

**FORELAND FABRICTECH HOLDINGS LIMITED (the “Company”)**(Co. Regn. No: 39151)**UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010 (“3Q 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**

	3Q 2010 RMB'000	3Q 2009 RMB'000	Change %	Nine months ended 30 September		Change %
				2010 RMB'000	2009 RMB'000	
Revenue	96,209	72,858	32%	205,358	209,302	-2%
Cost of sales	(74,247)	(58,717)	26%	(169,055)	(158,763)	6%
Gross profit	<u>21,962</u>	<u>14,141</u>	55%	<u>36,303</u>	<u>50,539</u>	-28%
Other income	76	-	n/a	151	-	n/a
Selling and distribution expenses	(1,444)	(2,532)	-43%	(3,752)	(5,116)	-27%
Administrative expenses	(2,030)	(1,979)	3%	(6,777)	(7,271)	-7%
Other expenses	(158)	-	n/a	(1,340)	-	n/a
Finance income	66	141	-53%	214	531	-60%
Finance expenses	(4)	(2)	100%	(12)	(12)	0%
Profit before tax	<u>18,468</u>	<u>9,769</u>	89%	<u>24,787</u>	<u>38,671</u>	-36%
Income tax expenses	(5,063)	(2,627)	93%	(6,995)	(10,559)	-34%
Net profit, representing total comprehensive income for the period attributable to shareholders	<u><u>13,405</u></u>	<u><u>7,142</u></u>	88%	<u><u>17,792</u></u>	<u><u>28,112</u></u>	-37%

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

	3Q 2010 RMB'000	3Q 2009 RMB'000	Nine months ended 30 September	
			2010 RMB'000	2009 RMB'000
Depreciation on property, plant and equipment	5,262	4,833	14,627	14,665
Loss on disposal of property, plant and equipment	161	-	1,340	-
Foreign exchange (gain)/loss	(3)	(5)	-	85
Interest income	(66)	(141)	(214)	(531)

**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	
	30 September 2010 RMB'000	31 December 2009 RMB'000	30 September 2010 RMB'000	31 December 2009 RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	328,383	294,337	-	-
Investment in subsidiaries	-	-	221,267	221,267
	328,383	294,337	221,267	221,267
<b>Current assets</b>				
Inventories	21,371	11,911	-	-
Trade receivables	59,182	43,228	-	-
Other receivables	32,314	39,949	-	-
Amount due from a subsidiary	-	-	90	90
Dividend receivable from a subsidiary	-	-	3,873	5,396
Cash and cash equivalents	83,549	100,690	29	28
	196,416	195,778	3,992	5,514
<b>Total assets</b>	524,799	490,115	225,259	226,781
<b>Non-current liability</b>				
Deferred tax liability	3,047	2,699	-	-
<b>Current liabilities</b>				
Trade payables	45,059	31,858	-	-
Other payables and accruals	9,429	9,337	582	1,433
Tax payable	5,759	3,013	-	-
	60,247	44,208	582	1,433
<b>Total liabilities</b>	63,294	46,907	582	1,433
<b>Net assets</b>	461,505	443,208	224,677	225,348
<b>Equity attributable to equity holder of the Company</b>				
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	35,775	33,843	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	215,017	199,157	(3,479)	(2,303)
<b>Total equity</b>	461,505	443,208	224,677	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 30 September 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 30 September 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**

	3Q 2010 RMB'000	3Q 2009 RMB'000	Nine months ended 30 September	
			2010 RMB'000	2009 RMB'000
<b>Cash flow from operating activities</b>				
Profit before income tax	18,468	9,769	24,787	38,671
Adjustment for:				
Depreciation for property, plant and equipment	5,262	4,833	14,627	14,665
Loss on disposal of property, plant and equipment	161	-	1,340	-
Interest income	(66)	(141)	(214)	(531)
Operating profit before changes in working capital	23,825	14,461	40,540	52,805
Inventories	(7,977)	2,857	(9,460)	13,805
Trade receivables	(23,401)	5,228	(15,954)	43,818
Other receivables	(47)	64,332	7,635	19,998
Trade payables	17,160	133	13,201	(15,233)
Other payables and accruals	343	(1,720)	597	(1,427)
<b>Cash generated from operations</b>	9,903	85,291	36,559	113,766
Interest income	66	141	214	531
Income tax paid	(1,357)	(4,481)	(3,901)	(18,333)
<b>Net cash generated from operating activities</b>	8,612	80,951	32,872	95,964
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(13,446)	(163,068)	(52,303)	(174,328)
Proceed from disposal of property, plant and equipment	120	-	2,290	-
<b>Net cash used in investing activities</b>	(13,326)	(163,068)	(50,013)	(174,328)
<b>Cash flow from financing activities</b>				
Dividend paid, representing net cash used in financing activities	-	-	-	(907)
<b>Net decrease in cash and cash equivalents</b>	(4,714)	(82,117)	(17,141)	(79,271)
<b>Cash and cash equivalents at the beginning of the period</b>	88,263	216,076	100,690	213,230
<b>Cash and cash equivalents at the end of the period</b>	83,549	133,959	83,549	133,959

Cash and cash equivalents represented by:

	Group	
	30 September 2010 RMB'000	30 September 2009 RMB'000
Cash and bank balances	83,549	133,959

**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**

<b>Group</b>	<b>Share capital RMB'000</b>	<b>Share premium RMB'000</b>	<b>Capital reserve RMB'000</b>	<b>General reserve fund RMB'000</b>	<b>Merger reserve RMB'000</b>	<b>Revenue reserve RMB'000</b>	<b>Total RMB'000</b>
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	-	-	-	-	-	20,970	20,970
Transfer to general reserve fund	-	-	-	2,234	-	(2,234)	-
Dividend paid	-	-	-	-	-	(5,285)	(5,285)
Issue of new shares	4,068	310	-	-	-	-	4,378
Balance at 30 June 2009	177,200	50,451	1,463	32,492	(18,906)	188,840	431,540
Total comprehensive income for the period	-	-	-	-	-	7,142	7,142
Transfer to general reserve fund	-	-	-	756	-	(756)	-
Balance at 30 September 2009	177,200	50,451	1,463	33,248	(18,906)	195,226	438,682
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	-	-	-	-	-	4,387	4,387
Transfer to general reserve fund	-	-	-	520	-	(520)	-
Issue of new shares (see 1(d)(ii))	444	61	-	-	-	-	505
Balance at 30 June 2010	177,644	50,512	1,463	34,363	(18,906)	203,024	448,100
Total comprehensive income for the period	-	-	-	-	-	13,405	13,405
Transfer to general reserve fund	-	-	-	1,412	-	(1,412)	-
Balance at 30 September 2010	177,644	50,512	1,463	35,775	(18,906)	215,017	461,505

<u>Company</u>	<b>Share capital RMB'000</b>	<b>Share premium RMB'000</b>	<b>Revenue reserve RMB'000</b>	<b>Total RMB'000</b>
Balance at 1 January 2009	173,132	50,141	5,547	228,820
Total comprehensive loss for the period	-	-	(971)	(971)
Dividend paid	-	-	(5,285)	(5,285)
Issue of new shares	4,068	310	-	4,378
Balance at 30 June 2009	177,200	50,451	(709)	226,942
Total comprehensive loss for the period	-	-	(280)	(280)
Balance at 30 September 2009	177,200	50,451	(989)	226,662
Balance at 1 January 2010	177,200	50,451	(2,303)	225,348
Total comprehensive loss for the period	-	-	(720)	(720)
Issue of new shares (see 1(d)(ii))	444	61	-	505
Balance at 30 June 2010	177,644	50,512	(3,023)	225,133
Total comprehensive loss for the period	-	-	(456)	(456)
Balance at 30 September 2010	177,644	50,512	(3,479)	224,677

**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	452,339,150	22,616
At 1 January 2010	452,339,150	22,616
Issue of new ordinary shares	1,300,000	66
At 30 June 2010 and 30 September 2010	453,639,150	22,682

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 30 September 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.**

	<b>At 30 September 2010</b>	<b>At 31 December 2009</b>
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 or 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 453,639,150 shares for the three months ended 30 September 2010 and 452,339,150 for three months ended 30 September 2009 of US\$0.05 each.

	<b>3Q 2010</b>	<b>3Q 2009</b>	<b>Nine months ended 30 September</b>	
			<b>2010</b>	<b>2009</b>
Net profit (RMB'000)	<u>13,405</u>	<u>7,142</u>	<u>17,792</u>	<u>28,112</u>
Weighted average number of ordinary shares (according to the above assumption)	<u>453,639,150</u>	<u>452,339,150</u>	<u>453,453,436</u>	<u>444,661,147</u>
Earnings per share (RMB cents)				
- Basic	<u>2.95</u>	<u>1.58</u>	<u>3.92</u>	<u>6.32</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 2010	31 December 2009	30 September 2010	31 December 2009
Net asset value (RMB'000)	461,505	443,208	224,677	225,348
Number of shares at the end of the period ('000)	453,639	452,339	453,639	452,339
Net asset value per share (RMB per share)	1.02	0.98	0.50	0.50

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

	3Q 2010 RMB'000	3Q 2009 RMB'000	Change %	Nine months ended 30 September		Change %
				2010 RMB'000	2009 RMB'000	
<u>Revenue</u>						
Manufacturing and sale of fabrics	95,219	71,388	33%	203,243	203,875	0%
Provision of fabric processing services	990	1,470	-33%	2,115	5,427	-61%
Total	<u>96,209</u>	<u>72,858</u>	32%	<u>205,358</u>	<u>209,302</u>	-2%

Our revenue for manufacturing and sale of fabrics segment increased by 33%, from RMB 71.4 million in 3Q 2009 to RMB 95.2 million in 3Q 2010. As at 3Q 2010, our products comprised functional and normal fabrics for the manufacture of apparel, shoes, bags and high grade umbrella fabrics. The increase in revenue was due to increase in both sales volume and average selling price.

Sales volume from the manufacturing and sale of fabrics increased by 24%, from 7.2 million yards in 3Q 2009 to 8.9 million yards in 3Q 2010 mainly as a result of the sales of high grade umbrella fabric during the period. With our continuous marketing and product development efforts on high grade umbrella fabric market since the second half of 2009, we have successfully established our brand name in this niche market and developed good business cooperation with top umbrella manufacturers in the PRC.

Average selling price for the manufacturing and sale of fabrics increased by approximately 8%, from RMB 9.9 per yard in 3Q 2009 to RMB 10.7 per yard in 3Q 2010 as a result of recovery of demand for higher grade and functional textile products.

The Group's second business segment – provision of fabric processing services – recorded a 33% drop in sales to RMB 1.0 million in 3Q 2010.

#### Gross profit and gross profit margin

Our gross profit increased from RMB 14.1 million in 3Q 2009 to RMB 22.0 million in 3Q 2010, representing an increase of 55%. Overall gross profit margin improved from 19.4% in 3Q 2009 to 22.8% in 3Q 2010.

The improvement in our gross profit margin was mainly due to an increase in the proportion of sales of existing functional fabrics that have a higher average selling price and better gross profit margin. In addition, we enhanced the existing production line by replacing the old equipment with new and advanced equipment during the second to the third quarter of 2010.

Production capacity was increased, production efficiency and product quality were improved which directly contributed to the increase in gross profit margin.

Although the overall prices of raw materials and other production related overheads had increased, we could still manage to partially pass on the impact of such price increase to our customers.

### **Expenses**

As a result of cost-saving measures, we managed to reduce the selling and distribution expenses by 43%, from RMB 2.5 million in 3Q 2009 compared to RMB 1.4 million in 3Q 2010, by trimming down on advertising expenses of RMB 0.6 million and promotional expense of RMB 0.4 million. Administrative expenses remained at similar level at RMB 2.0 million in both 3Q 2009 and 3Q 2010.

Our income tax expenses for 3Q 2009 and 3Q 2010 were RMB 2.6 million and RMB 5.1 million respectively. Effective tax rates for 3Q 2009 and 3Q 2010 were 26.9% and 27.4% 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 3Q 2010 of 27.4% 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 increased by 88%, from RMB 7.1 million in 3Q 2009 to RMB 13.4 million in 3Q 2010, and our net profit margin increased from 9.8% in 3Q 2009 to 13.9% in 3Q 2010, primarily due to an increase in our gross profit margin and a 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 increased by RMB 34.0 million during the nine months ended 30 September 2010 (“9M 2010”) mainly due to addition of property, plant and equipment of RMB 52.3 million, offset by depreciation charge of RMB 14.6 million and disposal of property, plant and equipment of RMB 3.6 million.

Inventories increased from RMB 11.9 million as at 31 December 2009 to RMB 21.4 million as at 30 September 2010. Inventories turnover days for the financial year 2009 (“FY 2009”) and 9M 2010 were 20 days and 35 days respectively. The increase in inventories turnover days was mainly due to the increased business volume and increased purchase of raw materials for more efficient production planning for the fourth quarter of 2010.

Trade receivables increased from RMB 43.2 million as at 31 December 2009 to RMB 59.2 million as at 30 September 2010. Trade receivables turnover days for FY 2009 and 9M 2010 were 56 days and 79 days respectively. Trade payables increased from RMB 31.9 million as at 31 December 2009 to RMB 45.1 million as at 30 September 2010. Trade payables turnover days for FY 2009 and 9M 2010 were 53 days and 73 days respectively. The increase in trade receivables turnover days was mainly due to the increased business volume during the period.

Other receivables as at 30 September 2010 mainly represent deposits paid for the purchase of land use rights for new factory at Andong Industrial Area in Jinjiang City of RMB 28.4 million, new equipment of RMB 2.7 million and other prepayment for operating expenses of RMB 1.3 million.

Tax payable increased from RMB 3.0 million as at 31 December 2009 to RMB 5.8 million as at 30 September 2010. The increase in tax payable was largely in line with the increase in profit before tax for 3Q 2010.

In 3Q 2010, the Group generated net cash from operating activities of RMB 8.6 million, which mainly arose from operating profit before changes in working capital of RMB 23.8 million, offset by change in working capital of RMB 13.9 million and income tax paid of RMB 1.4 million. Net cash used in investing activities mainly represented purchase of property, plant and equipment of RMB 13.4 million.

As at 30 September 2010, the Group has maintained a net cash position without borrowing.

**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.**

Our stronger performance of this quarter was attributed to the gradual recovery of the global economy that buoyed customers' demand for our better margin, higher-grade textile products. 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 through the development of better and higher quality products, and making continuous marketing effort to reach new customers and strengthening our position in the industry.

Barring any unforeseen circumstances, this encouraging trend is expected to continue into the last quarter of 2010.

**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 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:

<b>Use of IPO proceeds</b>	<b>Amount allocated S\$'000</b>	<b>Amount utilised S\$'000</b>	<b>Balance S\$'000</b>
Expansion of production capacity and research and development capabilities:			
- Construction costs	609	609	-
- New equipment	13,025	8,867	4,158
- Wastewater treatment and recycling plant and methylbenzene recycling facility	2,957	-	2,957
	16,591	9,476	7,115

**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 third quarter financial results for the period ended 30 September 2010 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Tsoi Kin Chit  
Executive Chairman  
9 November 2010

Cai Fengquan  
Executive Director