

**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 2012 (“3Q 2012”)****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income 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 2012 RMB'000	3Q 2011 RMB'000	Change %	Nine months ended 30 September		Change %
				2012 RMB'000	2011 RMB'000	
Revenue	75,642	207,529	-64%	364,118	564,341	-35%
Cost of sales	(71,345)	(146,313)	-51%	(288,835)	(399,016)	-28%
Gross profit	<u>4,297</u>	<u>61,216</u>	-93%	<u>75,283</u>	<u>165,325</u>	-54%
Other income	397	249	59%	1,282	699	83%
Selling and distribution expenses	(3,426)	(1,624)	111%	(5,864)	(4,691)	25%
Administrative expenses	(2,190)	(4,965)	-56%	(9,824)	(14,135)	-30%
Other expenses	-	(346)	-100%	-	(346)	-100%
Finance expenses	(4)	(9)	-56%	(14)	(20)	-30%
(Loss)/profit before tax	<u>(926)</u>	<u>54,521</u>	-102%	<u>60,863</u>	<u>146,832</u>	-59%
Income tax expenses	(1)	(15,071)	-100%	(17,076)	(40,240)	-58%
Net (loss)/profit, representing total comprehensive income for the period attributable to shareholders	<u>(927)</u>	<u>39,450</u>	-102%	<u>43,787</u>	<u>106,592</u>	-59%

**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:**

(Loss)/profit before income tax is determined after charging/(crediting) the following:

	3Q 2012 RMB'000	3Q 2011 RMB'000	Nine months ended 30 September	
			2012 RMB'000	2011 RMB'000
Depreciation on property, plant and equipment	5,700	4,962	17,095	14,890
Foreign exchange (gain)/loss	(28)	403	(171)	346
Interest income	(284)	(221)	(857)	(445)

**1(b)(i) A statement of financial position (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 2012 RMB'000	31 December 2011 RMB'000	30 September 2012 RMB'000	31 December 2011 RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	356,368	372,011	-	-
Investment in subsidiaries	-	-	240,540	240,540
	356,368	372,011	240,540	240,540
<b>Current assets</b>				
Inventories	18,495	15,944	-	-
Trade receivables	50,109	117,298	-	-
Other receivables	3,621	4,590	-	651
Amount due from a subsidiary	-	-	90	90
Dividend receivable from a subsidiary	-	-	44,849	51,411
Cash and cash equivalents	317,536	228,055	746	1,943
	389,761	365,887	45,685	54,095
<b>Total assets</b>	746,129	737,898	286,225	294,635
<b>Non-current liability</b>				
Deferred tax liability	7,131	6,285	-	-
<b>Current liabilities</b>				
Trade payables	33,155	51,147	-	-
Other payables and accruals	10,687	14,543	857	4,957
Tax payable	15	12,596	-	-
	43,857	78,286	857	4,957
<b>Total liabilities</b>	50,988	84,571	857	4,957
<b>Net assets</b>	695,141	653,327	285,368	289,678
<b>Equity attributable to equity holder of the Company</b>				
Share capital	206,147	201,821	206,147	201,821
Share premium	74,349	72,687	74,349	72,687
Capital reserve	1,463	1,463	-	-
General reserve fund	58,488	53,791	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	373,600	342,471	4,872	15,170
<b>Total equity</b>	695,141	653,327	285,368	289,678

**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 2012		As at 31 December 2011	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

**Amount repayable after one year**

As at 30 September 2012		As at 31 December 2011	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

**Details of any collateral**

Not applicable.

**1(c) A statement of cash flows (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 2012 RMB'000	3Q 2011 RMB'000	Nine months ended 30 September	
			2012 RMB'000	2011 RMB'000
<b>Cash flow from operating activities</b>				
(Loss)/profit before income tax	(926)	54,521	60,863	146,832
Adjustments for:				
Depreciation for property, plant and equipment	5,700	4,962	17,095	14,890
Interest income	(284)	(221)	(857)	(445)
Operating profit before changes in working capital	4,490	59,262	77,101	161,277
Inventories	4,263	(2,424)	(2,551)	(22,732)
Trade receivables	12,188	(4,013)	67,189	(36,036)
Other receivables	(247)	1,323	969	(473)
Trade payables	(5,634)	1,356	(17,992)	29,722
Other payables and accruals	1,522	3,857	(2,992)	5,825
<b>Cash generated from operations</b>	16,582	59,361	121,724	137,583
Interest income	284	221	857	445
Income tax paid	(5,709)	(13,892)	(28,811)	(33,031)
<b>Net cash generated from operating activities</b>	11,157	45,690	93,770	104,997
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment, represents net cash used in investing activities	(1,325)	(23,276)	(1,452)	(28,487)
<b>Cash flow from financing activities</b>				
Proceeds from issue of new shares	-	-	-	29,060
Dividend paid (note 1)	-	-	(2,837)	(2,188)
<b>Net cash (used in)/generated from financing activities</b>	-	-	(2,837)	26,872
<b>Net increase in cash and cash equivalents</b>	9,832	22,414	89,481	103,382
<b>Cash and cash equivalents at the beginning of the period</b>	307,704	192,353	228,055	111,385
<b>Cash and cash equivalents at the end of the period</b>	317,536	214,767	317,536	214,767

Cash and cash equivalents represented by:

	Group	
	30 September 2012 RMB'000	30 September 2011 RMB'000
Cash and bank balances	317,536	214,767

Note 1: Total dividend payout in 2Q 2012 amounted to RMB 8.0 million. The amount of RMB 5.0 million was paid out in a way of scrip dividend and the remaining amount of RMB 2.8 million was paid by cash, with an exchange gain of RMB 0.2 million.

**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 2011	177,644	50,512	1,463	38,730	(18,906)	239,647	489,090
Total comprehensive income for the period	-	-	-	-	-	67,142	67,142
Transfer to general reserve fund	-	-	-	7,233	-	(7,233)	-
Dividend paid	-	-	-	-	-	(9,109)	(9,109)
Issue of new shares	18,622	18,424	-	-	-	-	37,046
Balance at 30 June 2011	196,266	68,936	1,463	45,963	(18,906)	290,447	584,169
Total comprehensive income for the period	-	-	-	-	-	39,450	39,450
Transfer to general reserve fund	-	-	-	4,200	-	(4,200)	-
Balance at 30 September 2011	196,266	68,936	1,463	50,163	(18,906)	325,697	623,619
Balance at 1 January 2012	201,821	72,687	1,463	53,791	(18,906)	342,471	653,327
Total comprehensive income for the period	-	-	-	-	-	44,714	44,714
Transfer to general reserve fund	-	-	-	4,777	-	(4,777)	-
Dividend paid	-	-	-	-	-	(7,961)	(7,961)
Issue of new shares (see 1(d)(ii))	4,326	1,662	-	-	-	-	5,988
Balance at 30 June 2012	206,147	74,349	1,463	58,568	(18,906)	374,447	696,068
Total comprehensive loss for the period	-	-	-	-	-	(927)	(927)
Transfer from general reserve fund	-	-	-	(80)	-	80	-
Balance at 30 September 2012	206,147	74,349	1,463	58,488	(18,906)	373,600	695,141

<u>Company</u>	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total RMB'000
Balance at 1 January 2011	177,644	50,512	9,179	237,335
Total comprehensive loss for the period	-	-	14,114	14,114
Dividend paid	-	-	(9,109)	(9,109)
Issue of new shares	18,622	18,424	-	37,046
Balance at 30 June 2011	196,266	68,936	14,184	279,386
Total comprehensive loss for the period	-	-	(1,777)	(1,777)
Balance at 30 September 2011	196,266	68,936	12,407	277,609
Balance at 1 January 2012	201,821	72,687	15,170	289,678
Total comprehensive loss for the period	-	-	(2,197)	(2,197)
Dividend paid	-	-	(7,961)	(7,961)
Issue of new shares (see 1(d)(ii))	4,326	1,662	-	5,988
Balance at 30 June 2012	206,147	74,349	5,012	285,508
Total comprehensive loss for the period	-	-	(140)	(140)
Balance at 30 September 2012	206,147	74,349	4,872	285,368

**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 2011	453,639,150	22,682
Issue of new ordinary shares pursuant to the Foreland Performance Share Scheme	1,800,000	90
Issue of new ordinary shares pursuant to a placement agreement	45,000,000	2,250
Issue of new ordinary shares pursuant to the Scrip Dividend Scheme	28,296,079	1,415
At 31 December 2011	528,735,229	26,437
Issue of new ordinary shares pursuant to the Foreland Performance Share Scheme	2,000,000	100
Issue of new ordinary shares pursuant to the Scrip Dividend Scheme	11,688,970	584
At 30 June 2012 and 30 September 2012	542,424,199	27,121

Pursuant to the Foreland Performance Share Scheme, 1,800,000 and 2,000,000 new ordinary shares were issued on 4 March 2011 and 5 March 2012 respectively in respect of the award to the employees of the Group.

Pursuant to a placement exercise, the Company issued 45,000,000 new ordinary shares on 9 June 2011.

Pursuant to the Company's Scrip Dividend Scheme, 11,688,970 new ordinary shares were issued on 26 June 2012 in respect of the final dividend for the financial year ended 31 December 2011 declared by the Company on 27 April 2012, 17,567,732 new ordinary shares were issued on 12 October 2011 in respect of the interim dividend for the financial year ended 31 December 2011 declared by the Company on 12 August 2011 and 10,728,347 new ordinary shares were issued on 26 June 2011 in respect of the final dividend for the financial year ended 31 December 2010 declared by the Company on 28 April 2011.

There were no outstanding convertibles issued or treasury shares held by the Company as at 30 September 2012 and 30 September 2011 respectively.

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

	<b>At 30</b>	<b>At 31</b>
	<b>September 2012</b>	<b>December 2011</b>
Number of issued shares (excluding treasury shares)	<u>542,424,199</u>	<u>528,735,229</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 2012. The adoption of these new/revised FRS, where applicable, has no material impact on the consolidated financial statements for the three months ended 30 September 2012. 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.**

	3Q 2012	3Q 2011	Nine months ended 30 September	
			2012	2011
Net (loss)/profit (RMB'000)	<u>(927)</u>	<u>39,450</u>	<u>43,787</u>	<u>106,592</u>
Weighted average number of ordinary shares ('000) (according to the assumption)	542,424	511,167	534,406	477,633
Adjustment for performance share award ('000)	<u>1,226</u>	<u>1,663</u>	<u>412</u>	<u>560</u>
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	<u>543,650</u>	<u>512,830</u>	<u>534,818</u>	<u>478,193</u>
Earnings per share (RMB cents)				
- Basic	<u>(0.17)</u>	<u>7.72</u>	<u>8.19</u>	<u>22.32</u>
- Diluted	<u>(0.17)</u>	<u>7.69</u>	<u>8.19</u>	<u>22.29</u>

The calculation of the diluted earnings per share is based on the Group's net (loss)/profit attributable to shareholders and the weighted average number of ordinary shares in issue for the relevant period after adjusting for the effect of the award pursuant to the Foreland Performance Share Scheme.

Pursuant to the Foreland Performance Share Scheme, a maximum of 2,400,000 new ordinary shares could be awarded to the employees of the Company subject to the achievement of prescribed performance targets after the evaluation of financial results of FY2012.

**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 2012	31 December 2011	30 September 2012	31 December 2011
Net asset value (RMB'000)	<u>695,141</u>	<u>653,327</u>	<u>285,368</u>	<u>289,678</u>
Number of shares at the end of the period ('000)	<u>542,424</u>	<u>528,735</u>	<u>542,424</u>	<u>528,735</u>
Net asset value per share (RMB per share)	<u>1.28</u>	<u>1.24</u>	<u>0.53</u>	<u>0.55</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 2012 RMB'000	3Q 2011 RMB'000	Change %	Nine months ended 30 September		Change %
				2012	2011	
				RMB'000	RMB'000	
<u>Revenue</u>						
Manufacturing and sale of fabrics	75,382	206,749	-64%	362,135	561,847	-36%
Provision of fabric processing services	260	780	-67%	1,983	2,494	-20%
Total	<u>75,642</u>	<u>207,529</u>	-64%	<u>364,118</u>	<u>564,341</u>	-35%

Our revenue for manufacturing and sale of fabrics segment decreased by 64%, from RMB 206.7 million in 3Q 2011 to RMB 75.4 million in 3Q 2012. Our products comprised functional and normal fabrics for the manufacture of apparel, shoes, bags and high grade umbrella fabrics. The decrease in revenue was due to the decrease in average selling price and sales volume.

The average selling price of the manufacturing and sale of fabrics decreased by approximately 42%, from RMB 14.4 per yard in 3Q 2011 to RMB 8.4 per yard in 3Q 2012 as a result of weaker demand for higher grade products and price pressure due to weak business conditions.

Sales volume from the manufacturing and sale of fabrics segment decreased by approximately 37%, from 14.3 million yards in 3Q 2011 to 9.0 million yards in 3Q 2012. The decrease in sale volume was due to weaker demand for textile products, especially higher grade apparel and umbrella products, compared to corresponding period in 2011.

The Group's second business segment on the provision of fabric processing services recorded an approximately 67% decrease in sales to RMB 0.3 million in 3Q 2012.

**Gross profit and gross profit margin**

Our gross profit decreased from RMB 61.2 million in 3Q 2011 to RMB 4.3 million in 3Q 2012, representing a decrease of 93%. Overall gross profit margin decreased from 29.5% in 3Q 2011 to 5.7% in 3Q 2012.

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 and increased price pressure on the Group's products as a result of the slowdown in the textile industry. 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.

## Expenses

Our selling and distribution expenses increased by approximately 111%, from RMB 1.6 million in 3Q 2011 to RMB 3.4 million in 3Q 2012. The increase in selling and distribution expenses was mainly due to an increase in advertising expenses of RMB 0.9 million as a result of increased advertising activities of new products and payment of RMB 1.5 million technical cooperation fee for functional fabric expertise received to produce high-grade innovative products, offset by decrease in payroll and payroll-related expenses of RMB 0.3 million as a result of the decrease in business activities. Our administrative expenses decreased by approximately 56%, from RMB 5.0 million in 3Q 2011 to RMB 2.2 million in 3Q 2012. The decrease in administrative expenses was mainly due to a decrease in executive director's bonus of RMB 1.5 million (as a result of decreased earnings), a decrease in payroll and payroll-related expenses of RMB 0.4 million and a decrease in local educational surcharge, educational surcharge, urban maintenance and construction tax of RMB 1.0 million as a result of decrease in business volume.

## Net profit

Our net profit decreased by approximately 102%, from RMB 39.5 million in 3Q 2011 to a loss of RMB 0.9 million in 3Q 2012.

### **(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 15.6 million during the nine months ended 30 September 2012 ("9M 2012") mainly due to depreciation charges of RMB 17.1 million, offset by the addition of property, plant and equipment of RMB 1.5 million.

Inventories increased from RMB 15.9 million as at 31 December 2011 to RMB 18.5 million as at 30 September 2012. Inventories turnover days for 9M 2012 and 9M 2011 were 18 days and 26 days respectively.

Trade receivables decreased from RMB 117.3 million as at 31 December 2011 to RMB 50.1 million as at 30 September 2012. Trade receivables turnover days for 9M 2012 and 9M 2011 were 38 days and 52 days respectively. The decrease in trade receivables was mainly due to decrease in business volume and the decrease in trade receivables turnover days was mainly due to tightened credit control.

Other receivables as at 30 September 2012 mainly represent deposits for buildings construction of RMB 1.8 million, deposits for advertising expenses of RMB 1.6 million and other prepayment of RMB 0.2 million.

Trade payables decreased from RMB 51.1 million as at 31 December 2011 to RMB 33.2 million as at 30 September 2012. Trade payables turnover days for 9M 2012 and 9M 2011 were 32 days and 51 days respectively. The decrease in trade payables turnover days was mainly due to more timely payments to our suppliers.

Tax payable decreased from RMB 12.6 million as at 31 December 2011 to RMB 15,000 as at 30 September 2012. The decrease in tax payable was in line with the decrease in profit before tax for the third quarter of FY2012 as compared to that of the fourth quarter of FY2011 of RMB 46.3 million.

In 3Q 2012, the Group generated net cash from operating activities of RMB 11.2 million, which mainly arose from operating profit before changes in working capital of RMB 4.5 million and change in working capital of RMB 12.1 million, offset by income tax paid of RMB 5.7 million. Net cash used in investing activities mainly represented purchase of property, plant and equipment of RMB 1.3 million.

As at 30 September 2012, 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.**

As outlined in our profit guidance announcement released on 29 October 2012, we commented weak economic sentiments in general had led to a deteriorating business environment and the Group's revenue and profits for 3Q 2012 would be significantly lower than that of 3Q 2011. The 3Q 2012 financial results are consistent with the commentary and reasons explained in the announcement.

**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.**

In view of the uncertain global economy, the business environment in which the Group operates will continue to face challenges ahead due to weak demand and increased pricing pressures for high-grade textile products in the next reporting period and the next twelve months. Notwithstanding that, the Group will continue its efforts to expand sales, tighten cost controls and develop new and innovative products to maintain its market competitiveness.

**11. Dividend**

**(a) Current Financial Period Reported On**

No.

**(b) 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/recommendeded, a statement to that effect.**

No dividend for the three months ended 30 September 2012 is declared or recommended.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group did not obtain a general mandate from its shareholders for IPTs.

**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	13,025	-
- Wastewater, treatment and recycling plant and methylbenzene recycling facility	2,957	-	2,957
	<u>16,591</u>	<u>13,634</u>	<u>2,957</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 third quarter financial results for the period ended 30 September 2012 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

14 November 2012