

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 2011 (“1Q 2011”)****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 2011	1Q 2010	
	RMB'000	RMB'000	
Revenue	153,502	42,137	264%
Cost of sales	(109,186)	(37,430)	192%
Gross profit	<u>44,316</u>	<u>4,707</u>	841%
Other income	180	78	n/a
Selling and distribution expenses	(1,551)	(1,248)	24%
Administrative expenses	(3,779)	(1,817)	108%
Other expenses	-	(8)	n/a
Finance expenses	(4)	(3)	33%
Profit before tax	<u>39,162</u>	<u>1,709</u>	2192%
Taxation	(10,855)	(507)	2041%
Net profit, representing total comprehensive income for the period attributable to shareholders	<u><u>28,307</u></u>	<u><u>1,202</u></u>	2255%

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 following:

	Group	
	1Q 2011	1Q 2010
	RMB'000	RMB'000
Depreciation on property, plant and equipment	4,956	4,833
Foreign exchange (gain)/loss	(2)	8
Interest income	(93)	(78)

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 2011 RMB'000	31 December 2010 RMB'000	31 March 2011 RMB'000	31 December 2010 RMB'000
Non-current assets				
Property, plant and equipment	351,662	356,118	-	-
Investment in subsidiaries	-	-	221,267	221,267
	<u>351,662</u>	<u>356,118</u>	<u>221,267</u>	<u>221,267</u>
Current assets				
Inventories	27,706	14,898	-	-
Trade receivables	92,678	71,515	-	-
Other receivables	4,855	2,362	-	-
Amount due from a subsidiary	-	-	90	90
Dividend receivable from a subsidiary	-	-	16,982	17,105
Cash and cash equivalents	137,236	111,385	34	196
	<u>262,475</u>	<u>200,160</u>	<u>17,106</u>	<u>17,391</u>
Total assets	<u>614,137</u>	<u>556,278</u>	<u>238,373</u>	<u>238,658</u>
Non-current liability				
Deferred tax liability	4,454	3,574	-	-
Current liabilities				
Trade payables	71,269	44,137	-	-
Other payables and accruals	8,970	9,362	1,298	1,323
Tax payable	10,925	10,115	-	-
	<u>91,164</u>	<u>63,614</u>	<u>1,298</u>	<u>1,323</u>
Total liabilities	<u>95,618</u>	<u>67,188</u>	<u>1,298</u>	<u>1,323</u>
Net assets	<u>518,519</u>	<u>489,090</u>	<u>237,075</u>	<u>237,335</u>
Equity attributable to equity holder of the Company				
Share capital	178,234	177,644	178,234	177,644
Share premium	51,044	50,512	51,044	50,512
Capital reserve	1,463	1,463	-	-
General reserve fund	41,787	38,730	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	264,897	239,647	7,797	9,179
	<u>518,519</u>	<u>489,090</u>	<u>237,075</u>	<u>237,335</u>
Total equity	<u>518,519</u>	<u>489,090</u>	<u>237,075</u>	<u>237,335</u>

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 2011		As at 31 December 2010	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 31 March 2011		As at 31 December 2010	
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 2011	1Q 2010
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	39,162	1,709
Adjustments for:		
Depreciation for property, plant and equipment	4,956	4,833
Interest income	(93)	(78)
	<u>44,025</u>	<u>6,464</u>
Operating cash flow before changes in working capital	44,025	6,464
Inventories	(12,808)	(612)
Trade receivables	(21,163)	16,022
Other receivables	307	(6,835)
Trade payables	27,132	(10,703)
Other payables and accruals	730	(261)
	<u>38,223</u>	<u>4,075</u>
Cash generated from operations	38,223	4,075
Interest received	93	78
Income tax paid	(9,165)	(2,063)
	<u>29,151</u>	<u>2,090</u>
Net cash generated from operating activities	29,151	2,090
Cash flows from investing activities		
Purchase of property, plant and equipment, represents net cash used in investing activities	(3,300)	-
	<u>25,851</u>	<u>2,090</u>
Net increase in cash and cash equivalents	25,851	2,090
Cash and cash equivalents at the beginning of the period	111,385	100,690
Cash and cash equivalents at the end of the period	<u>137,236</u>	<u>102,780</u>

Cash and cash equivalents represented by:

	Group	
	31 March	31 March
	2011	2010
	RMB'000	RMB'000
Cash and bank balances	<u>137,236</u>	<u>102,780</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

Group	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 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>
Balance at 1 January 2011	177,644	50,512	1,463	38,730	(18,906)	239,647	489,090
Total comprehensive income for the period	-	-	-	-	-	28,307	28,307
Transfer to general reserve fund	-	-	-	3,057	-	(3,057)	-
Issue of new shares	590	532	-	-	-	-	1,122
Balance at 31 March 2011	<u>178,234</u>	<u>51,044</u>	<u>1,463</u>	<u>41,787</u>	<u>(18,906)</u>	<u>264,897</u>	<u>518,519</u>

Company	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total equity RMB'000
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>
Balance at 1 January 2011	177,644	50,512	9,179	237,335
Total comprehensive loss for the period	-	-	(1,382)	(1,382)
Issue of new shares	590	532	-	1,122
Balance at 31 March 2011	<u>178,234</u>	<u>51,044</u>	<u>7,797</u>	<u>237,075</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 2010	452,339,150	22,617
Issue of new ordinary shares	<u>1,300,000</u>	<u>65</u>
At 31 December 2010	<u>453,639,150</u>	<u>22,682</u>
At 1 January 2011	453,639,150	22,682
Issue of new ordinary shares	<u>1,800,000</u>	<u>90</u>
At 31 March 2011	<u>455,439,150</u>	<u>22,772</u>

Pursuant to the Foreland Performance Share Scheme, 1,300,000 and 1,800,000 new ordinary shares were issued on 9 February 2010 and 4 March 2011 respectively in respect of the award to the employees of the Group.

There were no outstanding convertibles issued or treasury shares held by the Company as at 31 March 2011 and 31 December 2010 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 2011	At 31 December 2010
Number of issued shares (excluding treasury shares)	<u>455,439,150</u>	<u>453,639,150</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.

There were certain new and revised Singapore Financial Reporting Standards (FRS) that have been issued and are effective for accounting periods beginning on or after 1 January 2011. The adoption of these new/revised FRS, where applicable, has no material impact on the consolidated financial statements for the period ended 31 March 2011. Apart from the new/revised FRS, 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 454,179,150 shares for the three months ended 31 March 2011 and 453,075,817 for three months ended 31 March 2010.

	Group	
	1Q 2011	1Q 2010
Net profit (RMB'000)	<u>28,307</u>	<u>1,202</u>
Weighted average number of ordinary shares ('000) (according to the above assumption)	<u>454,179</u>	<u>453,076</u>
Earnings per share (RMB cents)		
- Basic	<u>6.23</u>	<u>0.27</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 2011	31 December 2010	31 March 2011	31 December 2010
Net asset value (RMB'000)	<u>518,519</u>	<u>489,090</u>	<u>237,075</u>	<u>237,335</u>
Number of shares at the end of the period ('000)	<u>455,439</u>	<u>453,639</u>	<u>455,439</u>	<u>453,639</u>
Net asset value per share (RMB per share)	<u>1.14</u>	<u>1.08</u>	<u>0.52</u>	<u>0.52</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

	<u>Group</u>		Change
	<u>1Q 2011</u>	<u>1Q 2010</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	
<u>Revenue</u>			
Manufacturing and sale of fabrics	152,366	41,692	265%
Provision of fabric processing services	<u>1,136</u>	<u>445</u>	155%
Total	<u><u>153,502</u></u>	<u><u>42,137</u></u>	264%

Our revenue for manufacturing and sale of fabrics segment increased by approximately 2.7 times, from RMB 41.7 million in 1Q 2010 to RMB 152.4 million in 1Q 2011. 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 the increase in both sales volume and average selling price.

Sales volume from the manufacturing and sale of fabrics segment increased by approximately 1.7 times, from 4.6 million yards in 1Q 2010 to 12.3 million yards in 1Q 2011 mainly as a result of the increase in sales of high grade umbrella fabric, functional and normal fabric during the period. With our continuous marketing and product development efforts on high grade umbrella fabric 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 People's Republic of China ("PRC"). Sales volume for functional and high grade normal fabric also increased as a result of an increase in demand for high grade textile products

The average selling price of the manufacturing and sale of fabrics increased by approximately 36.3%, from RMB 9.1 per yard in 1Q 2010 to RMB 12.4 per yard in 1Q 2011 as a result of an increase in overall product grades.

The Group's second business segment on the provision of fabric processing services recorded an approximately 1.6 times increase in sales to RMB 1.1 million in 1Q 2011.

Gross profit and gross profit margin

Our gross profit increased from RMB 4.7 million in 1Q 2010 to RMB 44.3 million in 1Q 2011, representing an increase of approximately 8.4 times. Overall gross profit margin improved from 11.2% in 1Q 2010 to 28.9% in 1Q 2011.

The improvement in our gross profit margin was mainly due to an increase in the sales of existing functional fabrics that have a better gross profit margin. In addition, we enhanced the existing production line by replacing old equipment with new and advanced ones during the second to the third quarter of FY2010. As a result, our production capacity increased and our production efficiency and product quality improved, directly contributing to the increase in gross profit margin.

Expenses

Our selling and distribution expenses increased by approximately 24.3%, from RMB 1.2 million in 1Q 2010 to RMB 1.6 million in 1Q 2011. The increase in selling and distribution expenses was mainly due to an increase in payroll and payroll-related expenses of RMB 0.5 million as a result of significant increase in revenue. Our administrative expenses increased by approximately 1.1 times, from RMB 1.8 million in 1Q 2010 to RMB 3.8 million in 1Q 2011. The increase in administrative expenses was mainly due to an increase in office and other expenses of RMB 1.0 million, an increase in executive directors' bonus of RMB 0.6 million as a result of increased business activities, and an increase in payroll and payroll-related expenses of RMB 0.3 million.

Our income tax expenses for 1Q 2010 and 1Q 2011 were RMB 0.5 million and RMB 10.9 million respectively. The effective tax rates for 1Q 2010 and 1Q 2011 were 29.7% and 27.7% 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 2011 of 27.7% was higher than the applicable tax rate of 25% for Fulian Knitting, 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 approximately 22.6 times, from RMB 1.2 million in 1Q 2010 to RMB 28.3 million in 1Q 2011, and our net profit margin increased from 2.9% in 1Q 2010 to 18.4% in 1Q 2011, primarily due to an increase in our revenue and gross profit margin.

(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 4.5 million during 1Q 2011 mainly due to depreciation charges of RMB 5.0 million, offset by the addition of property, plant and equipment of RMB 0.5 million.

Inventories increased from RMB 14.9 million as at 31 December 2010 to RMB 27.7 million as at 31 March 2011 mainly due to the increase in business volume during the period. Inventories turnover days for 1Q 2010 and 1Q 2011 were 20 days and 23 days respectively.

Trade receivables increased from RMB 71.5 million as at 31 December 2010 to RMB 92.7 million as at 31 March 2011. Trade receivables turnover days for 1Q 2010 and 1Q 2011 were 56 days and 54 days respectively. The decrease in trade receivables turnover days was mainly due to continuous effort on tight credit control.

Other receivables as at 31 March 2011 mainly represent deposits paid for the purchase of new equipment of RMB 4.1 million and other prepayment for operating expenses of RMB 0.8 million.

Trade payables increased from RMB 44.1 million as at 31 December 2010 to RMB 71.3 million as at 31 March 2011. Trade payables turnover days for 1Q 2010 and 1Q 2011 were 53 days and 59 days respectively. The increase in trade payables turnover days was mainly due to longer credit terms extended by our suppliers arising from the increase in our purchases.

Tax payable increased slightly from RMB 10.1 million as at 31 December 2010 to RMB 10.9 million as at 31 March 2011. The increase in tax payable was largely in line with the increase in profit before tax for the first quarter of FY2011.

In 1Q 2011, the Group generated net cash from operating activities of RMB 29.2 million, which mainly arose from operating profit before changes in working capital of RMB 44.0

million being offset by change in working capital of RMB 5.8 million and income tax paid of RMB 9.2 million. Net cash used in investing activities mainly represented purchase of property, plant and equipment of RMB 3.3 million.

As at 31 March 2011, 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.

In our unaudited full year financial statement and dividend announcement for FY2010, we commented on the business trend in general that “this encouraging trend is expected to continue into the first quarter of FY2011.” In 1Q 2011, good performance and financial results are achieved which is in line with the general comment made in the announcement in previous quarter.

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 in 1Q 2011 was a result of the gradual recovery of the global economy that buoyed customers’ demand for our better margin higher-grade textile products and our continuous effort in securing new customers. 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, 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 second quarter of FY2011.

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 2011 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:

<u>Use of IPO proceeds</u>	<u>Amount allocated S\$'000</u>	<u>Amount utilised S\$'000</u>	<u>Balance S\$'000</u>
Expansion of production capacity and research and development capabilities:			
- Construction costs	609	609	-
- New equipment	13,025	9,850	3,175
- Wastewater treatment and recycling plant and methylbenzene recycling facility	2,957	-	2,957
	<u>16,591</u>	<u>10,459</u>	<u>6,132</u>

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 2011 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Tsoi Kin Chit
Executive Chairman
9 May 2011

Cai Fengquan
Executive Director