

# Foreland Fabrictech Holdings Limited

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Company Registration Number: 39151

## FOR IMMEDIATE RELEASE

### Foreland Fabrictech 2Q11 Net Profit Surges More Than 10 Fold To RMB38.8m From RMB3.2m

- 2Q11 gross profit margin improved significantly to 29.4% from 14.4% in 2Q10 primarily due to an increase in sales of higher grade products with better profit margin
- Average selling price of fabrics rose to RMB13.5 per yard in 2Q11 from RMB8.6 per yard in 2Q10 due to an improvement in product grades
- EPS in 2Q11 surged to 8.32 RMB cents from 0.70 RMB cents in 2Q10
- Proposed interim dividend of 0.027 RMB cents per share

#### Financial highlights for 3 months ended 30 June

	2Q11	2Q10	Change
Revenue (RMB'm)	203.3	67.0	+203%
Gross Profit (RMB'm)	59.8	9.6	+521%
Gross Margin	29.4%	14.4%	+15 ppt
Net Profit (RMB'm)	38.8	3.2	+1119%
Earnings Per Share (RMB cents)#	8.32	0.70	+1089%

# Based on 466,908,000 shares for 2Q11 and 453,639,000 shares for 2Q10

**SINGAPORE – 12 August 2011** – Fujian-based Foreland Fabrictech Holdings Limited (“Foreland Fabrictech” or “the Company” and together with its subsidiaries, “the Group”) (福联面料科技控股有限公司), a vertically integrated manufacturer of functional and normal fabrics used in the manufacture of apparel, shoes, bags and high grade umbrella fabrics, is pleased to announce a sterling set of financial results for the second quarter ended 30 June 2011 (“2Q11”) with net profit for 2Q11 surging more than 10 folds to a record high of RMB38.8 million from RMB3.2 million in the same period last year (“2Q10”).

As a result of higher sales volume for the Group’s core products which comprised functional fabric, normal fabric and high grade umbrella fabric, coupled with an improvement in the average selling price (“ASP”), the Group’s revenue in 2Q11 increased by 203% to RMB203.3 million in 2Q11 from RMB 67.0 million in 2Q10.

Commenting on the Group’s latest results, Mr. Tsoi Kin Chit (蔡建设), founder and Executive Chairman of Foreland Fabrictech said, “I am pleased to see that our continuous marketing and product development efforts in the past two years have yielded positive results. Apart from expanding our customer base steadily, we have also seen both ASP and profit margin trending up due to increasing contribution from higher grade products which have higher barriers to entry.”

## Segmental Performance

In terms of revenue by segment, the Group's primary business unit of manufacturing and sale of fabrics contributed RMB202.7 million, or 99.7% to total revenue in 2Q11 as compared to RMB66.3 m in 2Q10, representing an increase of 206%. This was largely due to the growth in sales volume which almost doubled to 15.0 million yards in 2Q11 from 7.7 million yards in 2Q10. In addition, the ASP of this segment also increased by approximately 57.5% to RMB13.50 per yard in 2Q11 compared to RMB 8.60 per yard in 2Q10, backed by an increase in overall product grades.

### Improvement in average selling price ("ASP")

	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011
ASP per yard in RMB	9.10	8.60	10.70	12.40	12.40	13.50

Revenue for the Group's second business segment, which is the provision of fabric processing services, decreased by 15% to RMB0.6 million in 2Q11 compared to RMB0.7 million in 2Q10. This segment only accounted for 0.3% of the Group's revenue in 2Q11.

## EPS/NAV

In 2Q11, the Group's earnings per share ("EPS") surged more than 10 folds to 8.32 RMB cents (based on 466,908,000 shares) compared to 0.7 RMB cents in 2Q10 (based on 453,639,000 shares). As at 30 June 2011 net asset value ("NAV") per ordinary share rose to RMB1.14 (based on 511,167,000 shares) compared to RMB1.08 as at 31 December 2011 (based on 453,639,000 shares).

## Healthy Financial Position and Interim Dividend

As at 30 June 2011, the Group maintained a healthy financial position with cash and cash equivalents of approximately RMB192.4 million and without any borrowing.

In view of the positive financial results and in recognition of the shareholders' continued support for the Group, the Board of Directors proposed an interim dividend of 0.027 RMB cents per share.

## Optimistic Outlook

According to a new report (16 July 2011) by the Boston Consulting Group (BCG), titled "Dressing Up: Capturing the Dynamic Growth of China's Fashion Market", over the next 10 years, the 3 significant trends driving the growth of the fashion market are more spending on fashion by the younger generation, a larger proportion of spending on fashion by women and more heavy spenders in low-tier cities. According to BCG's forecast, PRC fashion sector is expected to grow from about RMB400 billion in 2010 to

RMB 1,350 billion by 2020. Current per capita spending on clothing in China is RMB1,150, which is only 20% of the level of spending in US and UK.

The Group's sterling performance in 2Q11 was a result of the gradual recovery of the global economy that buoyed customers' demand for our higher-grade products as well as our continuous efforts in securing new customers through introduction of innovative products. 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 higher quality products, making continuous marketing effort to reach new customers and strengthening our position in the industry.

Barring any major economic shock on the back of the fear of a U.S. double-dip recession and debt contagion in Europe, this encouraging trend is expected to continue into the third quarter of FY2011.

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### **Corporate Profile**

Backed by a 20-year track record, **Foreland Fabrictech Holdings Limited** is a vertically integrated manufacturer of functional and normal fabrics, based in Jinjiang City, Fujian Province, the PRC.

Its products, which are mostly marketed under its award-winning "**Fulian (福联)**" brand<sup>1</sup>, are sold in the PRC primarily to apparel manufacturers to produce sports, leisure and business apparel mainly for export to overseas markets including Europe, USA and the Middle East; and to textile traders who export its products to overseas markets. Its functional fabric products had been used to manufacture apparel under various reputable brands in the PRC, including Li-Ning (李宁), Anta (安踏) and Edenbo (爱登堡). Since the second half of 2009, Foreland Fabrictech also supplies high grade umbrella fabrics to prominent umbrella brands in the PRC, such as Hangzhou Paradise (天堂), Susino (梅花) and Jin'ou (金欧).

Working with renowned international technology partners such as Tanatex (拓纳), Huntsman (亨斯迈), Evermore Chemical (日胜化工), Farbchemie (博朗), Zschimmer (司马) and Daiwa Chemical (大和化工), Foreland Fabrictech utilises and incorporates their chemicals and additives into its production process, to produce new fabrics with the desired functions and characteristics.

Since the successful development of its first functional fabric – the moisture and air breathability (透湿透气) fabric – in July 2004, its product range has grown significantly to include 19 innovative fabrics. These include:- moisture absorbent (吸湿排汗), dust, oil and stain resistant (纳米三防), anti-bacteria and odour (抗菌防臭), UV protection (抗紫外线), chlorine resistant (耐氯), combustion resistant (阻燃), high colour fastness I & II (高牢度 I 及 II), cold feel (冷感), warm feel (暖感), anti-insect (抗蚊虫), anti-electromagnetic wave (抗电磁波), biodegradable compound (复合膜) fabric, fluorescent fabric (高可视功能面料), memory fabric (记忆功能面料), ultra light, thin and fine (超轻超薄超细镜面), water-printed (浮水印花), photochromic (感光变色) and thermochromic (感温变色) fabrics.

Attesting to its quality, the Group's products are able to conform to various standards such as AATCC, ASTM and DIN, as well as product labellings such as the Oeko-Tex100 or the China Environmental

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<sup>1</sup> Awarded the Fujian Province Famous Trade Mark by the Administration for Industry and Commerce of Fujian in October 2006.

Labelling (中国环境标志). The Group has also obtained quality assurance certifications including ISO9001:2000 and ISO14001:2004. Most recently, the Group received one of China's most prestigious and respected industry qualifications – the “Fabrics China Pioneer Plant – Chemical Fibre Functional Fabric Qualification” issued by the China Textiles Development Center and the China Textile Information Center.

In September 2008, Foreland Fabrictech was featured on Forbes Asia's “Best under a Billion” list, an honour given to the top 200 Asia-Pacific companies. This has reaffirmed the Group's rapid growth as a vertically-integrated manufacturer of functional and normal fabrics which is well-positioned to capitalise on the growing PRC textile industry.

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