

**FORELAND FABRICTECH HOLDINGS LIMITED**(Co. Regn. No: 39151)**UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2008****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),  
HALF-YEAR AND FULL YEAR RESULTS****1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.****Consolidated Income Statement****Group**

	Three months ended 30 September			Nine months ended 30 September		
	2008 RMB'000	2007 RMB'000	Change %	2008 RMB'000	2007 RMB'000	Change %
Revenue	116,288	103,925	12%	326,157	289,417	13%
Cost of sales	(73,772)	(63,711)	16%	(204,054)	(178,464)	14%
Gross profit	42,516	40,214	6%	122,103	110,953	10%
Other operating income	-	221	-100%	3,272	303	980%
Selling and distribution expenses	(2,995)	(1,875)	60%	(7,226)	(3,321)	118%
Administrative expenses	(3,370)	(2,811)	20%	(11,970)	(9,977)	20%
Other operating expenses	(101)	-	N/A	(1,651)	(90)	1734%
Finance income	227	243	-7%	573	603	-5%
Finance expenses	(4)	(689)	-99%	(286)	(2,343)	-88%
Profit before income tax	36,273	35,303	3%	104,815	96,128	9%
Income tax expenses	(9,922)	(9,585)	4%	(29,001)	(27,079)	7%
Net profit	26,351	25,718	2%	75,814	69,049	10%

**1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediate preceding financial year:**

Profit before income tax is determined after charging/(crediting) the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation on property, plant and equipment	4,956	4,282	14,810	13,868
Bank interest expense	-	670	267	2,317
Foreign exchange loss/(gain)	90	(233)	(82)	(233)
Interest income	(227)	(243)	(573)	(603)
Property, plant and equipment written off	11	-	11	-
Share issue expenses	-	-	-	2,817

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

**Balance Sheets**

	Group		Company	
	30 September 2008 RMB'000	31 December 2007 RMB'000	30 September 2008 RMB'000	31 December 2007 RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	109,971	121,979	-	-
Investment in subsidiaries	-	-	216,961	216,961
	<u>109,971</u>	<u>121,979</u>	<u>216,961</u>	<u>216,961</u>
<b>Current assets</b>				
Inventories	20,082	7,850	-	-
Trade receivables	67,222	81,264	-	-
Other receivables	49,714	25,396	-	-
Amount due from a subsidiary	-	-	90	15
Dividend receivable from a subsidiary	-	-	4,560	32,000
Cash and cash equivalents	195,960	171,683	1,327	8,711
	<u>332,978</u>	<u>286,193</u>	<u>5,977</u>	<u>40,726</u>
<b>Total assets</b>	<u>442,949</u>	<u>408,172</u>	<u>222,938</u>	<u>257,687</u>
<b>Non-current liability</b>				
Deferred tax liability	1,628	-	1,628	-
	<u>1,628</u>	<u>-</u>	<u>1,628</u>	<u>-</u>
<b>Current liabilities</b>				
Trade payables	42,843	48,965	-	-
Other payables and accruals	7,768	8,032	1,434	1,943
Bank loans	-	3,000	-	-
Tax payable	10,315	13,204	-	-
	<u>60,926</u>	<u>73,201</u>	<u>1,434</u>	<u>1,943</u>
<b>Total liabilities</b>	<u>62,554</u>	<u>73,201</u>	<u>3,062</u>	<u>1,943</u>
<b>Net assets</b>	<u>380,395</u>	<u>334,971</u>	<u>219,876</u>	<u>255,744</u>
<b>Equity</b>				
Share capital	173,132	173,132	173,132	173,132
Share premium	50,141	50,141	50,141	50,141
Capital reserve	1,463	1,463	-	-
General reserve fund	26,989	18,847	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	147,576	110,294	(3,397)	32,471
	<u>380,395</u>	<u>334,971</u>	<u>219,876</u>	<u>255,744</u>
<b>Total equity</b>	<u>380,395</u>	<u>334,971</u>	<u>219,876</u>	<u>255,744</u>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.****Amount repayable in one year or less, or on demand**

As at 30 September 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	3,000	-

**Amount repayable after one year**

As at 30 September 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

**Details of any collateral**

The bank borrowing as at 31 December 2007 was secured by legal pledge of the Group's leasehold properties and land use right.

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

<u>Group</u>	Three months ended		Nine months ended	
	30 September		30 September	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flow from operating activities</b>				
Profit before income tax	36,273	35,303	104,815	96,128
Adjustment for:				
Depreciation for property, plant and equipment	4,956	4,282	14,810	13,868
Interest expense	-	670	267	2,317
Interest income	(227)	(243)	(573)	(603)
Property, plant and equipment written off	11	-	11	-
	<u>41,013</u>	<u>40,012</u>	<u>119,330</u>	<u>111,710</u>
Operating profit before changes in working capital	41,013	40,012	119,330	111,710
Inventories	727	(1,315)	(12,232)	(3,206)
Trade receivables	(387)	(9,827)	14,042	(16,530)
Other receivables	(661)	(11,881)	(24,318)	(10,270)
Trade payables	628	8,895	(6,122)	7,664
Other payables and accruals	765	193	(264)	(2,635)
	<u>42,085</u>	<u>26,077</u>	<u>90,436</u>	<u>86,733</u>
<b>Cash generated from operations</b>	42,085	26,077	90,436	86,733
Interest income	227	243	573	603
Income tax paid	(9,161)	(8,952)	(30,262)	(27,125)
	<u>33,151</u>	<u>17,368</u>	<u>60,747</u>	<u>60,211</u>
<b>Net cash generated from operating activities</b>	33,151	17,368	60,747	60,211
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment, represents net cash used in investing activities	(445)	(8,932)	(2,813)	(10,539)
	<u>-</u>	<u>(8,932)</u>	<u>(2,813)</u>	<u>(10,539)</u>
<b>Cash flow from financing activities</b>				
Proceeds from issue of new shares	-	-	-	86,087
Dividend paid	-	-	(30,390)	(15,000)
Interest paid	-	(670)	(267)	(2,317)
Decrease in deposit restricted-in-use	-	90	-	405
Repayments for bank borrowings	-	(11,800)	(3,000)	(32,900)
	<u>-</u>	<u>(12,380)</u>	<u>(33,657)</u>	<u>36,275</u>
<b>Net cash (used in)/generated from financing activities</b>	-	(12,380)	(33,657)	36,275
<b>Net increase/(decrease) in cash and cash equivalents</b>	32,706	(3,944)	24,277	85,947
<b>Cash and cash equivalents at the beginning of the period</b>	163,254	175,327	171,683	85,436
<b>Cash and cash equivalents at the end of the period</b>	<u>195,960</u>	<u>171,383</u>	<u>195,960</u>	<u>171,383</u>

Cash and cash equivalents represented by:

	Group		Group	
	30 September	30 September	30 September	30 September
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	<u>195,960</u>	<u>171,383</u>	<u>195,960</u>	<u>171,383</u>

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

**Statements of Changes in Equity**

<u>Group</u>	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Merger reserve RMB'000	Revenue reserve RMB'000	Total RMB'000
Balance at 1 January 2007	137,186	-	1,463	8,116	(18,906)	20,046	147,905
Net profit for the period	-	-	-	-	-	43,331	43,331
Transfer to general reserve fund	-	-	-	4,684	-	(4,684)	-
Issue of new shares	35,946	50,141	-	-	-	-	86,087
Balance at 30 June 2007	173,132	50,141	1,463	12,800	(18,906)	58,693	277,323
Net profit for the period	-	-	-	-	-	25,718	25,718
Transfer to general reserve fund	-	-	-	2,581	-	(2,581)	-
Balance at 30 September 2007	173,132	50,141	1,463	15,381	(18,906)	81,830	303,041
Balance at 1 January 2008	173,132	50,141	1,463	18,847	(18,906)	110,294	334,971
Net profit for the period	-	-	-	-	-	49,463	49,463
Transfer to general reserve fund	-	-	-	5,356	-	(5,356)	-
Dividend paid	-	-	-	-	-	(30,390)	(30,390)
Balance at 30 June 2008	173,132	50,141	1,463	24,203	(18,906)	124,011	354,044
Net profit for the period	-	-	-	-	-	26,351	26,351
Transfer to general reserve fund	-	-	-	2,786	-	(2,786)	-
Balance at 30 September 2008	173,132	50,141	1,463	26,989	(18,906)	147,576	380,395

<u>Company</u>	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total RMB'000
Balance at 1 January 2007	137,186	-	-	137,186
Net profit for the period	-	-	3,260	3,260
Issue of new shares	35,946	50,141	-	86,087
Balance at 30 June 2007	173,132	50,141	3,260	226,533
Net loss for the period	-	-	(96)	(96)
Balance at 30 September 2007	173,132	50,141	3,164	226,437
Balance at 1 January 2008	173,132	50,141	32,471	255,744
Net loss for the period	-	-	(3,969)	(3,969)
Dividend paid	-	-	(30,390)	(30,390)
Balance at 30 June 2008	173,132	50,141	(1,888)	221,385
Net loss for the period	-	-	(1,509)	(1,509)
Balance at 30 September 2008	173,132	50,141	(3,397)	219,876

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital during the current financial period reported on. There were no outstanding convertibles issued or treasury shares held by the Company as at 30 September 2008.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	At 30 September 2008	At 31 December 2007
Number of issued shares (excluding treasury shares)	440,429,520	440,429,520

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**1(e) Negative assurance confirmation on interim financial results under Rule 705(4) of the Listing Manual**

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company, which may render the unaudited third quarter financial results for the period ended 30 September 2008 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Tsoi Kin Chit  
Executive Chairman

Cai Fengquan  
Executive Director

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The accounting policies and methods of computation applied are consistent with the most recently audited financial statements.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

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

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

The calculation of the basic earnings per share is based on the consolidated profit attributable to equity holders for the relevant period and the Post-Invitation share capital of 440,429,520 shares of US\$0.05 each were assumed to be in issue throughout the entire period presented.

	Three months ended		Nine months ended	
	30 September		30 September	
	2008	2007	2008	2007
Net profit (RMB'000)	<u>26,351</u>	<u>25,718</u>	<u>75,814</u>	<u>69,049</u>
Weighted average number of ordinary shares (according to the above assumption)	<u>440,429,520</u>	<u>440,429,520</u>	<u>440,429,520</u>	<u>440,429,520</u>
Earnings per share (RMB cents)				
- Basic	<u>5.98</u>	<u>5.84</u>	<u>17.21</u>	<u>15.68</u>

Diluted earnings per share is not presented because there is no potential dilutive ordinary share existing during the financial period.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
Net asset value (RMB'000)	<u>380,395</u>	<u>334,971</u>	<u>219,876</u>	<u>255,744</u>
Number of shares at the end of the period ('000)	<u>440,430</u>	<u>440,430</u>	<u>440,430</u>	<u>440,430</u>
Net asset value per share (RMB per share)	<u>0.86</u>	<u>0.76</u>	<u>0.50</u>	<u>0.58</u>

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

**Revenue**

	Three months ended			Nine months ended		
	30 September		Change	30 September		Change
	2008	2007		2008	2007	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<u>Revenue</u>						
Manufacturing and sale of fabrics	111,387	96,591	15%	311,046	268,412	16%
Provision of fabric processing services	4,901	7,334	-33%	15,111	21,005	-28%
Total	<u>116,288</u>	<u>103,925</u>	12%	<u>326,157</u>	<u>289,417</u>	13%

Our revenue increased by 12%, from RMB 103.9 million in the three months ended 30 September 2007 ("3Q 2007") to RMB 116.3 million in the three months ended 30 September 2008 ("3Q 2008"). This was mainly due to an increase of RMB 14.8 million in revenue in the manufacturing and sale of fabrics segment.

In 3Q 2008, our products comprised functional and normal fabrics for the manufacture of apparel, shoes, bags and umbrellas. The increase in revenue contribution from the manufacturing and sale of fabrics was due to the sale of new functional fabrics such as anti-radiation, anti-insect and compound fabric and an increase in the sale of existing functional fabrics of higher grade. The increase in revenue in 3Q 2008 was attributable to sales to new and existing customers.

As we sold more functional fabrics and higher grade fabrics, average selling price for the manufacturing and sale of fabrics increased slightly by approximately 3.2%, from RMB 12.4 per yard in 3Q 2007 to RMB 12.8 per yard in 3Q 2008. Sales volume from the manufacturing and sale of fabrics increased by 12%, from 7.8 million yards in 3Q 2007 to 8.7 million yards in 3Q 2008.

In line with the Group's focus on manufacturing and sale of fabrics which includes producing and selling functional and higher grade fabrics, its second business segment – provision of fabric processing services – recorded a 33% decrease in sales to RMB4.9 million.

**Gross profit and gross profit margin**

Our gross profit grew from RMB 40.2 million in 3Q 2007 to RMB 42.5 million in 3Q 2008, representing an increase of 6%. Overall gross profit margin decreased from 38.7% in 3Q 2007 to 36.6% in 3Q 2008. Our cost of sales increased from RMB 63.7 million in 3Q 2007 to RMB 73.7 million in 3Q 2008, representing an increase of 16%.

The decrease in our gross profit margin was mainly due to an increase in the overall price of raw materials and other production related overheads, offset by our continuous improvement in the proportion of sale of existing functional fabrics and the sale of new functional fabrics that have a higher average selling price and gross profit margin. We have partially passed on the effects of fluctuations in the prices of raw materials to our customers.

### **Selling and distribution expenses**

Our selling and distribution expenses increased by 60%, from RMB 1.9 million in 3Q 2007 to RMB 3.0 million in 3Q 2008. The increase in selling and distribution expenses was mainly due to an increase in advertising and promotional expenses of RMB 0.2 million, increase in travelling and entertainment expenses of RMB 0.3 million and increased expenses for sales representative offices of RMB 0.4 million, as a result of increased marketing efforts and expansion of our sales network. Sales representative offices were set up in Fuzhou and Shishi in Fujian Province, Wujiang in Zhejiang Province, Guangzhou in Guangdong Province and Shanghai to cater for our business expansion.

### **Administrative expenses**

Our administrative expenses increased by 20%, from RMB 2.8 million in 3Q 2007 to RMB 3.4 million in 3Q 2008. The increase in administrative expenses was mainly due to an increase in payroll and payroll-related expenses of RMB 0.4 million, and an increase in travelling and entertainment expenses of RMB 0.2 million as a result of the expansion of our business and an increase in compliance fees due to our listed status.

### **Income tax expenses**

Our income tax expenses for 3Q 2007 and 3Q 2008 were RMB 9.6 million and RMB 9.9 million respectively. Effective tax rates for 3Q 2007 and 3Q 2008 were 27.2% and 27.4% respectively. According to the PRC Enterprise Income Tax Law which took effect on 1 January 2008, applicable tax rate for our subsidiary, Fulian Knitting Co., Ltd ("Fulian Knitting"), for FY2008 is 25%. Applicable tax rate for Fulian Knitting for FY2007 was 27%.

Effective tax rates for 3Q 2008 of 27.4% was higher than the applicable tax rate for Fulian Knitting of 25% mainly due to provision for income tax for dividend from a PRC enterprise pursuant to the PRC Enterprise Income Tax Law which took effect on 1 January 2008 as well as the Implementing Regulations of Enterprise Income Tax Law (collectively referred to as the "New Income Tax Law"). According to the New Income Tax Law, dividends from the PRC derived by a non-resident enterprise which has no establishment in the PRC or has establishment but the dividends have no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to foreign investment enterprises and their investors. For FY2007, such dividend derived by a foreign investor from a PRC enterprise with foreign investment is exempted from PRC withholding tax.

### **Net profit**

Our net profit increased slightly by 2%, from RMB 25.7 million in 3Q 2007 to RMB 26.4 million in 3Q 2008, and net profit margin decreased from 24.7% in 3Q 2007 to 22.7% in 3Q 2008, mainly due to a decrease in our gross profit margin and increases in selling and distribution expenses and administrative expenses.

### **(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Property, plant and equipment decreased by RMB 12.0 million for the nine months ended 30 September 2008 ("9M 2008") mainly due to depreciation charge of RMB 14.8 million which was offset by addition of plant and machinery of RMB 2.8 million.

Inventories increased from RMB 7.9 million as at 31 December 2007 to RMB 20.1 million as at 30 September 2008. Inventories turnover days for FY2007 and 9M 2008 were 11 days and 27 days respectively. The increase in inventories turnover days from FY2007 to 9M 2008 was mainly due to our plan to purchase and stock up more raw materials for more efficient production planning, and our customers' requests to complete production a few days in advance of the actual delivery day to enhance flexibility of their production schedule.

Trade receivables decreased from RMB 81.3 million as at 31 December 2007 to RMB 67.2 million as at 30 September 2008. Trade receivables turnover days decreased from 71 days in FY2007 to 57 days for 9M 2008 mainly due to our effort on tighter credit control.

The increase in other receivables from RMB 25.4 million as at 31 December 2007 to RMB 49.7 million as at 30 September 2008 was mainly due to deposits paid for the purchase of new equipment of RMB 13.4 million for capacity expansion of the Group, as well as the additional deposit of RMB 10.0 million for the purchase of land use rights for a piece of land located at Andong Industrial Area in Jinjiang City of approximately 76,000 square metres.

Trade payables decreased from RMB 49.0 million as at 31 December 2007 to RMB 42.8 million as at 30 September 2008. Trade payables turnover days for FY2007 and 9M 2008 were 69 days and 58 days, respectively. The decrease in trade payables turnover days from FY2007 to 9M 2008 was mainly due to more timely payment to our suppliers.

The increase in deferred tax liabilities during 9M 2008 was due to provision for income tax for dividend as mentioned in "Income tax expenses" above.

For 3Q 2008, the Group generated net cash from operating activities of RMB 33.2 million, which mainly arose from operating profit before changes in working capital of RMB 41.0 million and changes in working capital of RMB 1.1 million, offset by income tax paid of RMB 9.2 million. The Group used RMB 0.4 million in the purchase of property, plant and equipment.

As at 30 September 2008, the Group remained in a net cash position.

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

No forecast or prospect statement has been previously disclosed.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

**- Impact of the global credit crunch**

The recent global financial turmoil and credit crunch has led to a possible slow-down or even recession in countries like the US and the EU, which may result in a weaker demand for textile products. China, as the biggest textile product exporter in the world, may in turn be affected. With a slower demand, the Chinese textile industry may experience some consolidation, which will benefit the bigger textile players that have strong fundamentals and financials, and eliminate smaller manufacturers who are not able to stay viable and competitive. As our niche lies in higher grade fabrics and functional fabrics, we do not envisage that the current global credit crunch will significantly impact our operations in the near term. Leveraging on our established market reputation and healthy financial position, we will continue to focus on improving our business operations, enhancing our productivity and profitability, and strengthening our position in the industry.

**- Changes in consumer tastes and expectations**

It is observed that consumers around the world have become more conscious of the quality of their apparel, in particular, apparel that offers the utmost comfort and durability. To achieve the desired qualities, functional fabrics are required for the production of such apparel. The demand for functional fabrics has increased rapidly in recent years and we believe that this is attributable to changes in consumer tastes and expectations. We expect the use of functional fabrics to be the new focus of apparel manufacturers as they try to differentiate themselves in the competitive garment industry. The consumer trend towards better quality apparel should continue to stimulate the demand for functional fabrics. Manufacturers of functional fabrics with the requisite technical know-how and capabilities should benefit from the opportunities presented. Hence, we believe that we are well positioned to benefit from this trend.

**- Growing affluence of the PRC population**

The PRC has been experiencing modernisation, strong economic growth and continued rise in standards of living since the liberalisation of its economy in the early 1990s. The continued modernisation and rise of standards of living, as well as growth in disposable income have led to an increase in consumer spending power, which is expected to alter their lifestyle spending habits and spur expenditure on better quality textile and apparel products. It is observed that there has been an increasing domestic demand for better quality textiles and sports, leisure and business apparel made from functional fabrics in recent years, and we expect such trend to continue.

**- The PRC remains a preferred manufacturer of choice for fabrics and apparel**

In spite of the recent market turmoil and rise in raw material costs, the PRC manufacturers are able to produce fabrics and apparel at a cheaper cost, compared to manufacturers from developed countries. Moreover, the quality of the fabrics and apparel produced by the PRC manufacturers is comparable to that of manufacturers from developed countries. Hence, we believe that the PRC will continue to be a producer of choice for fabrics and apparel. With our capabilities, we believe we are well-positioned to benefit from this trend.

**- The PRC government's initiatives to promote the textile and apparel industries in the PRC**The Textile Industry Eleventh Five-Year Plan

In June 2006, the PRC government issued a new five-year plan for modernising the domestic textile and apparel industries. Pursuant to the "Textile Industry Eleventh Five-Year Plan" published by the PRC government on 26 June 2006, the PRC government has issued a series of guidelines for the continued growth and development of the industry. Textile manufacturers are encouraged to further consolidate their competitiveness through technology upgrade and organic and inorganic growth to take advantage of the opportunities, as well as overcome the threats associated with the opening of the PRC market. In addition, competent domestic manufacturers are also encouraged to develop a stronger brand identity. Production of high-technology, functional and environmentally friendly textile products is encouraged to increase the production value of the industry. International cooperation and expansion is also believed to be favourable for the continued improvement of the production quality of the domestic industry. We believe that our business should continue to grow with the favourable stance taken by the PRC government in promoting the growth of the textile industry.

Export Tax Rebates for Textile Products

With effect from 1 November 2008, the PRC government is raising the export tax rebate for certain textiles and garments to 14%. The rebates are aimed at enhancing the competitiveness of export enterprises and boosting overall exports. This will provide cost relief to our customers – apparel manufacturers and textile traders who export to overseas markets.

**11. Dividend****(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend for the three months ended 30 September 2008 is declared or recommended.

**13. Update on Use of IPO Proceeds**

As at the date of this announcement, the net proceeds from the Company's initial public offering has been utilised as follows:

<b>Use of IPO proceeds</b>	<b>Amount allocated \$'000</b>	<b>Amount utilised \$'000</b>	<b>Balance \$'000</b>
Expansion of production capacity and research and development capabilities:			
- Construction costs	609	-	609
- New equipment	13,025	7,756	5,269
- Wastewater treatment and recycling plant and methylbenzene recycling facility	2,957	-	2,957
	16,591	7,756	8,835

BY ORDER OF THE BOARD

Tsoi Kin Chit  
Executive Chairman  
12 November 2008

The initial public offering of the Company's shares was sponsored by Daiwa Securities SMBC Singapore Limited.