

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 2009 (“3Q 2009”)****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 2009 RMB'000	3Q 2008 RMB'000	Change %	Nine months ended 30 September		Change %
				2009 RMB'000	2008 RMB'000	
Revenue	72,858	116,288	-37%	209,302	326,157	-36%
Cost of sales	(58,717)	(73,772)	-20%	(158,763)	(204,054)	-22%
Gross profit	<u>14,141</u>	<u>42,516</u>	-67%	<u>50,539</u>	<u>122,103</u>	-59%
Other operating income	-	-		-	3,272	-100%
Selling and distribution expenses	(2,532)	(2,995)	-15%	(5,116)	(7,226)	-29%
Administrative expenses	(1,979)	(3,370)	-41%	(7,271)	(11,970)	-39%
Other operating expenses	-	(101)	N/A	-	(1,651)	-100%
Finance income	141	227	-38%	531	573	-7%
Finance expenses	(2)	(4)	-50%	(12)	(286)	-96%
Profit before income tax	<u>9,769</u>	<u>36,273</u>	-73%	<u>38,671</u>	<u>104,815</u>	-63%
Income tax expenses	(2,627)	(9,922)	-74%	(10,559)	(29,001)	-64%
Net profit, representing total comprehensive income for the period attributable to shareholders	<u><u>7,142</u></u>	<u><u>26,351</u></u>	-73%	<u><u>28,112</u></u>	<u><u>75,814</u></u>	-63%

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 2009 RMB'000	3Q 2008 RMB'000	Nine months ended 30 September	
			2009 RMB'000	2008 RMB'000
Depreciation on property, plant and equipment	4,833	4,956	14,665	14,810
Bank interest expense	-	-	-	267
Foreign exchange (gain)/loss	(5)	90	85	(82)
Interest income	(141)	(227)	(531)	(573)
Property, plant and equipment written off	-	11	-	11

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 2009 RMB'000	31 December 2008 RMB'000	30 September 2009 RMB'000	31 December 2008 RMB'000
Non-current assets				
Property, plant and equipment	289,325	129,662	-	-
Investment in subsidiaries	-	-	221,267	221,267
	289,325	129,662	221,267	221,267
Current assets				
Inventories	11,362	25,167	-	-
Trade receivables	38,142	81,960	-	-
Other receivables	9,653	29,651	-	-
Amount due from a subsidiary	-	-	90	90
Dividend receivable from a subsidiary	-	-	5,396	8,500
Cash and cash equivalents	133,959	213,230	42	900
	193,116	350,008	5,528	9,490
Total assets	482,441	479,670	226,795	230,757
Non-current liability				
Deferred tax liability	2,592	2,054	-	-
Current liabilities				
Trade payables	29,944	45,177	-	-
Other payables and accruals	7,782	9,209	133	1,937
Tax payable	3,441	11,753	-	-
	41,167	66,139	133	1,937
Total liabilities	43,759	68,193	133	1,937
Net assets	438,682	411,477	226,662	228,820
Equity attributable to equity holder of the Company				
Share capital	177,200	173,132	177,200	173,132
Share premium	50,451	50,141	50,451	50,141
Capital reserve	1,463	1,463	-	-
General reserve fund	33,248	30,258	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	195,226	175,389	(989)	5,547
Total equity	438,682	411,477	226,662	228,820

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 2009		As at 31 December 2008	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 30 September 2009		As at 31 December 2008	
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 2009 RMB'000	3Q 2008 RMB'000	Nine months ended 30 September	
			2009 RMB'000	2008 RMB'000
Cash flow from operating activities				
Profit before income tax	9,769	36,273	38,671	104,815
Adjustment for:				
Depreciation for property, plant and equipment	4,833	4,956	14,665	14,810
Interest expense	-	-	-	267
Interest income	(141)	(227)	(531)	(573)
Property, plant and equipment written off	-	11	-	11
Operating profit before changes in working capital	14,461	41,013	52,805	119,330
Inventories	2,857	727	13,805	(12,232)
Trade receivables	5,228	(387)	43,818	14,042
Other receivables	64,332	(661)	19,998	(24,318)
Trade payables	133	628	(15,233)	(6,122)
Other payables and accruals	(1,720)	765	(1,427)	(264)
Cash generated from operations	85,291	42,085	113,766	90,436
Interest income	141	227	531	573
Income tax paid	(4,481)	(9,161)	(18,333)	(30,262)
Net cash generated from operating activities	80,951	33,151	95,964	60,747
Cash flow from investing activities				
Purchase of property, plant and equipment, represents net cash used in investing activities	(163,068)	(445)	(174,328)	(2,813)
Cash flow from financing activities				
Dividend paid (Note 1)	-	-	(907)	(30,390)
Interest paid	-	-	-	(267)
Repayments for bank borrowings	-	-	-	(3,000)
Net cash (used in)/generated from financing activities	-	-	(907)	(33,657)
Net (decrease)/increase in cash and cash equivalents	(82,117)	32,706	(79,271)	24,277
Cash and cash equivalents at the beginning of the period	216,076	163,254	213,230	171,683
Cash and cash equivalents at the end of the period	133,959	195,960	133,959	195,960

Cash and cash equivalents represented by:

	Group	
	30 September 2009 RMB'000	30 September 2008 RMB'000
Cash and bank balances	133,959	195,960

Note 1: Total dividend payout in 2Q 2009 amounting to RMB 5.3 million. The amount of RMB 4.4 million was paid out in a way of scrip dividend and the remaining amount of RMB 0.9 million was paid by cash.

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

Statements of Changes in Equity

<u>Group</u>	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Merger reserve RMB'000	Revenue reserve RMB'000	Total RMB'000
Balance at 1 January 2008	173,132	50,141	1,463	18,847	(18,906)	110,294	334,971
Total comprehensive income for the period	-	-	-	-	-	49,463	49,463
Transfer to general reserve fund	-	-	-	5,356	-	(5,356)	-
Dividend paid	-	-	-	-	-	(30,390)	(30,390)
Balance at 30 June 2008	173,132	50,141	1,463	24,203	(18,906)	124,011	354,044
Total comprehensive income for the period	-	-	-	-	-	26,351	26,351
Transfer to general reserve fund	-	-	-	2,786	-	(2,786)	-
Balance at 30 September 2008	173,132	50,141	1,463	26,989	(18,906)	147,576	380,395
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

<u>Company</u>	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total RMB'000
Balance at 1 January 2008	173,132	50,141	32,471	255,744
Total comprehensive loss for the period	-	-	(3,969)	(3,969)
Dividend paid	-	-	(30,390)	(30,390)
Balance at 30 June 2008	173,132	50,141	(1,888)	221,385
Total comprehensive loss for the period	-	-	(1,509)	(1,509)
Balance at 30 September 2008	173,132	50,141	(3,397)	219,876
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

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.

	Group and Company	
	Number of ordinary shares	Issued and paid-up share capital US\$'000
At 1 January 2008 and 1 January 2009	440,429,520	22,021
Issue of new ordinary shares	11,909,630	595
At 30 September 2009	452,339,150	22,616

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

There were no outstanding convertibles issued or treasury shares held by the Company as at 30 September 2009 and 30 September 2008 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 30 September 2009	At 31 December 2008
Number of issued shares (excluding treasury shares)	<u>452,339,150</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.

1(e) 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 2009 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Tsoi Kin Chit
Executive Chairman

Cai Fengquan
Executive Director

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

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

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

Not applicable.

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

The accounting policies and methods of computation applied are consistent with the most recently audited financial statements, except for the adoption of revised Financial Reporting Standard disclosed in point 5 below.

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.

On 1 January 2009, the Group adopted the following revised Singapore Financial Reporting Standard (FRS) that is relevant and effective in the first quarter:

FRS 1 – Presentation of financial statements

FRS 1 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income. Components of comprehensive income are presented in the Consolidated Statement of Comprehensive Income.

The “Balance Sheets” and “Cash Flow Statement” have been re-titled to “Statements of Financial Position” and “Statement of Cash Flows” respectively.

Comparatives for 2008 have been restated to conform to the requirements of the revised standard.

There was no impact on prior period earnings per ordinary share and net asset value per share on adoption of the revised FRS 1.

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 owners of the parent for the relevant period and the share capital of 452,339,150 shares for 3Q 2009 and 444,661,147 for the nine months ended 30 September 2009 of US\$0.05 each.

	3Q 2009	3Q 2008	Nine months ended 30 September	
			2009	2008
Net profit (RMB'000)	<u>7,142</u>	<u>26,351</u>	<u>28,112</u>	<u>75,814</u>
Weighted average number of ordinary shares (according to the above assumption)	<u>452,339,150</u>	<u>440,429,520</u>	<u>444,661,147</u>	<u>440,429,520</u>
Earnings per share (RMB cents)				
- Basic	<u>1.58</u>	<u>5.98</u>	<u>6.32</u>	<u>17.21</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 2009	31 December 2008	30 September 2009	31 December 2008
Net asset value (RMB'000)	<u>438,682</u>	<u>411,477</u>	<u>226,662</u>	<u>228,820</u>
Number of shares at the end of the period ('000)	<u>452,339</u>	<u>440,430</u>	<u>452,339</u>	<u>440,430</u>
Net asset value per share (RMB per share)	<u>0.97</u>	<u>0.93</u>	<u>0.50</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

	3Q 2009 RMB'000	3Q 2008 RMB'000	Change %	Nine months ended 30 September		Change %
				2009 RMB'000	2008 RMB'000	
<u>Revenue</u>						
Manufacturing and sale of fabrics	71,388	111,387	-36%	203,875	311,046	-34%
Provision of fabric processing services	1,470	4,901	-70%	5,427	15,111	-64%
Total	<u>72,858</u>	<u>116,288</u>	-37%	<u>209,302</u>	<u>326,157</u>	-36%

Our revenue decreased by 36%, from RMB 111.4 million in 3Q 2008 to RMB 71.4 million in 3Q 2009. This was mainly due to a decrease of RMB 40.0 million in revenue in the manufacturing and sale of fabrics segment.

In 3Q 2009, our products comprised functional and normal fabrics for the manufacture of apparel, shoes, bags and umbrellas. The decrease in revenue was due to weaker demand for textile products, especially products with higher grade, compared to corresponding period in 2008.

Sales volume from the manufacturing and sale of fabrics decreased by 17%, from 8.7 million yards in 3Q 2008 to 7.2 million yards in 3Q 2009 as a result of weak demand for textile products during the period. Average selling price for the manufacturing and sale of fabrics decreased by approximately 22%, from RMB 12.8 per yard in 3Q 2008 to RMB 9.9 per yard in 3Q 2009 as a result of weaker demand for higher grade products.

The Group's second business segment – provision of fabric processing services – also recorded a 70% decrease in sales to RMB 1.5 million.

Gross profit and gross profit margin

Our gross profit decreased from RMB 42.5 million in 3Q 2008 to RMB 14.1 million in 3Q 2009, representing a decrease of 67%. Overall gross profit margin decreased from 36.6% in 3Q 2008 to 19.4% in 3Q 2009. Our cost of sales decreased from RMB 73.8 million in 3Q 2008 to RMB 58.7 million in 3Q 2009, representing a decrease of 20%.

The decrease in our gross profit margin was mainly due to weaker demand for higher grade products and lower operational efficiency as a result of the reduced scale of operation. Products of higher grade usually yield higher selling price and gross profit margin. The amount of fixed manufacturing overheads, such as depreciation, water and electricity, research and development expense, allocated to each unit of production increased as a result of the significant decrease in production volume. In addition, notwithstanding we had partially passed on the effects of fluctuations in the prices of raw materials to our customers, the increase in the overall price of raw materials and other production related overheads also contributes to the decrease in our gross profit margin.

Selling and distribution expenses

Our selling and distribution expenses decreased by 15%, from RMB 3.0 million in 3Q 2008 to RMB 2.5 million in 3Q 2009. The decrease in selling and distribution expenses was mainly due to a decrease in payroll and payroll-related expenses of RMB 0.1 million, a decrease in sales representative office expense of RMB 0.3 million and a decrease in traveling and entertainment expenses of RMB 0.2 million as a result of decreased selling activities.

Administrative expenses

Our administrative expenses decreased by 41%, from RMB 3.4 million in 3Q 2008 to RMB 2.0 million in 3Q 2009. The decrease in administrative expenses was mainly due to a decrease in executive director's bonus of RMB 0.4 million (as a result of decreased earnings), a decrease in office and other expenses of RMB 0.4 million and a decrease in traveling and entertainment expenses of RMB 0.4 million due to our cost-saving measures.

Income tax expenses

Our income tax expenses for 3Q 2008 and 3Q 2009 were RMB 9.9 million and RMB 2.6 million respectively. Effective tax rates for 3Q 2008 and 3Q 2009 were 27.4% and 26.9% 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"), is 25%.

Effective tax rates for 3Q 2009 of 26.9% 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 73%, from RMB 26.4 million in 3Q 2008 to RMB 7.1 million in 3Q 2009, and net profit margin decreased from 22.7% in 3Q 2008 to 9.8% in 3Q 2009, mainly due to a decrease in our 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 increased by RMB 159.7 million during the nine months ended 30 September 2009 ("9M 2009") mainly due to addition of plant and machinery of RMB 174.3 million offset by depreciation charge of RMB 14.7 million. For the expansion of capacity, the addition of plant and machinery mainly represent acquisition of land use rights and construction work for the new factory site located at Andong Industrial Area in Jinjiang City which is still in progress as at the date of this announcement.

Inventories decreased from RMB 25.2 million as at 31 December 2008 to RMB 11.4 million as at 30 September 2009. Inventories turnover days for FY2008 and 9M 2009 were 32 days and 20 days respectively. The decrease in inventories turnover days from FY2008 to 9M 2009 was mainly due to the general decrease in business activities for the period.

Trade receivables decreased from RMB 82.0 million as at 31 December 2008 to RMB 38.1 million as at 30 September 2009. Trade receivables turnover days have improved from 65 days in FY2008 to 50 days in 9M 2009 mainly due to our continuous effort on credit control.

Other receivables as at 30 September 2009 mainly represent deposits paid for new equipment of RMB 6.5 million and other prepayment for operating expenses of RMB 3.1 million.

Trade payables decreased from RMB 45.2 million as at 31 December 2008 to RMB 29.9 million as at 30 September 2009. Trade payables turnover days for FY2008 and 9M 2009 were 57 days and 52 days, respectively. The decrease in trade payables turnover days from FY2008 to 9M 2009 was mainly due to more timely payments to our suppliers.

Tax payable decreased from RMB 11.8 million as at 31 December 2008 to RMB 3.4 million as at 30 September 2009. The decrease in tax payable was in line with the decrease in profit before income tax for the period.

In 3Q 2009, the Group generated net cash from operating activities of RMB 81.0 million, which mainly arose from operating profit before changes in working capital of RMB 14.5 million, changes in working capital of RMB 70.8 million, offset by income tax paid of RMB 4.5 million. The Group used RMB 163.1 million in the purchase of property, plant and equipment.

As at 30 September 2009, 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 the 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 the developed countries. Moreover, the quality of the fabrics and apparel produced by the PRC manufacturers is comparable to that of manufacturers from the 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.

- The PRC government's initiatives to promote the textile and apparel industries in the PRC

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?

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 2009 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 \$'000	Amount utilised \$'000	Balance \$'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

BY ORDER OF THE BOARD

Tsoi Kin Chit
Executive Chairman
10 November 2009