

FORELAND FABRICTECH HOLDINGS LIMITED(Co. Regn. No: 39151)**UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2009 (“1Q 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		Change %
	1Q 2009 RMB'000	1Q 2008 RMB'000	
Revenue	54,726	99,554	-45%
Cost of sales	(39,682)	(61,325)	-35%
Gross profit	<u>15,044</u>	<u>38,229</u>	-61%
Other operating income	-	3,140	-100%
Selling and distribution expenses	(1,264)	(1,705)	-26%
Administrative expenses	(2,509)	(3,913)	-36%
Other operating expenses	-	(1,550)	-100%
Finance income	185	165	12%
Finance expenses	(2)	(272)	-99%
Profit before income tax	<u>11,454</u>	<u>34,094</u>	-66%
Income tax expense	(3,212)	(9,374)	-66%
Net profit, representing total comprehensive income for the period attributable to owners of the parent	<u><u>8,242</u></u>	<u><u>24,720</u></u>	-67%

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 followings:

	Group	
	1Q 2009	1Q 2008
	RMB'000	RMB'000
Depreciation on property, plant and equipment	4,942	4,908
Bank interest expense	-	267
Foreign exchange loss/(gain)	48	(40)
Interest income	(185)	(165)

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	
	31 March 2009 RMB'000	31 December 2008 RMB'000	31 March 2009 RMB'000	31 December 2008 RMB'000
Non-current assets				
Property, plant and equipment	125,375	129,662	-	-
Investment in subsidiaries	-	-	221,267	221,267
	<u>125,375</u>	<u>129,662</u>	<u>221,267</u>	<u>221,267</u>
Current assets				
Inventories	19,355	25,167	-	-
Trade receivables	37,034	81,960	-	-
Other receivables	30,105	29,651	-	-
Amount due from a subsidiary	-	-	90	90
Dividend receivable from a subsidiary	-	-	8,500	8,500
Cash and cash equivalents	245,423	213,230	495	900
	<u>331,917</u>	<u>350,008</u>	<u>9,085</u>	<u>9,490</u>
Total assets	457,292	479,670	230,352	230,757
Non-current liability				
Deferred tax liability	2,216	2,054	-	-
	<u>2,216</u>	<u>2,054</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	22,068	45,177	-	-
Other payables and accruals	9,289	9,209	2,152	1,937
Tax payable	4,000	11,753	-	-
	<u>35,357</u>	<u>66,139</u>	<u>2,152</u>	<u>1,937</u>
Total liabilities	37,573	68,193	2,152	1,937
Net assets	<u>419,719</u>	<u>411,477</u>	<u>228,200</u>	<u>228,820</u>
Equity attributable to owners of the parent				
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	31,161	30,258	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	182,728	175,389	4,927	5,547
	<u>419,719</u>	<u>411,477</u>	<u>228,200</u>	<u>228,820</u>
Total equity	<u>419,719</u>	<u>411,477</u>	<u>228,200</u>	<u>228,820</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 March 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 31 March 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	
	1Q 2009	1Q 2008
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	11,454	34,094
Adjustment for:		
Depreciation for property, plant and equipment	4,942	4,908
Interest expense	-	267
Interest income	(185)	(165)
	<u>16,211</u>	<u>39,104</u>
Operating cash flow before changes in working capital	16,211	39,104
Inventories	5,812	(13,271)
Trade receivables	44,926	16,610
Other receivables	(454)	(25,940)
Trade payables	(23,109)	2,834
Other payables and accruals	80	(1,527)
	<u>43,466</u>	<u>17,810</u>
Cash generated from operations	43,466	17,810
Interest received	185	165
Income tax paid	(10,803)	(12,254)
	<u>32,848</u>	<u>5,721</u>
Net cash generated from operating activities	32,848	5,721
Cash flows from investing activities		
Purchase of property, plant and equipment, represents net cash used in investing activities	(655)	(621)
	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Interest paid	-	(267)
Repayments for bank borrowings	-	(3,000)
	<u>-</u>	<u>(3,267)</u>
Net cash used in financing activities	-	(3,267)
	<u>32,193</u>	<u>1,833</u>
Net increase in cash and cash equivalents	32,193	1,833
Cash and cash equivalents at the beginning of the period	213,230	171,683
Cash and cash equivalents at the end of the period	<u>245,423</u>	<u>173,516</u>

Cash and cash equivalents represented by:

	Group	
	31 March	31 March
	2009	2008
	RMB'000	RMB'000
Cash and bank balances	<u>245,423</u>	<u>173,516</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

<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 equity 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	-	-	-	-	-	24,720	24,720
Transfer to general reserve fund	-	-	-	2,631	-	(2,631)	-
Balance at 31 March 2008	<u>173,132</u>	<u>50,141</u>	<u>1,463</u>	<u>21,478</u>	<u>(18,906)</u>	<u>132,383</u>	<u>359,691</u>
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	<u>173,132</u>	<u>50,141</u>	<u>1,463</u>	<u>31,161</u>	<u>(18,906)</u>	<u>182,728</u>	<u>419,719</u>

<u>Company</u>	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total equity RMB'000
Balance at 1 January 2008	173,132	50,141	32,471	255,744
Total comprehensive loss for the period	-	-	(1,541)	(1,541)
Balance at 31 March 2008	<u>173,132</u>	<u>50,141</u>	<u>30,930</u>	<u>254,203</u>
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	<u>173,132</u>	<u>50,141</u>	<u>4,927</u>	<u>228,200</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 March 2009 and 31 March 2008.

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 March 2009	At 31 December 2008
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.

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 first quarter financial results for the period ended 31 March 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 equity holders for the relevant period and the share capital of 440,429,520 shares of US\$0.05 each.

	Group	
	1Q 2009	1Q 2008
Net profit (RMB'000)	8,242	24,720
Weighted average number of ordinary shares	440,429,520	440,429,520
Earnings per share (RMB cents)		
- Basic	1.87	5.61

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 March 2009	31 December 2008	31 March 2009	31 December 2008
Net asset value (RMB'000)	419,719	411,477	228,200	228,820
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)	0.95	0.93	0.52	0.52

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

	Group		Change
	1Q 2009	1Q 2008	
	RMB'000	RMB'000	
<u>Revenue</u>			
Manufacturing and sale of fabrics	52,425	94,148	-44%
Provision of fabric processing services	2,301	5,406	-57%
Total	<u>54,726</u>	<u>99,554</u>	-45%

Our revenue decreased by 45%, from RMB 99.6 million in 1Q 2008 to RMB 54.7 million in 1Q 2009. This was mainly due to a decrease of RMB 41.7 million in revenue in the manufacturing and sale of fabrics segment and a decrease of RMB 3.1 million in revenue in the provision of fabric processing services.

In 1Q 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 during the period around the Chinese New Year.

Sales volume from the manufacturing and sale of fabrics decreased by 46%, from 7.1 million yards in 1Q 2008 to 3.8 million yards in 1Q 2009 as a result of weak demand for textile products during the period. Despite the significant decrease in sales volume, average selling price for the manufacturing and sale of fabrics increased by approximately 4%, from RMB 13.3 per yard in 1Q 2008 to RMB 13.8 per yard in 1Q 2009.

The Group's second business segment – provision of fabric processing services – also recorded a 57% decrease in sales to RMB 2.3 million.

Gross profit and gross profit margin

Our gross profit decreased from RMB 38.2 million in 1Q 2008 to RMB 15.0 million in 1Q 2009, representing a decrease of 61%. Overall gross profit margin decreased from 38.4% in 1Q 2008 to 27.5% in 1Q 2009. Our cost of sales decreased from RMB 61.3 million in 1Q 2008 to RMB 39.7 million in 1Q 2009, representing a decrease of 35%.

The decrease in our gross profit margin was mainly due to lower operational efficiency as a result of the reduced scale of operation, especially during the period around the Chinese New Year. The amount of fixed manufacturing overheads, such as depreciation, water and electricity, research and development expense, allocated to each unit of production increased significantly as a result of the significant decrease in production volume. In addition, notwithstanding that 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 26%, from RMB 1.7 million in 1Q 2008 to RMB 1.3 million in 1Q 2009. The decrease in selling and distribution expenses was mainly due to a decrease in promotional expenses of RMB 0.4 million and a decrease in payroll and payroll-related expenses of RMB 0.1 million as a result of decreased selling activities.

Administrative expenses

Our administrative expenses decreased by 36%, from RMB 3.9 million in 1Q 2008 to RMB 2.5 million in 1Q 2009. The decrease in administrative expenses was mainly due to a decrease in payroll and payroll-related expenses of RMB 0.4 million, a decrease in travelling and entertainment expenses of RMB 0.4 million and a decrease in office and other expenses of RMB 0.2 million as a result of a reduced level of business activities during 1Q 2009.

Income tax expenses

Our income tax expenses for 1Q 2008 and 1Q 2009 were RMB 9.4 million and RMB 3.2 million respectively. Effective tax rates for 1Q 2008 and 1Q 2009 were 27.5% and 28.0% 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%.

Effective tax rates for 1Q 2009 of 28.0% 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 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”).

Net profit

Our net profit decreased by 67%, from RMB 24.7 million in 1Q 2008 to RMB 8.2 million in 1Q 2009, and net profit margin decreased from 24.8% in 1Q 2008 to 15.1% in 1Q 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 decreased by RMB 4.3 million in 1Q 2009 mainly due to depreciation charge of RMB 4.9 million which was offset by addition of plant and machinery of RMB 0.7 million.

Inventories decreased from RMB 25.2 million as at 31 December 2008 to RMB 19.4 million as at 31 March 2009. Inventories turnover days for FY2008 and 1Q 2009 were 32 days and 44 days respectively. The increase in inventories turnover days from FY2008 to 1Q 2009 was mainly due to our plan to purchase and stock up more raw materials for more efficient production planning for the second quarter of 2009.

Trade receivables decreased from RMB 82.0 million as at 31 December 2008 to RMB 37.0 million as at 31 March 2009. Trade receivables turnover days decreased from 65 days in FY2008 to 62 days in 1Q 2009 mainly due to our continuous effort on credit control.

Other receivables as at 31 March 2009 mainly represent deposit paid 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 of RMB 22.0 million, deposits paid for new equipment of RMB 6.5 million and other prepayment for operating expenses.

Trade payables decreased from RMB 45.2 million as at 31 December 2008 to RMB 22.1 million as at 31 March 2009. Trade payables turnover days for FY2008 and 1Q 2009 were 57 days and 51 days, respectively. The decrease in trade payables turnover days from FY2008 to 1Q 2009 was mainly due to more timely payment to our suppliers.

Tax payable decreased from RMB 11.8 million as at 31 December 2008 to RMB 4.0 million as at 31 March 2009. The decrease in tax payable was in line with the decrease in profit before income tax for the period.

In 1Q 2009, the Group generated net cash from operating activities of RMB 32.8 million, which mainly arose from operating profit before changes in working capital of RMB 16.2 million and changes in working capital of RMB 27.3 million, offset by income tax paid of RMB 10.8 million. The Group used RMB 0.7 million in the purchase of property, plant and equipment.

As at 31 March 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 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.

- 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 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 31 March 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:

<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	7,756	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
14 May 2009