

**FORELAND FABRICTECH HOLDINGS LIMITED**(Co. Regn. No: 39151)**UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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**

<b>Group</b>	<b>Three months ended 31 December</b>			<b>FY2008</b>	<b>FY2007</b>	<b>Change</b>
	<b>2008</b>	<b>2007</b>	<b>Change</b>			
	<b>RMB'000</b>	<b>RMB'000</b>		<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	134,577	130,550	3%	460,734	419,967	10%
Cost of sales	(84,746)	(80,233)	6%	(288,800)	(258,697)	12%
Gross profit	<u>49,831</u>	<u>50,317</u>	-1%	<u>171,934</u>	<u>161,270</u>	7%
Other operating income	(80)	20	-500%	3,192	323	888%
Selling and distribution expenses	(3,140)	(1,345)	133%	(10,366)	(4,666)	122%
Administrative expenses	(4,646)	(4,694)	-1%	(16,616)	(14,671)	13%
Other operating expenses	90	-	0%	(1,561)	(90)	1634%
Finance income	263	180	46%	836	783	7%
Finance expenses	(8)	(294)	-97%	(294)	(2,637)	-89%
Profit before income tax	<u>42,310</u>	<u>44,184</u>	-4%	<u>147,125</u>	<u>140,312</u>	5%
Income tax expenses	(11,228)	(12,254)	-8%	(40,229)	(39,333)	2%
Net profit	<u><u>31,082</u></u>	<u><u>31,930</u></u>	-3%	<u><u>106,896</u></u>	<u><u>100,979</u></u>	6%

**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:

	Three months ended 31 December		FY2008 RMB'000	FY2007 RMB'000
	2008 RMB'000	2007 RMB'000		
Depreciation on property, plant and equipment	3,986	4,688	18,796	18,556
Bank interest expense	-	289	267	2,606
Foreign exchange gain	(6)	(20)	(88)	(253)
Interest income	(263)	(180)	(836)	(783)
Property, plant and equipment written off	-	-	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	
	31 December 2008 RMB'000	31 December 2007 RMB'000	31 December 2008 RMB'000	31 December 2007 RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	129,662	121,979	-	-
Investment in subsidiary	-	-	221,267	216,961
	<u>129,662</u>	<u>121,979</u>	<u>221,267</u>	<u>216,961</u>
<b>Current assets</b>				
Inventories	25,167	7,850	-	-
Trade receivables	81,960	81,264	-	-
Other receivables	29,651	25,396	-	-
Amount due from a subsidiary	-	-	90	15
Dividend receivable from a subsidiary	-	-	8,500	32,000
Cash and cash equivalents	213,230	171,683	900	8,711
	<u>350,008</u>	<u>286,193</u>	<u>9,490</u>	<u>40,726</u>
<b>Total assets</b>	479,670	408,172	230,757	257,687
<b>Non-current liability</b>				
Deferred tax liability	2,054	-	-	-
	<u>2,054</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Trade payables	45,177	48,965	-	-
Other payables and accruals	9,209	8,032	1,937	1,943
Bank loans	-	3,000	-	-
Tax payable	11,753	13,204	-	-
	<u>66,139</u>	<u>73,201</u>	<u>1,937</u>	<u>1,943</u>
<b>Total liabilities</b>	68,193	73,201	1,937	1,943
<b>Net assets</b>	<u>411,477</u>	<u>334,971</u>	<u>228,820</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	30,258	18,847	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	175,389	110,294	5,547	32,471
	<u>411,477</u>	<u>334,971</u>	<u>228,820</u>	<u>255,744</u>
<b>Total equity</b>	<u>411,477</u>	<u>334,971</u>	<u>228,820</u>	<u>255,744</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 December 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 31 December 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 31 December			
	2008 RMB'000	2007 RMB'000	FY2008 RMB'000	FY2007 RMB'000
<b>Cash flow from operating activities</b>				
Profit before income tax	42,310	44,184	147,125	140,312
Adjustment for:				
Depreciation for property, plant and equipment	3,986	4,688	18,796	18,556
Interest expense	-	289	267	2,606
Interest income	(263)	(180)	(836)	(783)
Property, plant and equipment written off	-	-	11	-
Operating cash flow before movements in working capital	46,033	48,981	165,363	160,691
Inventories	(5,085)	953	(17,317)	(2,253)
Trade receivables	(14,738)	(22,352)	(696)	(38,882)
Other receivables	20,063	575	(4,255)	(9,695)
Trade payables	2,334	7,057	(3,788)	14,721
Other payables and accruals	1,441	1,777	1,177	(858)
<b>Cash generated from operations</b>	50,048	36,991	140,484	123,724
Interest income	263	180	836	783
Income tax paid	(9,364)	(9,593)	(39,626)	(36,718)
<b>Net cash generated from operating activities</b>	40,947	27,578	101,694	87,789
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment, represents net cash used in investing activities	(23,677)	(1,389)	(26,490)	(11,928)
<b>Cash flow from financing activities</b>				
Proceeds from issue of new shares	-	-	-	86,087
Dividend paid	-	-	(30,390)	(15,000)
Interest expense	-	(289)	(267)	(2,606)
Decrease in deposit restricted-in-use	-	-	-	405
Repayments for bank borrowings	-	(25,600)	(3,000)	(58,500)
<b>Net cash (used in)/generated from financing activities</b>	-	(25,889)	(33,657)	10,386
<b>Net increase in cash and cash equivalents</b>	17,270	300	41,547	86,247
<b>Cash and cash equivalents at the beginning of the period</b>	195,960	171,383	171,683	85,436
<b>Cash and cash equivalents at the end of the period</b>	213,230	171,683	213,230	171,683

Cash and cash equivalents represented by:

	<u>Group</u>		<u>Group</u>	
	31 December 2008 RMB'000	31 December 2007 RMB'000	31 December 2008 RMB'000	31 December 2007 RMB'000
Cash and bank balances	213,230	171,683	213,230	171,683

**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 2007	137,186	-	1,463	8,116	(18,906)	20,046	147,905
Net profit for the period	-	-	-	-	-	69,049	69,049
Transfer to general reserve fund	-	-	-	7,265	-	(7,265)	-
Issue of new shares	35,946	50,141	-	-	-	-	86,087
Balance at 30 September 2007	173,132	50,141	1,463	15,381	(18,906)	81,830	303,041
Net profit for the period	-	-	-	-	-	31,930	31,930
Transfer to general reserve fund	-	-	-	3,466	-	(3,466)	-
Balance at 31 December 2007	173,132	50,141	1,463	18,847	(18,906)	110,294	334,971
Balance at 1 January 2008	173,132	50,141	1,463	18,847	(18,906)	110,294	334,971
Net profit for the period	-	-	-	-	-	75,814	75,814
Transfer to general reserve fund	-	-	-	8,142	-	(8,142)	-
Dividend paid	-	-	-	-	-	(30,390)	(30,390)
Balance at 30 September 2008	173,132	50,141	1,463	26,989	(18,906)	147,576	380,395
Net profit for the period	-	-	-	-	-	31,082	31,082
Transfer to general reserve fund	-	-	-	3,269	-	(3,269)	-
Balance at 31 December 2008	173,132	50,141	1,463	30,258	(18,906)	175,389	411,477

<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	-	-	3,164	3,164
Issue of new shares	35,946	50,141	-	86,087
Balance at 30 September 2007	173,132	50,141	3,164	226,437
Net profit for the period	-	-	29,307	29,307
Balance at 31 December 2007	<u>173,132</u>	<u>50,141</u>	<u>32,471</u>	<u>255,744</u>
Balance at 1 January 2008	173,132	50,141	32,471	255,744
Net loss for the period	-	-	(5,478)	(5,478)
Dividend paid	-	-	(30,390)	(30,390)
Balance at 30 September 2008	173,132	50,141	(3,397)	219,876
Net profit for the period	-	-	8,944	8,944
Balance at 31 December 2008	<u>173,132</u>	<u>50,141</u>	<u>5,547</u>	<u>228,820</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.**

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 31 December 2008 and 31 December 2007.

**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 December 2008	At 31 December 2007
Total number of issued shares (excluding treasury shares)	<u>440,429,520</u>	<u>440,429,520</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.**

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 31 December		FY2008	FY2007
	2008	2007		
Net profit (RMB'000)	31,082	31,930	106,896	100,979
Weighted average number of ordinary shares (according to the above assumption)	440,429,520	440,429,520	440,429,520	440,429,520
Earnings per share (RMB cents)				
- Basic	7.06	7.25	24.27	22.93

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 December 2008	31 December 2007	31 December 2008	31 December 2007
Net asset value (RMB'000)	411,477	334,971	228,820	255,744
Number of shares at the end of the period ('000)	440,430	440,430	440,430	440,430
Net asset value per share (RMB per share)	0.93	0.76	0.52	0.58

**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 31 December		Change	FY2008	FY2007	Change
	2008	2007				
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue						
Manufacturing and sale of fabrics	129,117	121,448	6%	440,163	389,860	13%
Provision of fabric processing services	5,460	9,102	-40%	20,571	30,107	-32%
Total	<u>134,577</u>	<u>130,550</u>	3%	<u>460,734</u>	<u>419,967</u>	10%

Our revenue increased by 10%, from RMB 420.0 million in FY2007 to RMB 460.7 million in FY2008. This was mainly due to an increase of RMB 50.3 million in revenue in the manufacturing and sale of fabrics segment.

In FY2008, 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 warm-feel, fluorescent and memory fabrics and an increase in the sale of existing functional fabrics of higher grade. The increase in revenue in FY2008 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 by approximately 6%, from RMB 12.3 per yard in FY2007 to RMB 13.1 per yard in FY2008. Sales volume from the manufacturing and sale of fabrics increased by 6%, from 31.6 million yards in FY2007 to 33.6 million yards in FY2008.

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 32% decrease in sales to RMB 20.6 million.

**Gross profit and gross profit margin**

Our gross profit grew from RMB 161.3 million in FY2007 to RMB 171.9 million in FY2008, representing an increase of 7%. Overall gross profit margin decreased from 38.4% in FY2007 to 37.3% in FY2008. Our cost of sales increased from RMB 258.7 million in FY2007 to RMB 288.8 million in FY2008, representing an increase of 12%.

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 had 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 122%, from RMB 4.7 million in FY2007 to RMB 10.4 million in FY2008. The increase in selling and distribution expenses was mainly due to an increase in advertising and promotional expenses of RMB 2.4 million, increase in travelling and entertainment expenses of RMB 0.8 million and increased expenses for sales representative offices of RMB 2.0 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, Guangzhou in Guangdong Province and Shanghai to cater for our business expansion.

### **Administrative expenses**

Our administrative expenses increased by 13%, from RMB 14.7 million in FY2007 to RMB 16.6 million in FY2008. The increase in administrative expenses was mainly due to an increase in payroll and payroll-related expenses of RMB 2.0 million, an increase in travelling and entertainment expenses of RMB 0.3 million as a result of the expansion of our business and an increase in compliance fees due to our listed status and due-diligence expenses payable to professional parties for potential merger and acquisition projects of RMB 1.1 million.

### **Income tax expenses**

Our income tax expenses for FY2007 and FY2008 were RMB 39.3 million and RMB 40.2 million respectively. Effective tax rates for FY2007 and FY2008 were 28.0% and 27.3% 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 FY2008 of 27.3% was higher than the applicable tax rate for Fulian Knitting of 25% mainly due to provision for withholding 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 by 6%, from RMB 101.0 million in FY2007 to RMB 106.9 million in FY2008, and net profit margin decreased from 24.0% in FY2007 to 23.2% in FY2008, 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 increased by RMB 7.7 million in FY2008 mainly due to addition of plant and machinery of RMB 26.5 million which was offset by depreciation charge of RMB 18.8 million.

Inventories increased from RMB 7.9 million as at 31 December 2007 to RMB 25.2 million as at 31 December 2008. Inventories turnover days for FY2007 and FY2008 were 11 days and 32 days respectively. The increase in inventories turnover days from FY2007 to FY2008 was mainly due to our plan to purchase and stock up more raw materials for more efficient

production planning, and to meet 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 increased slightly from RMB 81.3 million as at 31 December 2007 to RMB 82.0 million as at 31 December 2008. Trade receivables turnover days decreased from 71 days in FY2007 to 65 days in FY2008 mainly due to our tighter credit control.

The increase in other receivables from RMB 25.4 million as at 31 December 2007 to RMB 29.7 million as at 31 December 2008 was mainly due to 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 for capacity expansion of the Group, offset by transfer from deposits paid for new equipment to property, plant and equipment of RMB 5.4 million.

Trade payables decreased from RMB 49.0 million as at 31 December 2007 to RMB 45.2 million as at 31 December 2008. Trade payables turnover days for FY2007 and FY2008 were 69 days and 57 days, respectively. The decrease in trade payables turnover days from FY2007 to FY2008 was mainly due to more timely payment to our suppliers.

The increase in deferred tax liabilities during FY2008 was due to provision for withholding tax for dividend as mentioned in "Income tax expenses" above.

In FY2008, the Group generated net cash from operating activities of RMB 101.7 million, which mainly arose from operating profit before changes in working capital of RMB 165.4 million, offset by changes in working capital of RMB 24.9 million and income tax paid of RMB 39.6 million. The Group used RMB 26.5 million in the purchase of property, plant and equipment, paid dividend of RMB 30.4 million and repaid bank borrowings of RMB 3.0 million.

As at 31 December 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 have 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. The 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.

**- 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

The PRC government has implemented various measures, including raising the export tax rebate for certain textiles and garments, to stimulate the textile industry. The rebates are aimed at enhancing the competitiveness of export enterprises and boosting overall exports. This should 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?

Name of dividend	Final dividend
Dividend type	Cash or share script *
Dividend amount per share	RMB 0.012
Par value of shares	US\$ 0.05
Tax rate	Tax exempt (1-tier)

\* The final dividend is subject to shareholders' approval at the forthcoming annual general meeting. The Company intends to adopt a scrip dividend scheme, whereby shareholders entitled to receive the dividends may elect to receive either cash or an allotment of ordinary shares in the Company credited as fully paid in lieu of cash. Upon such adoption, the scheme will be applicable to this final dividend. Details of the scheme will be announced in due course. The payment of the scrip dividend will be subject to the adoption of the scheme and the receipt of in-principle approval from the SGX-ST for the listing and quotation of the new shares which may be issued in connection with the final dividend.

Note:

In the Section "Dividend Policy" in our Prospectus dated 17 April 2007, it was stated that we intend to recommend and distribute dividends of not less than 20% of our FY2008 net profits. However, this was merely a statement of our then intention and did not constitute a legally binding obligation of our Company.

Although the Group recorded a 6% increase in net profit in FY2008 compared to FY2007, it is expected that the economic growth for FY2009 in the PRC as a whole will slow down significantly in view of the financial turmoil and the tightening of credit control worldwide, starting in the second half of 2008. This in turn will likely have an adverse impact on the textile industry in the PRC, in particular, the demand for textiles products.

To the textile manufacturers (including the Group) in the PRC, 2009 is going to be a very challenging and tough year. The general business environment for the industry in 2009 (especially the first half) is anticipated to be more difficult than the second half of last year.

In view of the financial crisis, the PRC government as well as other manufacturers has focused on formulating corresponding strategies and policies to try to minimize the adverse effect brought by the financial turmoil. Our Group is no exception. After careful consideration, we had decided to take a more conservative approach for this year and would be declaring dividend to shareholders of approximately 5% of our FY2008 net profits. In such a tough business environment, we are of the view that more financial resources should be reserved and applied to the Group's operating capital with an aim to maintaining the Group's operations and the Group's financial strength. By doing so, we hope we can create more value to our shareholders on a long-term basis.

Further, as disclosed in our previous announcement, the Group's new factory is already under construction. Likewise, the Group will use part of its financial resources on expanding the Group's production capacity and the expansion of the Group's business. Our long-term aim is to give our shareholders a greater return in the future.

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

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

Name of dividend	Final dividend
Dividend type	Cash
Dividend amount per share	RMB 0.069
Par value of shares	US\$ 0.05
Tax rate	Tax exempt (1-tier)

**(c) Date payable**

To be announced later.

**(d) Books closure date**

To be announced later.

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

Not applicable.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group has only one primary business segment, which is manufacturing and selling of functional and normal fabrics. All the Group's sales and assets are in the People's Republic of China. Accordingly, no business and geographical segment information is presented.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to Section 8(a) above.

**15. A breakdown of sales.**

	Revenue			Net profit		
	FY2008 RMB'000	FY2007 RMB'000	Change %	FY2008 RMB'000	FY2007 RMB'000	Change %
First half year	209,869	185,492	13%	49,463	43,331	14%
Second half year	250,865	234,475	7%	57,433	57,648	0%

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

**Total Annual Dividend**

	<b>Latest Full Year (RMB'000)</b>	<b>Previous Full Year (RMB'000)</b>
<b>Ordinary</b>	5,285 *	30,390

\* The proposed dividend is subject to shareholders' approval at the forthcoming annual general meeting

**17. Interested Person Transactions**

As stated in the announcement of the Group dated 28 May 2008, Fortune Luck International Enterprise Limited ("Fortune Luck"), a wholly-owned subsidiary of the Company, is obliged to pay a penalty of RMB 1.45 million to Taroko Architecture Corporation, Hsieh Lin Man-Li, Hsieh Hsiu-Ping, Hsieh Kuo-Tong, Lito Architecture Corporation and Gowin Development Limited (the "Sellers") pursuant to the terms of a share transfer agreement entered into between Fortune Luck and the Sellers, which agreement was terminated. Mr Tsoi Kin Chit, the Executive Chairman of the Company, has paid the penalty of RMB 1.45 million on behalf of Fortune Luck.

**18. 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	7,756	5,269
- Wastewater, treatment and recycling plant and methylbenzene recycling facility	2,957	-	2,957
	<u>16,591</u>	<u>8,365</u>	<u>8,226</u>

BY ORDER OF THE BOARD

Tsoi Kin Chit  
Executive Chairman  
27 February 2009

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