

FORELAND FABRICTECH HOLDINGS LIMITED (the “Company”)(Co. Regn. No: 39151)**UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2010 (“1Q 2010”)****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 Statement of Comprehensive Income**

	Group		Change %
	1Q 2010 RMB'000	1Q 2009 RMB'000	
Revenue	42,137	54,726	-23%
Cost of sales	(37,430)	(39,682)	-6%
Gross profit	<u>4,707</u>	<u>15,044</u>	-69%
Selling and distribution expenses	(1,248)	(1,264)	-1%
Administrative expenses	(1,817)	(2,509)	-28%
Other expenses	(8)	-	n/a
Finance income	78	185	-58%
Finance expenses	(3)	(2)	50%
Profit before tax	<u>1,709</u>	<u>11,454</u>	-85%
Taxation	(507)	(3,212)	-84%
Net profit, representing total comprehensive income for the period attributable to shareholders	<u><u>1,202</u></u>	<u><u>8,242</u></u>	-85%

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 immediately preceding financial year:

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

	Group	
	1Q 2010	1Q 2009
	RMB'000	RMB'000
Depreciation on property, plant and equipment	4,833	4,942
Foreign exchange loss	8	48
Interest income	(78)	(185)

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.

Statements of Financial Position

	Group		Company	
	31 March 2010 RMB'000	31 December 2009 RMB'000	31 March 2010 RMB'000	31 December 2009 RMB'000
Non-current assets				
Property, plant and equipment	289,504	294,337	-	-
Investment in subsidiaries	-	-	221,267	221,267
	<u>289,504</u>	<u>294,337</u>	<u>221,267</u>	<u>221,267</u>
Current assets				
Inventories	12,523	11,911	-	-
Trade receivables	27,206	43,228	-	-
Other receivables	46,784	39,949	-	-
Amount due from a subsidiary	-	-	90	90
Dividend receivable from a subsidiary	-	-	4,879	5,396
Cash and cash equivalents	102,780	100,690	8	28
	<u>189,293</u>	<u>195,778</u>	<u>4,977</u>	<u>5,514</u>
Total assets	478,797	490,115	226,244	226,781
Non-current liability				
Deferred tax liability	2,723	2,699	-	-
	<u>2,723</u>	<u>2,699</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	21,155	31,858	-	-
Other payables and accruals	8,571	9,337	511	1,433
Tax payable	1,433	3,013	-	-
	<u>31,159</u>	<u>44,208</u>	<u>511</u>	<u>1,433</u>
Total liabilities	33,882	46,907	511	1,433
Net assets	444,915	443,208	225,733	225,348
Equity attributable to equity holder of the Company				
Share capital	177,644	177,200	177,644	177,200
Share premium	50,512	50,451	50,512	50,451
Capital reserve	1,463	1,463	-	-
General reserve fund	33,978	33,843	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	200,224	199,157	(2,423)	(2,303)
	<u>444,915</u>	<u>443,208</u>	<u>225,733</u>	<u>225,348</u>
Total equity	444,915	443,208	225,733	225,348

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

As at 31 March 2010		As at 31 December 2009	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 31 March 2010		As at 31 December 2009	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral

Not applicable.

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

Consolidated Statement of Cash Flows

	Group	
	1Q 2010	1Q 2009
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	1,709	11,454
Adjustment for:		
Depreciation for property, plant and equipment	4,833	4,942
Interest income	(78)	(185)
	<u>6,464</u>	<u>16,211</u>
Operating cash flow before changes in working capital	6,464	16,211
Inventories	(612)	5,812
Trade receivables	16,022	44,926
Other receivables	(6,835)	(454)
Trade payables	(10,703)	(23,109)
Other payables and accruals	(261)	80
	<u>4,075</u>	<u>43,466</u>
Cash generated from operations	4,075	43,466
Interest received	78	185
Income tax paid	(2,063)	(10,803)
	<u>2,090</u>	<u>32,848</u>
Net cash generated from operating activities	2,090	32,848
Cash flows from investing activities		
Purchase of property, plant and equipment, represents net cash used in investing activities	-	(655)
	<u>2,090</u>	<u>32,193</u>
Net increase in cash and cash equivalents	2,090	32,193
Cash and cash equivalents at the beginning of the period	100,690	213,230
Cash and cash equivalents at the end of the period	<u>102,780</u>	<u>245,423</u>

Cash and cash equivalents represented by:

	Group	
	31 March	31 March
	2010	2009
	RMB'000	RMB'000
Cash and bank balances	<u>102,780</u>	<u>245,423</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 equity RMB'000
Balance at 1 January 2009	173,132	50,141	1,463	30,258	(18,906)	175,389	411,477
Total comprehensive income for the period	-	-	-	-	-	8,242	8,242
Transfer to general reserve fund	-	-	-	903	-	(903)	-
Balance at 31 March 2009	<u>173,132</u>	<u>50,141</u>	<u>1,463</u>	<u>31,161</u>	<u>(18,906)</u>	<u>182,728</u>	<u>419,719</u>
Balance at 1 January 2010	177,200	50,451	1,463	33,843	(18,906)	199,157	443,208
Total comprehensive income for the period	-	-	-	-	-	1,202	1,202
Transfer to general reserve fund	-	-	-	135	-	(135)	-
Issue of new shares	444	61	-	-	-	-	505
Balance at 31 March 2010	<u>177,644</u>	<u>50,512</u>	<u>1,463</u>	<u>33,978</u>	<u>(18,906)</u>	<u>200,224</u>	<u>444,915</u>

<u>Company</u>	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total equity RMB'000
Balance at 1 January 2009	173,132	50,141	5,547	228,820
Total comprehensive loss for the period	-	-	(620)	(620)
Balance at 31 March 2009	<u>173,132</u>	<u>50,141</u>	<u>4,927</u>	<u>228,200</u>
Balance at 1 January 2010	177,200	50,451	(2,303)	225,348
Total comprehensive loss for the period	-	-	(120)	(120)
Issue of new shares	444	61	-	505
Balance at 31 March 2010	<u>177,644</u>	<u>50,512</u>	<u>(2,423)</u>	<u>225,733</u>

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.

	Company	
	Number of ordinary shares	Issued and paid-up share capital US\$'000
At 1 January 2009	440,429,520	22,021
Issue of new ordinary shares	11,909,630	595
At 31 December 2009	<u>452,339,150</u>	<u>22,616</u>
At 1 January 2010	452,339,150	22,616
Issue of new ordinary shares	1,300,000	66
At 31 March 2010	<u>453,639,150</u>	<u>22,682</u>

Pursuant to the Company's Scrip Dividend Scheme, 11,909,630 new ordinary shares were issued on 26 June 2009 in respect of the final dividend declared by the Company on 28 April 2009.

Pursuant to the Foreland Performance Share Scheme, 1,300,000 new ordinary shares were issued on 9 February 2010 in respect of the award to the employees of the Company.

There were no outstanding convertibles issued or treasury shares held by the Company as at 31 March 2010 and 31 December 2009 respectively.

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 31 March 2010	At 31 December 2009
Number of issued shares (excluding treasury shares)	<u>453,639,150</u>	<u>452,339,150</u>

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

Not applicable.

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

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

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

Not applicable.

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

The 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.

Not applicable.

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 shareholders for the relevant period and the share capital of 453,075,817 shares for the three months ended 31 March 2010 and 440,429,520 for three months ended 31 March 2009 of US\$0.05 each.

	Group	
	1Q 2010	1Q 2009
Net profit (RMB'000)	<u>1,202</u>	<u>8,242</u>
Weighted average number of ordinary shares (according to the above assumption)	<u>453,075,817</u>	<u>440,429,520</u>
Earnings per share (RMB cents)		
- Basic	<u>0.27</u>	<u>1.87</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	
	31 March 2010	31 December 2009	31 March 2010	31 December 2009
Net asset value (RMB'000)	<u>444,915</u>	<u>443,208</u>	<u>225,733</u>	<u>225,348</u>
Number of shares at the end of the period ('000)	<u>453,639</u>	<u>452,339</u>	<u>453,639</u>	<u>452,339</u>
Net asset value per share (RMB per share)	<u>0.98</u>	<u>0.98</u>	<u>0.50</u>	<u>0.50</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

	1Q 2010	1Q 2009	
	RMB'000	RMB'000	Change
<u>Revenue</u>			
Manufacturing and sale of fabrics	41,692	52,425	-20%
Provision of fabric processing services	445	2,301	-81%
Total	<u>42,137</u>	<u>54,726</u>	-23%

Our revenue decreased by 23%, from RMB 54.7 million in 1Q 2009 to RMB 42.1 million in 1Q 2010. This was mainly due to a decrease of RMB 10.7 million in revenue in the manufacturing and sale of fabrics segment.

In 1Q 2010, our products comprised of functional and normal fabrics for the manufacture of apparel, shoes, bags and high grade umbrellas. The decrease in revenue was due to sluggish demand for textile products, especially apparel fabrics with higher grade, and increased pressure on selling price compared to 1Q 2009.

Sales volume from the manufacturing and sale of fabrics increased by 20%, from 3.8 million yards in 1Q 2009 to 4.6 million yards in 1Q 2010 mainly as a result of the sales of high grade umbrella fabric during the period. Average selling price for the manufacturing and sale of fabrics were reduced by approximately 34%, from RMB 13.8 per yard in 1Q 2009 to RMB 9.1 per yard in 1Q 2010 as a result of increased pressure on selling price.

The Group's second business segment – provision of fabric processing services – had also recorded a 81% drop in sales to RMB 0.4 million.

Gross profit and gross profit margin

Our gross profit was dropped from RMB 15.0 million in 1Q 2009 to RMB 4.7 million in 1Q 2010, representing a decrease of 69%. Overall gross profit margin was reduced from 27.5% in 1Q 2009 to 11.2% in 1Q 2010. Our cost of sales was cut from RMB 39.7 million in 1Q 2009 to RMB 37.4 million in 1Q 2010, representing a decrease of 6%.

The decrease in our gross profit margin was mainly due to weaker demand for higher grade apparel fabrics, increased pressure on selling price and relatively high level of raw material price. Products of higher grade usually yield higher selling price and gross profit margin.

Although we had partially passed on the effects of fluctuations in the prices of raw materials to our customers, the relatively high level in the overall price of raw materials and other production related overheads during the period also contributed to the decrease in our gross profit margin.

Selling and distribution expenses

Our selling and distribution expenses decreased slightly by 1%, from RMB 1.3 million in 1Q 2009 to RMB 1.2 million in 1Q 2010. The decrease in selling and distribution expenses was mainly due to a decrease in sales representative office expense of RMB 0.1 million and a decrease in traveling and entertainment expenses of RMB 0.1 million, offset by an increase in advertising expenses of RMB 0.1 million.

Administrative expenses

Our administrative expenses reduced by 28%, from RMB 2.5 million in 1Q 2009 to RMB 1.8 million in 1Q 2010. The decrease in administrative expenses was mainly due to a decrease in executive director's bonus of RMB 0.1 million (as a result of decreased earnings), a decrease in office and other expenses of RMB 0.1 million and a decrease in other compliance expenses of RMB 0.1 million due to our cost-saving measures.

Income tax expenses

Our income tax expenses for 1Q 2009 and 1Q 2010 were RMB 3.2 million and RMB 0.5 million respectively. Effective tax rates for 1Q 2009 and 1Q 2010 were 28.0% and 29.7% respectively. According to the PRC Enterprise Income Tax Law which took effect on 1 January 2008, the applicable tax rate for our subsidiary, Fulian Knitting Co., Ltd ("Fulian Knitting"), is 25%.

The effective tax rate for 1Q 2010 of 29.7% was higher than the applicable tax rate for Fulian Knitting of 25% mainly due to provision for withholding tax for distributable earning from a PRC enterprise pursuant to the PRC Enterprise Income Tax Law as well as the Implementing Regulations of Enterprise Income Tax Law (collectively referred to as the "New Income Tax Law").

Net profit

Our net profit decreased by 85%, from RMB 8.2 million in 1Q 2009 to RMB 1.2 million in 1Q 2010, and our net profit margin decreased from 15.1% in 1Q 2009 to 2.9% in 1Q 2010, mainly due to a decrease in our gross profit margin and a slight decrease in selling and distribution 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 4.8 million during 1Q 2010 mainly due to depreciation charge of RMB 4.8 million.

Inventories increased from RMB 11.9 million as at 31 December 2009 to RMB 12.5 million as at 31 March 2010. Inventories turnover days for FY2009 and 1Q 2010 were 20 days and 30 days respectively. The increase in inventories turnover days from FY2009 to 1Q 2010 was mainly due to our increased purchase on raw materials for more efficient production planning for the second quarter of 2010.

Trade receivables decreased from RMB 43.2 million as at 31 December 2009 to RMB 27.2 million as at 31 March 2010. Trade receivables turnover days remains relatively stable from 56 days in FY2009 to 58 days in 1Q 2010.

Other receivables as at 31 March 2010 mainly represent deposits paid for 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 for capacity expansion of the Group of RMB 28.4 million, building and construction of RMB 11.0 million, new equipment of RMB 6.6 million and other prepayment for operating expenses of RMB 0.8 million.

Trade payables decreased from RMB 31.9 million as at 31 December 2009 to RMB 21.2 million as at 31 March 2010. Trade payables turnover days for FY2009 and 1Q 2010 remains relatively stable at 53 days and 51 days, respectively.

Tax payable decreased from RMB 3.0 million as at 31 December 2009 to RMB 1.4 million as at 31 March 2010. The decrease in tax payable was in line with the decrease in profit before tax for the year.

In 1Q 2010, the Group generated net cash from operating activities of RMB 2.1 million, which mainly arose from operating profit before changes in working capital of RMB 6.5 million, offset by changes in working capital of RMB 2.4 million and income tax paid of RMB 2.1 million.

As at 31 March 2010, 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 have led to a slow-down in developed countries like the United States and the countries in European Union, which may result in a weaker demand for textile products. The People's Republic of China ("PRC"), as the biggest textile product exporter in the world, may in turn be affected. With a slower demand, the PRC 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. 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.

- 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 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 may benefit from this trend.

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 31 March 2010 is declared or recommended.

13. Interested Person Transactions – Pursuant to Rule 920(1)(a)(ii) of the Listing Manual

Not applicable.

14. 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:

Use of IPO proceeds	Amount allocated S\$'000	Amount utilised S\$'000	Balance S\$'000
Expansion of production capacity and research and development capabilities:			
- Construction costs	609	609	-
- New equipment	13,025	7,927	5,098
- Wastewater treatment and recycling plant and methylbenzene recycling facility	2,957	-	2,957
	16,591	8,536	8,055

15. Negative assurance confirmation on interim financial results under Rule 705(5) 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 first quarter financial results for the period ended 31 March 2010 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Tsoi Kin Chit
Executive Chairman
13 May 2010

Cai Fengquan
Executive Director