

FORELAND FABRICTECH HOLDINGS LIMITED (the “Company”)

(Co. Regn. No: 39151)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2010 (“2Q 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 Statements of Comprehensive Income

Group	2Q 2010	2Q 2009	Change	Six months ended 30 June		Change
				2010	2009	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	67,012	81,718	-18%	109,149	136,444	-20%
Cost of sales	(57,378)	(60,364)	-5%	(94,808)	(100,046)	-5%
Gross profit	<u>9,634</u>	<u>21,354</u>	-55%	<u>14,341</u>	<u>36,398</u>	-61%
Other income	75	-	n/a	75	-	n/a
Selling and distribution expenses	(1,060)	(1,320)	-20%	(2,308)	(2,584)	-11%
Administrative expenses	(2,930)	(2,783)	5%	(4,747)	(5,292)	-10%
Other expenses	(1,174)	-	n/a	(1,182)	-	n/a
Finance income	70	205	-66%	148	390	-62%
Finance expenses	(5)	(8)	-38%	(8)	(10)	-20%
Profit before tax	<u>4,610</u>	<u>17,448</u>	-74%	<u>6,319</u>	<u>28,902</u>	-78%
Income tax expense	(1,425)	(4,720)	-70%	(1,932)	(7,932)	-76%
Net profit, representing total comprehensive income for the period attributable to shareholders	<u><u>3,185</u></u>	<u><u>12,728</u></u>	-75%	<u><u>4,387</u></u>	<u><u>20,970</u></u>	-79%

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:

	2Q 2010	2Q 2009	Six months ended 30 June	
			2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation on property, plant and equipment	4,532	4,890	9,365	9,832
Loss on disposal of property, plant and equipment	1,179	-	1,179	-
Foreign exchange (gain)/loss	(5)	42	3	90
Interest income	(70)	(205)	(148)	(390)

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 June 2010 RMB'000	31 December 2009 RMB'000	30 June 2010 RMB'000	31 December 2009 RMB'000
Non-current assets				
Property, plant and equipment	320,480	294,337	-	-
Investment in subsidiaries	-	-	221,267	221,267
	<u>320,480</u>	<u>294,337</u>	<u>221,267</u>	<u>221,267</u>
Current assets				
Inventories	13,394	11,911	-	-
Trade receivables	35,781	43,228	-	-
Other receivables	32,267	39,949	-	-
Amount due from a subsidiary	-	-	90	90
Dividend receivable from a subsidiary	-	-	4,402	5,396
Cash and cash equivalents	88,263	100,690	10	28
	<u>169,705</u>	<u>195,778</u>	<u>4,502</u>	<u>5,514</u>
Total assets	490,185	490,115	225,769	226,781
Non-current liability				
Deferred tax liability	2,793	2,699	-	-
	<u>2,793</u>	<u>2,699</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	27,899	31,858	-	-
Other payables and accruals	9,086	9,337	636	1,433
Tax payable	2,307	3,013	-	-
	<u>39,292</u>	<u>44,208</u>	<u>636</u>	<u>1,433</u>
Total liabilities	42,085	46,907	636	1,433
Net assets	<u>448,100</u>	<u>443,208</u>	<u>225,133</u>	<u>225,348</u>
Equity attributable to equity holder of the Company				
Share capital	177,644	177,200	177,644	177,200
Share premium	50,512	50,451	50,512	50,451
Capital reserve	1,463	1,463	-	-
General reserve fund	34,363	33,843	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	203,024	199,157	(3,023)	(2,303)
	<u>448,100</u>	<u>443,208</u>	<u>225,133</u>	<u>225,348</u>
Total equity	<u>448,100</u>	<u>443,208</u>	<u>225,133</u>	<u>225,348</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 30 June 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 June 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

	2Q 2010 RMB'000	2Q 2009 RMB'000	Six months ended 30 June	
			2010 RMB'000	2009 RMB'000
Cash flow from operating activities				
Profit before tax	4,610	17,448	6,319	28,902
Adjustment for:				
Depreciation for property, plant and equipment	4,532	4,890	9,365	9,832
Loss on disposal of property, plant and equipment	1,179	-	1,179	-
Interest income	(70)	(205)	(148)	(390)
	<u>10,251</u>	<u>22,133</u>	<u>16,715</u>	<u>38,344</u>
Operating profit before changes in working capital	10,251	22,133	16,715	38,344
Inventories	(871)	5,136	(1,483)	10,948
Trade receivables	(8,575)	(6,336)	7,447	38,590
Other receivables	14,517	(43,880)	7,682	(44,334)
Trade payables	6,744	7,743	(3,959)	(15,366)
Other payables and accruals	515	213	254	293
	<u>22,581</u>	<u>(14,991)</u>	<u>26,656</u>	<u>28,475</u>
Cash generated from/(used in) operations	22,581	(14,991)	26,656	28,475
Interest income	70	205	148	390
Income tax paid	(481)	(3,049)	(2,544)	(13,852)
	<u>22,170</u>	<u>(17,835)</u>	<u>24,260</u>	<u>15,013</u>
Net cash generated from/(used in) operating activities	22,170	(17,835)	24,260	15,013
Cash flow from investing activities				
Purchase of property, plant and equipment	(38,857)	(10,605)	(38,857)	(11,260)
Proceed from disposal of property, plant and equipment	2,170	-	2,170	-
	<u>(36,687)</u>	<u>(10,605)</u>	<u>(36,687)</u>	<u>(11,260)</u>
Net cash used in investing activities	(36,687)	(10,605)	(36,687)	(11,260)
Cash flow from financing activities				
Dividend paid, representing net cash used in financing activities	-	(907)	-	(907)
	<u>(14,517)</u>	<u>(29,347)</u>	<u>(12,427)</u>	<u>2,846</u>
Net (decrease)/increase in cash and cash equivalents	(14,517)	(29,347)	(12,427)	2,846
Cash and cash equivalents at the beginning of the financial period	<u>102,780</u>	<u>245,423</u>	<u>100,690</u>	<u>213,230</u>
Cash and cash equivalents at the end of the financial period	<u>88,263</u>	<u>216,076</u>	<u>88,263</u>	<u>216,076</u>

Cash and cash equivalents represented by:

	Group	
	30 June 2010 RMB'000	30 June 2009 RMB'000
Cash and bank balances	<u>88,263</u>	<u>216,076</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 RMB'000
Balance at 1 January 2009	173,132	50,141	1,463	30,258	(18,906)	175,389	411,477
Total comprehensive income for the period	-	-	-	-	-	8,242	8,242
Transfer to general reserve fund	-	-	-	903	-	(903)	-
Balance at 31 March 2009	173,132	50,141	1,463	31,161	(18,906)	182,728	419,719
Total comprehensive income for the period	-	-	-	-	-	12,728	12,728
Transfer to general reserve fund	-	-	-	1,331	-	(1,331)	-
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
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	177,644	50,512	1,463	33,978	(18,906)	200,224	444,915
Total comprehensive income for the period	-	-	-	-	-	3,185	3,185
Transfer to general reserve fund	-	-	-	385	-	(385)	-
Balance at 30 June 2010	177,644	50,512	1,463	34,363	(18,906)	203,024	448,100

<u>Company</u>	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total RMB'000
Balance at 1 January 2009	173,132	50,141	5,547	228,820
Total comprehensive loss for the period	-	-	(620)	(620)
Balance at 31 March 2009	173,132	50,141	4,927	228,200
Total comprehensive loss for the period	-	-	(351)	(351)
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
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	177,644	50,512	(2,423)	225,733
Total comprehensive loss for the period	-	-	(600)	(600)
Balance at 30 June 2010	177,644	50,512	(3,023)	225,133

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 31 March 2010 and 30 June 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 June 2010 and 31 December 2009 respectively.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	At 30 June 2010	At 31 December 2009
Number of issued shares (excluding treasury shares)	<u>453,639,150</u>	<u>452,339,150</u>

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

Not applicable.

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

The figures have not been audited 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 June 2010 and 441,083,895 for three months ended 30 June 2009 of US\$0.05 each.

	2Q 2010	2Q 2009	<u>Six months ended 30 June</u>	
			2010	2009
Net profit (RMB'000)	<u>3,185</u>	<u>12,728</u>	<u>4,387</u>	<u>20,970</u>
Weighted average number of ordinary shares (according to the above assumption)	<u>453,639,150</u>	<u>441,083,895</u>	<u>453,359,040</u>	<u>440,758,515</u>
Earnings per share (RMB cents)				
- Basic	<u>0.70</u>	<u>2.89</u>	<u>0.97</u>	<u>4.76</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 June 2010	31 December 2009	30 June 2010	31 December 2009
Net asset value (RMB'000)	448,100	443,208	225,133	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)	0.99	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

	2Q 2010	2Q 2009	Change	Six months ended 30 June		
				2010	2009	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<u>Revenue</u>						
Manufacturing and sale of fabrics	66,332	80,062	-17%	108,024	132,487	-18%
Provision of fabric processing services	680	1,656	-59%	1,125	3,957	-72%
Total	67,012	81,718	-18%	109,149	136,444	-20%

Our revenue for manufacturing and sale of fabrics segment decreased by 17%, from RMB 80.1 million in 2Q 2009 to RMB 66.3 million in 2Q 2010. As at 2Q 2010, our products comprised functional and normal fabrics for the manufacture of apparel, shoes, bags and high grade umbrellas. The decrease in revenue was due to sluggish demand for textile products, especially apparel fabrics with higher grade, and increased pressure on selling price compared to 2Q 2009.

Sales volume from the manufacturing and sale of fabrics increased by 13%, from 6.9 million yards in 2Q 2009 to 7.7 million yards in 2Q 2010 mainly as a result of the sales of high grade umbrella fabric during the period. However, the average selling price for the manufacturing and sale of fabrics were reduced by approximately 27%, from RMB 11.7 per yard in 2Q 2009 to RMB 8.6 per yard in 2Q 2010 as a result of increased pressure on selling price and a decrease in demand for high grade products.

The Group's second business segment – provision of fabric processing services – had also recorded a 59% drop in sales to RMB 0.7 million.

Gross profit and gross profit margin

Our gross profit was dropped from RMB 21.4 million in 2Q 2009 to RMB 9.6 million in 2Q 2010, representing a decrease of 55%. Overall gross profit margin was reduced from 26.1% in 2Q 2009 to 14.4% in 2Q 2010.

The decrease in our gross profit margin was mainly due to weaker demand for higher grade apparel fabrics, increased pressure on selling price and relatively high level of raw material price. Our higher grade products fetched better selling price and gross profit margin, which help to improve our profitability.

Although we had partially passed on the effects of fluctuations in the prices of raw materials to our customers, the relatively high level in the overall price of raw materials and other

production related overheads during the period also contributed to the decrease in our gross profit margin.

Expenses

As a result of cost-saving measures, we managed to reduce the administrative expenses by 5.3% in compared with the preceding quarter. Our selling and distribution expenses also decreased by 20%, from RMB 1.3 million in 2Q 2009 compared to RMB 1.1 million in 2Q 2010, where we trimmed down advertising expenses of RMB 0.1 million and rental for sales representative office of RMB 0.1 million.

Our income tax expenses for 2Q 2009 and 2Q 2010 were RMB 4.7 million and RMB 1.4 million respectively. Effective tax rates for 2Q 2009 and 2Q 2010 were 27.1% and 30.9% 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 2Q 2010 of 30.9% 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 75%, from RMB 12.7 million in 2Q 2009 to RMB 3.2 million in 2Q 2010, and our net profit margin decreased from 15.6% in 2Q 2009 to 4.8% in 2Q 2010, primarily due to a decrease in our gross profit margin, higher production costs and increase in other 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 26.1 million during the six months ended 30 June 2010 (“6M 2010”) mainly due to addition of property, plant and equipment of RMB 38.9 million, offset by depreciation charge of RMB 9.4 million and disposal of property, plant and equipment of RMB 3.3 million.

Inventories increased from RMB 11.9 million as at 31 December 2009 to RMB 13.4 million as at 30 June 2010. Inventories turnover days for FY2009 and 6M 2010 were 20 days and 26 days respectively. The increase in inventories turnover days from FY2009 to 6M 2010 was mainly due to the increased purchase of raw materials for more efficient production planning for the third quarter of 2010.

Trade receivables decreased from RMB 43.2 million as at 31 December 2009 to RMB 35.8 million as at 30 June 2010. Trade receivables turnover days remain relatively stable from 56 days in FY2009 to 59 days in 6M 2010.

Other receivables as at 30 June 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 3.6 million and other prepayment for operating expenses of RMB 0.3 million.

Trade payables decreased from RMB 31.9 million as at 31 December 2009 to RMB 27.9 million as at 30 June 2010. Trade payables turnover days for FY2009 and 6M 2010 remain relatively stable at 53 days.

Tax payable decreased from RMB 3.0 million as at 31 December 2009 to RMB 2.3 million as at 30 June 2010. The decrease in tax payable was in line with the decrease in profit before tax for the year.

In 2Q 2010, the Group generated net cash from operating activities of RMB 22.1 million, which mainly arose from operating profit before changes in working capital of RMB 10.3 million and change in working capital of RMB 12.3 million, offset by income tax paid of RMB 0.5 million.

As at 30 June 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.

Although the global economy has shown some recovery, the effect has yet to be felt by the fabric industry. Generally, the demand for textile products remains weak for textile products as the global economic downturn has resulted in reduction of consumer spending.

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 through the development of better and more quality products, and strengthening our position in the industry.

Barring from any unforeseen circumstances, the Group remains cautiously optimistic for the second half of FY2010.

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 June 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:

<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	7,927	5,098
- Wastewater treatment and recycling plant and methylbenzene recycling facility	2,957	-	2,957
	<u>16,591</u>	<u>8,536</u>	<u>8,055</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 second quarter financial results for the period ended 30 June 2010 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Tsoi Kin Chit
Executive Chairman
10 August 2010

Cai Fengquan
Executive Director