from subsidiaries	19	-	-	249,146	246,723
Cash and cash equivalents	20	357,063	222,034	135	543
		943,625	785,645	249,428	247,404
Total Assets		1,023,524	872,003	298,482	296,461
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	300,721	300,721	300,721	300,721
Statutory reserve	22	10,957	10,957	-	-
Merger reserve	22	2,545	2,545	-	-
Foreign currency translation reserve	22	(16,043)	(16,043)	(16,213)	(16,213)
Retained earnings		650,979	521,293	1,846	11
		949,159	819,473	286,354	284,519
Current liabilities					
Trade payables	23	36,803	22,256	-	-
Other payables	24	24,843	27,132	2,338	2,129
Due to subsidiaries	19	-	-	9,784	9,784
Provision for income tax		12,719	3,142	6	29
		74,365	52,530	12,128	11,942
Total Equity and Liabilities		1,023,524	872,003	298,482	296,461

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company					
	Share capital RMB'000	**Statutory reserve RMB'000**	**Merger reserve RMB'000**	**Foreign currency translation reserve RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**
Group						
Balance at 1 January 2012	300,721	10,957	2,545	(16,043)	521,293	819,473
Profit for the year	-	-	-	-	141,559	141,559
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	141,559	141,559
Dividends (Note 25)	-	-	-	-	(11,873)	(11,873)
Balance at 31 December 2012	300,721	10,957	2,545	(16,043)	650,979	949,159
Balance at 1 January 2011	239,159	10,957	2,545	(16,043)	389,423	626,041
Profit for the year	-	-	-	-	146,119	146,119
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	146,119	146,119
Issuance of shares	63,356	-	-	-	-	63,356
Share issue expense	(1,794)	-	-	-	-	(1,794)
Dividends (Note 25)	-	-	-	-	(14,249)	(14,249)
Balance at 31 December 2011	300,721	10,957	2,545	(16,043)	521,293	819,473

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group	
	2012 RMB'000	2011 RMB'000
Cash Flows from Operating Activities		
Profit before income tax	191,253	197,722
Adjustments for:		
Renovation subsidies (Note 17)	41,763	-
Sales incentive awards (Note 17)	-	51,744
Depreciation of property, plant and equipment	5,218	5,349
Amortisation of land use rights	471	460
Amortisation of prepaid land lease	192	192
Loss on disposal of property, plant and equipment	559	-
Interest income	(1,375)	(859)
Operating cash flows before changes in working capital	238,081	254,608
Changes in working capital:		
Inventories	11,071	3,519
Trade and other receivables and other current assets	(75,865)	(148,359)
Trade and other payables	12,258	(33,018)
Cash generated from operations	185,545	76,750
Income tax paid	(40,117)	(61,986)
Net cash generated from operating activities	145,428	14,764
Cash Flows from Investing Activities		
Interest received	1,375	859
Purchase of property, plant and equipment	(16)	(221)
Proceed from disposal of property, plant and equipment	115	-
Net cash generated from investing activities	1,474	638
Cash Flows from Financing Activities		
Dividends paid	(11,873)	(14,249)
Proceeds from issue of shares	-	63,356
Share issue expense	-	(1,794)
Net cash (used in)/generated from financing activities	(11,873)	47,313
Net increase in cash and cash equivalents	135,029	62,715
Cash and cash equivalents at beginning of year	222,034	159,319
Cash and cash equivalents at end of year (Note 20)	357,063	222,034

The accompanying notes form an integral part of the financial statements

These notes form an integrad part of and should be read in conjunction with the accompanying financial statments:

1 Corporate Information

Eratat Lifestyle Limited (the "Company") is a public limited company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office of the Company is at 50 Raffles Place #32-01 Singapore Land Towers Singapore 048623 and the principal place of business of the Group is located at Liupu Industrial Park, Yangdai, Chendai Town, Jinjiang City, Fujian Province, the People's Republic of China ("PRC").

The principal activities of the Company are that of investment holding. The principal activities of the subsidiary companies are set out in Note 14.

The financial statements for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by the Directors.

2 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies set out in Note 3.

The accounting policies adopted are consistent with those of the previous financial year except as discussed below.

Adoption of New/Revised FRSs which are effective

For the financial year ended 31 December 2012, there are no new revised or amended standards that are mandatory for application during the year which are relevant to the Group.

Issued New/Revised FRSs which are not yet effective

At the date of these financial statements, the following new or revised standards which have been issued and are relevant to the Group but are not yet effective:

Amendment to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendment to FRS 1 Presentation of Items of Other Comprehensive Income requires for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss with effect from 1 July 2012. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group when implemented.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 includes all of the disclosures that were previously in FRS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in FRS 31 and FRS 28.

These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. A number of new disclosures are also required. This standard is effective for annual periods beginning on or after 1 January 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group when implemented.

FRS 113 Fair Value Measurements

FRS 113 establishes a single source of guidance under FRS for all fair value measurements of both financial and non-financial items. FRS 113 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

FRS 27 (Revised) Separate Financial Statements

FRS 27 Separate Financial Statements (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged. It is effective for annual periods beginning on or after 1 January 2014 and will not have any impact on the financial performance or the financial position of the Group when implemented.

2 Basis of Preparation (cont'd)

Issued New/Revised FRSs which are not yet effective (cont'd)

FRS 110 Consolidated Financial Statements

FRS 110 Consolidated Financial Statements supersedes FRS 27 Consolidated and Separate Financial Statements and INT FRS 12 Consolidation – Special Purpose Entities, which is effective for annual periods beginning on or after 1 January 2014. The standard changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. It requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The Group is in the process of assessing the impact on the financial statements.

Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 32 clarify that an entity must currently have a legally enforceable right of set-off if that right of set-off is not contingent on a future event and legally enforceable in all of the following circumstances: (i) the normal course of business; (ii) the event of default; and (iii) the event of insolvency of bankruptcy of the entity and all of the counterparties. The amendments to FRS 32 are effective for annual periods beginning on or after 1 January 2014. The Group is in the process of assessing the impact of this standard.

Amendments to FRS 107 Disclosure of Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 107 contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or are subject to master netting arrangements or similar agreements. Therefore, an entity needs to identify all financial assets and financial liabilities that fall within the two categories mentioned. The amendments explain that their scope includes financial assets and financial liabilities subject to similar agreements that cover similar financial instruments and transactions. An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. An entity shall provide the disclosure required by those amendments retrospectively. As for the disclosures, it will not have any impact on the financial position or financial performance of the Group when implemented.

3 Summary of Significant Accounting Policies

(a) Group Accounting

Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

Acquisition of businesses (cont'd)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity in the consolidated statement of financial position, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in other standards.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the consolidated statement of financial position. The accounting policy for goodwill is set out in Note 3(f). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings within equity if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

(b) Functional and Foreign Currencies

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Renminbi ("RMB"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements, as the Group's main operations are in the PRC. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in equity and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3 Summary of Significant Accounting Policies (cont'd)

(b) Functional and Foreign Currencies (cont'd)

Translation of group entities' financial statements

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;

- income or expense for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and

- all resulting currency translation differences are recognised in other comprehensive income.

On the disposal of a foreign operation, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(c) Property, Plant and Equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis to write off the cost of property, plant and equipment less its estimated residual value over the estimated useful life of the assets as follows:

Buildings	- 10 to 25 years
Plant and machinery	- 5 to 10 years
Furniture, fixtures and office equipment	- 5 years
Computers	- 5 years
Motor vehicles	- 10 years

Construction-in-progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction-in-progress consists of construction costs including other attributable direct cost and finance costs incurred during the period of construction.

Construction-in-progress is classified to the appropriate category of property, plant and equipment when completed and ready for use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the period the asset is derecognised.

3 Summary of Significant Accounting Policies (cont'd)

(d) Land Use Rights

Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses. The land use rights are amortised on a straight-line basis over the term of the land use rights. The amortisation period and method are reviewed at each financial year end.

(e) Prepaid Land Lease

Prepaid land lease is stated at cost and are amortised on a straight-line basis over the lease term.

(f) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent years.

When goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(g) Investment in Subsidiaries

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less any impairment losses. An assessment of investment in subsidiaries is performed when there is an indication that the investment may have been impaired.

On disposal of investment in subsidiaries the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(h) Impairment of Non-Financial Assets Excluding Goodwill

Non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

3 Summary of Significant Accounting Policies (cont'd)

(h) Impairment of Non-Financial Assets Excluding Goodwill (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition is accounted for as follows:

Raw materials	- purchase cost on a weighted average basis;
Finished goods and work-in-progress	- cost of direct materials and a proportion of manufacturing overheads based on normal capacity, using a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete and slow moving inventories.

(j) Financial Assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purposes for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

- Loans and receivables

  Loans and receivables are non-derivative assets that have fixed or determinable payments that are not quoted in an active market.

  Loans and receivables are initially measured at fair value less transaction costs. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. These are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as trade receivables, other receivables, amount due from subsidiaries and cash and cash equivalents on the balance sheet.

Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in profit or loss.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

- Loans and receivables

  Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

3 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

Impairment (cont'd)

- Loans and receivables (cont'd)

  The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

  The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and bank balances. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(l) Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Other financial liabilities are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the balance sheet date.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(n) Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(o) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3 Summary of Significant Accounting Policies (cont'd)

(o) Revenue Recognition (cont'd)

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

(p) Employee Benefits

Defined contribution plans

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries of the Group in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. Contributions under the Scheme are charged to the profit or loss as incurred. The Company contributes to the Central Provided Fund (CPF), a defined contribution plan. The Company's contributions to CPF are charged to profit or loss in the period in which the contributions relate.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(q) Operating Leases

Rental payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the leases.

(r) Income Tax

Current income tax for current and prior year is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by the statement of financial position date.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date.

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management who are responsible for allocating resources and assessing performance of the operating segments.

4 Critical Accounting Judgements and Estimates

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies, as set out in Note 3, based on historical experience and other factors considered to be relevant.

The preparation of financial statements also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

(a) Renovation Subsidies

During the financial year ended 31 December 2012, the Group had provided renovation subsidies to certain distributors to upgrade their existing retail shops to keep pace with the Group's branding strategy. These renovation subsidies which amounted to RMB41,763,000 (Note 17) approximately were set-off against the respective distributors' outstanding trade receivables balances during the year.

The renovation subsidies are given to the distributors when the distributors' shops are renovated. The management applies judgement in recognising the renovation subsidies at that time and off-setting the renovation subsidies against the outstanding trade receivables balances.

(b) Impairment of Trade Receivables

Management reviews trade receivables for objective evidence of impairment on a periodic basis. Significant financial difficulties of the debtor, the probability that the debtors will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant adverse changes in the technology, market, economic or legal environment in which the debtor operates. Where there is objective evidence of impairment, management judges whether an impairment loss should be recorded against the receivable.

There was no impairment of trade receivables made during the financial year ended 31 December 2012 (2011: Nil). The carrying amounts of trade receivables as at 31 December 2012 was RMB573,552,000 (2011: RMB530,909,000) (Note 17).

(c) Allowance for Inventory Obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. Allowances are recorded against the inventories for any such declines based on historical obsolescence and slow-moving experiences.

There was no allowance for inventory obsolescence made during the financial year ended 31 December 2012 (2011: Nil). The carrying amount of inventories as at 31 December 2012 was RMB11,986,000 (2011: RMB23,057,000) (Note 16).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Critical Accounting Judgements and Estimates (cont'd)

Key sources of estimation uncertainty (cont'd)

(a) Useful Lives of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. Management estimates the useful lives of these property, plant and equipment to be within 5 to 25 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2012 was RMB57,000,000 (2011: RMB62,876,000) (Note 11). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these plant and equipment, which management assesses annually and if the expectation differs from the original estimate, such difference will impact the depreciation in the period in which such an estimate has been changed.

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimate, the Group's net profit for the financial year ended 31 December 2012 will decrease/increase by RMB521,800 (2011: RMB534,900).

(b) Impairment of Goodwill

Goodwill arising from acquisition of subsidiary is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the allocated cash-generating unit has been determined based on value in use calculation. The calculation requires the use of estimates and assumptions (Note 15). Changes to these estimates and assumptions could result in a change in the carrying amount of the goodwill.

There was no impairment of goodwill made as at 31 December 2012 (2011: Nil). The carrying amount of the goodwill as at 31 December 2012 was RMB1,759,000 (2011: RMB1,759,000) (Note 15).

If the management's estimated growth rates and pre-tax discounted rates applied to the discounted cash flows for the cash-generating unit as at 31 December 2012 is decreased/increased by 10% (2011: 10%), the relevant recoverable amount is still in excess of the carrying amount of goodwill.

5 Revenue

	Group	
	2012 RMB'000	**2011 RMB'000**
Sale of goods	1,031,751	1,041,937

6 Finance Income

	Group	
	2012 RMB'000	**2011 RMB'000**
Bank interest income	1,375	859

7 Staff Costs

	Group	
	2012 RMB'000	**2011 RMB'000**
Salaries and wages	44,702	48,278
Defined contribution plans	11,905	13,841
	56,607	62,119

8 Profit before Income Tax

	Group	
	2012 RMB'000	2011 RMB'000
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold (recognised in cost of sales)	697,568	691,560
Renovation subsidies (recognised in selling and distribution expenses)	41,763	-
Sales incentive awards (recognised in selling and distribution expenses)	-	51,744
Depreciation of property, plant and equipment	5,218	5,349
Rentals - operating leases	1,408	1,093
Amortisation of land use rights (recognised in cost of sales)	471	460
Amortisation of prepaid land lease	192	192
Audit fees – Company's auditors	755	668
Loss on disposal of property, plant and equipment (recognised in other operating expenses)	559	-
Foreign exchange (gain)/loss (recognised in other operating (income)/expenses)	(74)	1,125

There are no non-audit fees paid to the Company's external auditors for the financial years ended 31 December 2012 and 31 December 2011.

9 Income Tax

	Group	
	2012 RMB'000	2011 RMB'000
PRC income tax		
- current tax	49,677	51,574
- underprovision of prior year	17	29
	49,694	51,603

The income tax expense on the profit before income tax varies from the amount of income tax expense determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following factors:

	Group	
	2012 RMB'000	2011 RMB'000
Profit before income tax	191,253	197,722
Tax at applicable income tax rates	48,349	50,088
Non-deductible items	1,241	1,409
Unrecognised deferred tax assets	87	77
Underprovision of prior year	17	29
	49,694	51,603

9 Income Tax (cont'd)

The corporate income tax rate applicable to the Company is 17% (2011: 17%).

Fujian Haimingwei Shoes Co., Ltd. ("Haimingwei") is subject to the enterprise income tax rate of 25% (2011: 25%).

Quanzhou City Quangang Hongli Shoes Co., Ltd. ("Quangang Hongli") is subject to the enterprise income tax rate of 25% (2011: 25%).

Other than Haimingwei and Quangang Hongli, all other entities of the Group and the Company have either no taxable income or are not material.

Unrecognised tax losses

As at 31 December 2012, the Group has unutilised tax losses of approximately RMB8,104,000 (2011: RMB7,756,000) which can be carried forward and used to offset against future taxable income of those PRC entities in which the losses arose, subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation. Deferred tax asset arising from these unutilised tax losses carried forward has not been recognised in accordance with the Group's accounting policy stated in Note 3(r). The deferred tax asset not recognised is estimated to be RMB2,026,000 (2011: RMB1,939,000).

Unrecognised temporary differences relating to investments in subsidiaries

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui [2008] No. 1, only the profits earned by foreign-investment enterprise in the PRC prior to 1 January 2008, when distributed to foreign investors, can be exempted from withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% (or at the concessionary tax rate of 5%, where applicable) and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules.

As at 31 December 2012, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries of the Group for which no deferred tax liability has been recognised amounted to RMB578,739,000 (2011: RMB443,545,000) based on the Group's accounting policy as stated in Note 3(r). The deferred tax liability not recognised is estimated to be RMB57,874,000 (2011: RMB22,177,000).

Tax consequences of proposed dividends

There are no income tax consequences attached to the proposed dividends to the Company's shareholders but not recognised as a liability in the financial statements (Note 25).

10 Earnings Per Share

The basic earnings per share is calculated on the Group's profit for the year attributable to equity holders of the Company divided by the weighted average number of shares outstanding during the financial year.

There are no dilutive potential ordinary shares as at 31 December 2012 and 31 December 2011. The bonus warrants (Note 21(b)) have not been included in the calculation of diluted earnings per share because they are anti-dilutive in nature.

The basic and diluted earnings per share calculated based on the above is as follows:

	Group	
	2012	**2011**
Profit for the year attributable to equity holders of the Company (RMB'000)	141,559	146,119
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share computation	474,912,514	455,433,062
Basic and diluted earnings per share (RMB fen)	29.81	32.08

11 Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Computers RMB'000	Motor vehicles RMB'000	Total RMB'000
Group						
2012						
Cost						
At 1 January 2012	61,518	16,943	889	537	4,240	84,127
Additions	-	5	11	-	-	16
Disposal	-	(1,268)	(37)	(104)	(4)	(1,413)
At 31 December 2012	61,518	15,680	863	433	4,236	82,730
Accumulated depreciation						
At 1 January 2012	12,801	6,067	518	273	1,592	21,251
Charge for the year	3,118	1,566	127	77	330	5,218
Disposal	-	(612)	(30)	(94)	(3)	(739)
At 31 December 2012	15,919	7,021	615	256	1,919	25,730
Net book value						
At 31 December 2012	45,599	8,659	248	177	2,317	57,000
2011						
Cost						
At 1 January 2011	61,518	16,904	827	417	4,240	83,906
Additions	-	39	62	120	-	221
At 31 December 2011	61,518	16,943	889	537	4,240	84,127
Accumulated depreciation						
At 1 January 2011	9,605	4,450	377	199	1,271	15,902
Charge for the year	3,196	1,617	141	74	321	5,349
At 31 December 2011	12,801	6,067	518	273	1,592	21,251
Net book value						
At 31 December 2011	48,717	10,876	371	264	2,648	62,876

11 Property, Plant and Equipment (cont'd)

	Office equipment RMB'000
Company	
2012	
Cost	
At 1 January 2012	21
Additions	3
At 31 December 2012	24
Accumulated depreciation	
At 1 January 2012	14
Additions	6
At 31 December 2012	20
Net book value	
At 31 December 2012	4
2011	
Cost	
At 1 January 2011 and 31 December 2011	21
Accumulated depreciation	
At 1 January 2011	9
Additions	5
At 31 December 2011	14
Net book value	
At 31 December 2011	7

12 Land Use Rights

	Group	
	2012 RMB'000	**2011 RMB'000**
Cost		
At beginning and end of year	25,875	25,875
Accumulated amortisation		
At beginning of year	4,264	3,804
Charge for the year	471	460
At end of year	4,735	4,264
Net book value		
At end of year	21,140	21,611
Amount to be amortised:		
Not later than one year	471	460
Later than one year but not later than five years	1,884	1,840
Later than five years	18,785	19,311

The above represents medium-term land use rights for the plots of state-owned land situated in the PRC. Amortisation is provided to write off the land use rights over 50 years.

13 Prepaid Land Lease

	Group	
	2012 RMB'000	2011 RMB'000
Cost		
At beginning and end of year	960	960
Accumulated amortisation		
At beginning of year	656	464
Charge for the year	192	192
At end of year	848	656
Net book value		
At end of year	112	304
Represented by:		
Non-current	-	112
Current	112	192
	112	304

The prepaid land lease represents a lump-sum prepayment of 5-year rental expense for a plot of land situated in the PRC. Amortisation is provided to write off the prepaid land lease payments over the 5 years.

14 Investment in Subsidiaries

	Company	
	2012 RMB'000	2011 RMB'000
Unquoted equity shares, at cost	49,050	49,050

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ principal place of business	Principal activities	Cost of investment		Equity held by the Group	
			2012 RMB'000	2011 RMB'000	2012 %	2011 %
Held by the Company						
Eratat (Fujian) Light Industry Development Co., Ltd	PRC	Production of shoe materials	10,681	10,681	100	100
Fujian Haimingwei Shoes Co., Ltd	PRC	Production of sports shoes, travel shoes, soles, apparel and fabric bags	20,369	20,369	100	100
Jinjiang Wanshida Computer Embroidery Co., Ltd	PRC	Manufacture of all kinds of computer embroidery and dress	3,000	3,000	100	100
Quanzhou City Quangang Hongli Shoes Co., Ltd	PRC	Production of shoes	15,000	15,000	100	100
Eratat Lifestyle Investment Holdings Pte Ltd#	Singapore	Investment holding	-*	-	100	-

14 Investment in Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation/ principal place of business	Principal activities	Cost of investment		Equity held by the Group	
			2012 RMB'000	2011 RMB'000	2012 %	2011 %
Held by a Subsidiary						
Eratat International Trading (Shanghai) Co., Ltd##	PRC	Sale of shoes, apparel and fabric bags	-*	-	100	-
			49,050	49,050		

* Amount less than RMB1,000

\# Acquired during the year from a third party for a cash consideration of S$1.00 and with net assets amounting to S$1.00 as at date of acquisition. This newly acquired subsidiary remains dormant and inactive since its acquisition.

\## Newly incorporated during the financial year and remains dormant and inactive since its incorporation.

All the subsidiaries are audited by Moore Stephens LLP for FRS consolidation purposes.

15 Goodwill

	Group	
	2012 RMB'000	2011 RMB'000
Balance at beginning and end of the year	1,759	1,759

The goodwill arising on consolidation relates to the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets acquired of Quanzhou City Quangang Hongli Shoes Co., Ltd.

The Group assessed the recoverable amount of goodwill based on value in use calculation which uses cash flow projections based on financial budgets of the Group approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 5% per annum. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term growth rate of the industries in which the Group operates. The pre-tax discount rate used was at 8% and has been applied to the cash flows. Management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

Based on management's review of the recoverable amount of the goodwill, no impairment on goodwill was required during the financial year ended 31 December 2012.

16 Inventories

	Group	
	2012 RMB'000	2011 RMB'000
Raw materials	8,775	8,546
Work-in-progress	1,519	2,903
Finished goods	1,692	11,608
	11,986	23,057

17 Trade Receivables

	Group	
	2012 RMB'000	2011 RMB'000
Trade receivables	475,512	442,464
Trade deposits to suppliers	98,040	88,445
	573,552	530,909

Trade receivables are generally on 90-120 days (2011: 90-120 days) credit terms. In prior year, the credit terms were temporarily extended from 91-120 days to 121-150 days.

During the financial year ended 31 December 2012, the Group had provided renovation subsidies to certain distributors to upgrade their existing retail shops to keep pace with the Group's branding strategy. These renovation subsidies which amounted to RMB41,763,000 approximately were set-off against the respective distributors' outstanding trade receivables balances during the year. As the foregoing constitutes a non-cash transaction, these renovation subsidies are adjusted against the Group's profit before income tax for the purposes of presenting the Group's consolidated statement of cash flows.

In prior year, the Group had granted sales incentive awards to reward its distributors for their sales performance and to encourage loyalty to the Group's brand. These sales incentive awards which amounted to RMB51,744,000 approximately were set-off against the respective distributors' trade receivables balances outstanding as at 31 December 2011. As the foregoing constituted a non-cash transaction, the sales incentive awards were adjusted against the Group's profit before income tax for the purposes of presenting the Group's consolidated statement of cash flows.

Trade deposits to suppliers relate to deposits placed with suppliers for the production of apparels.

18 Other Receivables and Other Current Assets

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Other receivables	17	185	17	138
Prepayments	895	9,268	130	-
	912	9,453	147	138

19 Due from/(to) Subsidiaries

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand and are denominated in Renminbi.

20 Cash and Cash Equivalents

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash on hand	68	316	3	2
Cash at bank	356,995	221,718	132	541
Cash and cash equivalents*	357,063	222,034	135	543

* The Group's cash and cash equivalents as disclosed in the consolidated statement of cash flows

Cash at bank bears interest rates ranging from 0.35% to 0.50% (2011: 0.15% to 0.825%) per annum.

21 Share Capital

(a) Issued and Paid-up Capital

	Group and Company			
	2012		2011	
	Number of ordinary shares	Share capital RMB'000	Number of ordinary shares	Share capital RMB'000
At the beginning of the year	474,912,514	300,721	414,912,514	239,159
New shares issued (Note 21(c))	-	-	60,000,000	61,562
At the end of the year	474,912,514	300,721	474,912,514	300,721

The ordinary shares have no par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

(b) Bonus Warrants

On 19 January 2010, the Company had issued 123,580,653 free non-renounceable bonus warrants ("Bonus Warrants") to its shareholders on the basis of three Bonus Warrants for every ten existing ordinary shares held on books closure date on 7 January 2010. Each Bonus Warrant entitles the warrantholder to subscribe for one new ordinary share ("New Share") at the exercise price of S$0.30, exercisable on the date falling three periods from the date of issue on 11 January 2013, subject to the terms and conditions of the Bonus Warrants as set out in a deed poll executed by the Company.

The Company had early adopted the FRS 32 (Amendment) "Classification of Rights Issues" which was effective for the annual periods beginning on or after 1 February 2010. FRS 32 (Amendment) addresses the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments, regardless of the currency in which the exercise price is denominated if the entity offers the rights, options, or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. With the adoption, the Company had accounted the Bonus Warrants as equity instruments rather than derivative liabilities on issuance.

The New Shares arising from the exercise of the Bonus Warrants, when issued and allotted, shall rank *pari passu* in all respects with the existing ordinary shares already issued save for any dividends, rights, allotments or other distributions on the record date for which falls before the exercise date.

The Bonus Warrants had expired on 11 January 2013 and there was no new shares issued for the Bonus Warrants.

(c) Issuance of New Shares

On 20 April 2011, the Company issued 45,000,000 new ordinary shares for cash at an issue price of S$0.202 each. These shares rank *pari passu* in all respect with the existing ordinary shares of the Company.

On 9 May 2011, the Company issued 15,000,000 new ordinary shares for cash at an issue price of S$0.202 each. These shares rank *pari passu* in all respect with the existing ordinary shares of the Company.

22 Reserves

(a) Statutory Reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Group in the PRC are required to set aside a statutory reserve fund by way of appropriation 10% of their profit after tax as reported in the PRC statutory financial statements each year.

The statutory reserve fund may be used to offset any accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the relevant PRC authorities. The appropriation is required until the cumulative total of the statutory reserve fund reaches 50% of the subsidiary's registered capital. The statutory reserve is not available for dividend distribution to shareholders.

(b) Merger Reserve

The merger reserve of the Group represents the difference of the nominal value of the shares of the subsidiaries acquired over the Company's cost of investment in those subsidiaries pursuant to the group restructuring in 2008.

(c) Foreign Currency Translation Reserve

Foreign currency translation reserve arose from the translation of the financial statements of group entity whose functional currency was different from the presentation currency of the Group.

23 Trade Payables

	Group	
	2012 RMB'000	2011 RMB'000
Trade payables	36,803	22,256

24 Other Payables

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Accrued staff costs	17,144	14,590	777	806
Accrued directors' fees	218	197	218	197
Other payables	3,186	4,339	1,343	1,126
VAT payable	4,295	8,006	-	-
	24,843	27,132	2,338	2,129

25 Dividends

	Group	
	2012 RMB'000	2011 RMB'000
Final one-tier (tax-exempt) dividend of RMB0.025 per share – Financial year ended 31 December 2011 (2011: RMB0.030 per share – Financial year ended 31 December 2010)	11,873	14,249

The board of directors has recommended a final one-tier (tax-exempt) dividend of RMB0.025 per share for the financial year ended 31 December 2012 to be approved by shareholders at the Company's forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable amounting to approximately RMB11,873,000, which will be accounted for in shareholder's equity as an appropriation of retained earnings in the financial year ending 31 December 2013, subject to shareholders' approval at the Annual General Meeting.

26 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Compensation of Directors and Key Management Personnel

Key management personnel are directors and those person having authority and responsibility for planning, directing and controlling the activity of the Group and of the Company, directly or indirectly.

The remuneration of directors and key management personnel during the financial year is as follows:

	Group	
	2012 RMB'000	**2011 RMB'000**
Fees	857	822
Salaries	7,145	7,377
Retirement scheme and CPF contributions	1,053	928
	9,055	9,127
Comprising:		
Directors of the Company	6,013	6,131
Key management personnel	3,042	2,996
	9,055	9,127

27 Commitments

Operating Lease Commitments

At the date of the statement of financial position, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2012 RMB'000	**2011 RMB'000**
Within one year	3,031	823
In the second to fifth years inclusive	8,644	606

Operating lease payments represent rentals payable by the Group for its showroom and corporate office. Leases terms are between three to five years with renewable options and no restrictions were placed upon the Group by entering into these leases.

28 Financial Risk Management

The Group's activities expose it to a variety of market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy, which remain unchanged from prior year, seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

28 Financial Risk Management (cont'd)

(a) Market Risk

Currency risk

The Group has no significant exposure to foreign currency exchange risk as the Group mostly carries out its business in the PRC and the transactions are denominated in Renminbi.

The Group does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions. The exposure is managed as far as possible by natural hedges of matching assets and liabilities and the Group monitors the foreign currencies exchange rates movement closely to ensure that this exposure is minimised.

The Group's currency exposure based on the information provided to key management is as follows:

	2012			2011		
	Singapore dollars RMB'000	**Renminbi RMB'000**	**Total RMB'000**	**Singapore dollars RMB'000**	**Renminbi RMB'000**	**Total RMB'000**
Financial assets						
Trade receivables	-	475,512	475,512	-	442,464	442,464
Other receivables	17	-	17	138	47	185
Cash and cash equivalents	169	356,894	357,063	543	221,491	222,034
	186	832,406	832,592	681	664,002	664,683
Financial liabilities						
Trade payables	-	(36,803)	(36,803)	-	(22,256)	(22,256)
Other payables	(2,563)	(17,985)	(20,548)	(2,130)	(16,996)	(19,126)
	(2,563)	(54,788)	(57,351)	(2,130)	(39,252)	(41,382)
Net financial (liabilities)/assets	(2,377)	777,618	775,241	(1,449)	624,750	623,301

The sensitivity analysis to a reasonably possible change in foreign currency rate with all other variables held constant, of the Group's profit after tax has not been disclosed as the Group's exposure to exchange rates movement between the Singapore dollar and Renminbi is not significant.

Interest risk

The Group has no significant exposure to interest risk as the Group has no significant interest-bearing financial assets and/or financial liabilities.

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers with an appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on an ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level and at the Group level by management. The credit terms are disclosed in Note 17. The extension of credit term is subject to periodic review by management.

As at 31 December 2012, the 5 largest trade receivables represent approximately 63% (31 December 2011: 67%) of the total trade receivables. As the Group does not hold any material collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

28 Financial Risk Management (cont'd)

(b) Credit Risk (cont'd)

(i) Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default. For the amount due from subsidiaries, management monitor and review the balance closely.

(ii) Financial assets that are past due and/or impaired

There are no financial assets that are either past due or impaired as at 31 December 2012 and 31 December 2011.

There are also no financial assets that were determined to be impaired during the financial year/period ended 31 December 2012 and 31 December 2011.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows, including maintaining the flexibility of funding through the use of stand-by credit facilities.

The maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows is less than one year.

(d) Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2012 and 31 December 2011.

As disclosed in Note 22(a), the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the relevant subsidiaries for the financial year ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a net debt-to-equity ratio, which is net debt divided by total capital. The Group includes within net debt, trade and other payables less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company.

	Group	
	2012 RMB'000	2011 RMB'000
Trade and other payables	61,646	49,388
Less: Cash and cash equivalents (Note 20)	(357,063)	(222,034)
Net cash	(295,417)	(172,646)
Equity attributable to owners of the Company	949,159	819,473

As the Group was in a net cash position as at 31 December 2012 and 31 December 2011, the disclosure on net debt-to-equity ratio is not meaningful.

29 Fair Value of Financial Instruments

The carrying amounts of current financial assets and current financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

30 Segment Information

For management purposes, the Group is organised into two reportable segments, based on their products which are footwear and apparel, as the Group's risks and rates of return are affected predominantly by differences in the products produced. Each product segment represents a strategic business unit and management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The accounting policies of the reportable segments are the same as the Group's accounting policies discussed in Note 3 of the financial statements. Segment revenue includes transfers between operating segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. The transfers are eliminated on consolidation. There are no operating segments that have been aggregated to form the above reportable operating segments.

(a) Reportable Operating Segments

	Footwear RMB'000	Apparel RMB'000	Total RMB'000
2012			
Revenue			
External revenue	325,817	705,934	1,031,751
Inter-segment revenue	29,774	-	29,774
	355,591	705,934	1,061,525
Elimination			(29,774)
			1,031,751
Segment results	64,486	259,412	323,898
Unallocated expenses, net*			(134,020)
Finance income			1,375
Income tax			(49,694)
Profit for the year			141,559
Assets and liabilities			
Unallocated assets#			1,023,524
Total assets			1,023,524
Unallocated liabilities#			(74,365)
Total liabilities			(74,365)
Other information			
Depreciation and amortisation - unallocated			5,881
Capital expenditure - unallocated			16

30 Segment Information (cont'd)

(a) Reportable Operating Segments (cont'd)

	Footwear RMB'000	Apparel RMB'000	Total RMB'000
2011			
Revenue			
External revenue	383,394	658,543	1,041,937
Inter-segment revenue	34,147	-	34,147
	417,541	658,543	1,076,084
Elimination			(34,147)
			1,041,937
Segment results	95,050	250,960	346,010
Unallocated expenses, net*			(149,147)
Finance income			859
Income tax			(51,603)
Profit for the year			146,119
Assets and liabilities			
Unallocated assets#			872,003
Total assets			872,003
Unallocated liabilities#			(52,530)
Total liabilities			(52,530)
Other information			
Depreciation and amortisation - unallocated			6,001
Capital expenditure - unallocated			221

* Unallocated expenses, net include other operating income, selling and distribution expenses, administrative expenses and other operating expenses. There is no reasonable basis to allocate these net expenses between the operating segments. Therefore, these items are disclosed as unallocated in the reportable segment information.

Assets of the Group are utilised interchangeably between the different operating segments and there is no reasonable basis to allocate liabilities of the Group between the different operating segments. Accordingly, assets and liabilities of the Group are disclosed as unallocated in the reportable segment information.

(b) Geographical Information

There is no geographical segment information provided for sales and non-current assets as the Group operates predominantly in the PRC only.

(c) Information about Major Customers

External revenue of approximately RMB602 million (2011: RMB599 million) arose from sales of footwear and apparel to the Group's five largest customers.

STATISTICS OF SHAREHOLDINGS

SHAREHOLDERS' INFORMATION AS AT 13 MARCH 2013

Class of Equity Securities	:	Ordinary
Number of Equity Securities	:	474,912,514
Voting Rights	:	One vote per share

The Company does not hold any Treasury Shares as at 13 March 2013.

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 999	2	0.09	1,243	0.00
1,000 - 10,000	538	25.11	3,497,000	0.74
10,001 - 1,000,000	1,561	72.84	145,081,271	30.55
1,000,001 and above	42	1.96	326,333,000	68.71
	2,143	**100.00**	**474,912,514**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 13 March 2013)

	Direct Interest	%	Deemed Interest	%
Sunny Joy Limited	120,325,000	25.34	-	-
Lin Jiancheng	1,200,000	0.25	120,325,000[(1)]	25.34
Ye Sanzhi	32,175,000	6.77	-	-

Note:
(1) Mr Lin Jiancheng is deemed to be interested in the shares held by Sunny Joy Limited by virtue of Section 7 of the Companies Act, Cap. 50.

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%
1	SUNNY JOY LIMITED	120,325,000	25.34
2	YE SANZHI	32,175,000	6.77
3	OCBC SECURITIES PRIVATE LTD	19,648,000	4.14
4	LIM & TAN SECURITIES PTE LTD	16,798,000	3.54
5	MAYBANK KIM ENG SECURITIES PTE LTD	16,587,000	3.49
6	UOB KAY HIAN PTE LTD	12,158,000	2.56
7	PHILLIP SECURITIES PTE LTD	11,053,000	2.33
8	DBS VICKERS SECURITIES (S) PTE LTD	10,120,000	2.13
9	DBS NOMINEES PTE LTD	8,422,000	1.77
10	HSBC (SINGAPORE) NOMINEES PTE LTD	6,958,000	1.47
11	TAY AH KEE	5,455,000	1.15
12	RAFFLES NOMINEES (PTE) LTD	4,471,000	0.94
13	CITIBANK NOMINEES SINGAPORE PTE LTD	4,347,000	0.92
14	GOH SOO SIAH	4,279,000	0.90
15	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,541,000	0.75
16	HELEN YANG	3,256,000	0.69
17	ZHONG SEQING	3,250,000	0.68
18	BOON KIA IN VINCENT (WEN JIAYIN)	3,069,000	0.65
19	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	3,000,000	0.63
20	SOH SWEE SENG	3,000,000	0.63
	TOTAL	**291,912,000**	**61.48**

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Approximately 67.64% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Eratat Lifestyle Limited ("the Company") will be held at M Hotel Singapore, 81 Anson Road, Singapore 079908 on Thursday, 25 April 2013 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of RMB0.025 per share, tax exempt one-tier for the year ended 31 December 2012 (2011: RMB0.025 per share, tax exempt one-tier). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Articles of Association of the Company:

   Mr Ye Sanzhi **(Resolution 3)**
   Mr Lim Yeow Hua **(Resolution 4)**

   Mr Lim Yeow Hua will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of the Nominating and Remuneration Committees and will be considered independent.

4. To re-appoint Mr Lam Peck Heng, a Director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.
   [See Explanatory Note (i)] **(Resolution 5)**

5. To approve the payment of Directors' fees of S$180,000 for the financial year ending 31 December 2013, to be paid quarterly in arrears (2012: S$170,000). **(Resolution 6)**

6. To re-appoint Messrs Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to issue shares

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new shares arising from the conversion or exercise of any convertible securities;

    (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

    (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Tan Cher Liang
Company Secretary

Singapore
9 April 2013

Explanatory Notes:

(i) The effect of the Ordinary Resolution 5 proposed in item 4 above, is to re-appoint a director of the Company who is over 70 years of age.

Mr Lam will, upon re-appointment as a Director of the Company, remain as Chairman of the Remuneration Committee and member of the Audit Committee and will be considered independent.

(ii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1 A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2 The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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ERATAT LIFESTYLE LIMITED
(Company Registration No. 200705552D)
(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy ERATAT LIFESTYLE 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 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 ERATAT LIFESTYLE 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 Meeting or such other person the Chairman of the Meeting may designate as *my/our proxy/proxies to vote for *me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Thursday, 25 April 2013 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2012		
2	Payment of proposed first & final dividend		
3	Re-election of Mr Ye Sanzhi as a Director		
4	Re-election of Mr Lim Yeow Hua as a Director		
5	Re-appointment of Mr Lam Peck Heng as a Director		
6	Approval of Directors' fees amounting to S$180,000 for the financial year ending 31 December 2013		
7	Re-appointment of Messrs Moore Stephens LLP as Auditors		
8	Authority to issue new shares		

Dated this .... day of 2013

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

....
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

PROXY FORM

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, Chapter 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 a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. 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 treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy, or at the company's option to treat the instrument of proxy as invalid.

4 Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the 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 Meeting.

5 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 forty-eight (48) hours before the time appointed for the 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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 Shares entered in the Depository Register, 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 forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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