

Foreland Fabrictech Holdings Limited

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Foreland Fabrictech achieves 3Q 2008 net profit of RMB26.4 million under challenging conditions

- *Group's focus on higher margin functional fabrics helped to mitigate increase in raw material prices*
- *Continues to expand prudently to meet growing customers' demand*

Financial Highlights	3 months ended 30 Sep		Change	9 months ended 30 Sep		Change
	2008	2007	%	2008	2007	(%)
Revenue (RMB'm)	116.3	103.9	+ 12	326.2	289.4	+ 13
Gross Profit (RMB'm)	42.5	40.2	+ 6	122.1	111.0	+ 10
Profit Before Tax (RMB'm)	36.3	35.3	+ 3	104.8	96.1	+ 9
Net Profit (RMB'm)	26.4	25.7	+ 2	75.8	69.0	+ 10
Basic EPS (RMB cents)	5.98	5.84	+ 2	17.21	15.68	+ 10

SINGAPORE – 12 November 2008 – Against a backdrop of high raw material prices and operating overheads, Fujian-based **Foreland Fabrictech Holdings Limited** (“Foreland Fabrictech” or the “Group”) (福联面料科技控股有限公司), a vertically integrated manufacturer of functional and normal fabrics that are mainly used to manufacture sports, leisure and business apparel, today reported a net profit of RMB26.4 million for the third quarter ended 30 September 2008 (“3Q 2008”).

The Group's revenue grew 12% year-on-year (“y-o-y”) to RMB116.3 million, on the back of stronger sales of functional and higher grade fabrics – in particular the new functional fabrics that were launched this year, such as its anti-insect (抗蚊虫), anti-radiation (抗电磁波), and bio-

degradable compound (复合膜) fabrics which experienced continued demand from both new and existing customers.

Commenting on the Group's latest set of 3Q 2008 results, Mr Tsoi Kin Chit (蔡建设), founder and Chairman of Foreland Fabrictech, said, "The PRC textile industry is undergoing a challenging period. Higher raw material prices have posed some pressure on the Group's margins and bottom line. Nonetheless, we believe we put up a creditable performance this quarter because we adopted the right strategy of focusing on the niche market of functional fabrics which command higher selling prices than normal fabrics."

On a segmental basis, revenue generated from the Group's key business segment – **manufacturing and sale of fabrics** – was up by 15%, from RMB96.6 million in 3Q 2007 to RMB111.4 million in 3Q 2008, accounting for 95.8% of the Group's total revenue in the quarter under review. The increase was mainly due to a higher average selling price for this segment, which rose approximately 3.2% to RMB12.8 per yard from RMB12.4 per yard a year ago, as well as higher sales volume from 7.8 million yards in 3Q 2007 to 8.7 million yards in 3Q 2008.

In line with the Group's business strategy to focus on the manufacturing and sale of fabrics which includes producing and selling functional and higher grade fabrics, the other business segment – **provision of fabric processing services** – recorded a 33% decline in sales to RMB4.9 million.

Although the Group managed to partially pass on the effects of fluctuating raw material prices to its customers, overall gross profit margin in 3Q 2008 was lower at 36.6%, compared to 38.7% in 3Q 2007.

On an operating level, selling and distribution expenses grew 60% y-o-y to RMB3.0 million, as a result of heightened marketing efforts and expansion of its sales network. In 2Q 2008, new sales representative offices were set up in Fuzhou and Shishi in Fujian Province, Wujiang in Zhejiang Province, Guangzhou in Guangdong Province and Shanghai to cater for the Group's business expansion.

In spite of the demanding business environment, the Group's 3Q 2008 earnings inched up by 2% to RMB26.4 million, from RMB25.7 million in the corresponding period last year.

On a year-to-date basis, the Group enjoyed a double-digit growth in its net profit to RMB75.8 million, against a 13% increase in sales to RMB326.2 million.

Based on the post-Invitation share capital of 440,429,520 shares, earnings per share for 3Q 2008 saw a marginal increase to 5.98 RMB cents, from 5.84 RMB cents last year. Net asset value per ordinary share as at 30 September 2008 reached RMB0.86, compared to RMB0.76 as at 31 December 2007.

Continues on Expansion Track

In order to seize the untapped opportunities in the functional fabrics market, Foreland Fabrictech commenced construction of its new production facility earlier this month, on a piece of land of approximately 76,000 square metres, at Andong Industrial Area in Jinjiang City, Fujian Province.

“This new plant is key to our future growth, as we have had to turn down orders with relatively lower profit margin for the past few years due to our limited capacity. The new facility is expected to start commercial production with new advanced lines and equipment in the second half of FY2009. With the added capacity, we will be able to better meet the demand for quality functional fabrics by apparel manufacturers in both domestic and overseas markets, and in turn grow our revenue and enhance our efficiency with larger scale vertically-integrated capabilities,” said Mr Tsoi.

Commenting on its expansion plans amidst the current global financial crisis, Mr Tsoi explained, “We have been planning to expand our capacity since 2004 and have set aside part of our IPO proceeds and internal funds for this purpose. We are continuing to expand organically, but in a prudent and cautious manner in light of the current global credit crunch. Having said that, the Group maintains a healthy operating cash flow and balance sheet, with no debt and strong cash and bank balances of RMB196 million.”

In addition to enhancing its production capacity, Foreland Fabrictech is also working hard to further reinforce its product range and quality, by launching several new fabrics this year including the latest fluorescent fabric (高可视功能面料). In recognition of the Group's strong product development and technological capabilities, Foreland Fabrictech was recently conferred the “**Fabrics China Pioneer Plant – Chemical Fibre Functional Fabric Qualification**” by the China Textiles Development Centre and the China Textile Information Centre.

Looking Ahead

The global financial turmoil and credit crunch have led to an economic slow-down in countries like the US and the EU, which may result in a weaker demand for textile products. China, as the biggest textile product exporter in the world, could in turn be affected. With a slower demand, the Chinese textile industry is expected to 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.

“Even with rising raw material prices, the PRC manufacturers are able to produce fabrics at comparable quality and at cheaper cost, compared to manufacturers from developed countries. Hence, we believe the PRC will continue to be a producer of choice for fabrics and apparel. As our niche lies in higher grade fabrics and functional fabrics, we do not envisage that the current global credit crunch will significantly impact our operations in the near term. With our established market reputation, healthy financial position and strong capabilities, we believe we can continue to stay ahead in the PRC textile industry,” concluded Mr Tsoi.

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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)**” brand¹, 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).*

Working with renowned international technology partners such as Bayer (拜耳), Ciba (汽巴), 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.

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

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 14 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-radiation (抗电磁波), biodegradable compound (复合膜) fabrics and fluorescent fabric (高可视功能面料).

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 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 well-positioned to capitalise on the growing PRC textile industry.

The initial public offering of the Company's shares was sponsored by Daiwa Securities SMBC Singapore Limited, who accepts no responsibility for the contents hereof.