

FORELAND FABRICTECH HOLDINGS LIMITED (the “Company”)

(Co. Regn. No: 39151)

UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2014 (“2Q 2014”)**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 Statements of Comprehensive Income

<u>Group</u>	2Q 2014 RMB'000	2Q 2013 RMB'000	Change %	Six months ended 30 June		Change %
				2014 RMB'000	2013 RMB'000	
Revenue	28,149	8,877	217%	43,383	9,891	339%
Cost of sales	(28,956)	(12,653)	129%	(49,798)	(13,910)	258%
Gross loss	(807)	(3,776)	-79%	(6,415)	(4,019)	60%
Other income	(49)	282	-117%	1,579	589	168%
Selling and distribution expenses	(737)	(595)	24%	(1,415)	(1,162)	22%
Administrative expenses	(2,132)	(3,825)	-44%	(3,350)	(12,866)	-74%
Other expenses	-	(4,833)	n/a	-	(4,833)	n/a
Loss before tax	(3,725)	(12,747)	-71%	(9,601)	(22,291)	-57%
Taxation	-	-		-	-	
Net loss, representing total comprehensive loss for the period attributable to shareholders	(3,725)	(12,747)	-71%	(9,601)	(22,291)	-57%

- 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 before tax is determined after charging/(crediting) the following:

	2Q 2014 RMB'000	2Q 2013 RMB'000	Six months ended 30 June	
			2014 RMB'000	2013 RMB'000
Depreciation on property, plant and equipment	(1,637)	4,284	3,873	7,907
Loss on disposal of property, plant and equipment	-	4,833	-	4,833
Foreign exchange loss	-	31	3	37
Interest income	49	(282)	(1,579)	(589)

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 June 2014 RMB'000	31 December 2013 RMB'000	30 June 2014 RMB'000	31 December 2013 RMB'000
Non-current assets				
Property, plant and equipment	93,764	95,500	-	-
Investment in subsidiaries	-	-	61,113	61,113
	<u>93,764</u>	<u>95,500</u>	<u>61,113</u>	<u>61,113</u>
Current assets				
Inventories	7,141	1,508	-	-
Trade receivables	14,635	38,814	-	-
Other receivables	15,970	5,905	-	-
Amount due from a subsidiary	-	-	90	90
Dividend receivable from a subsidiary	-	-	-	-
Cash and cash equivalents	2,226	292,435	177	106
	<u>39,972</u>	<u>338,662</u>	<u>267</u>	<u>196</u>
Total assets	<u>133,736</u>	<u>434,162</u>	<u>61,380</u>	<u>61,309</u>
Current liabilities				
Trade payables	19,072	26,803	-	-
Other payables and accruals	11,647	294,741	1,654	929
	<u>30,719</u>	<u>321,544</u>	<u>1,654</u>	<u>929</u>
Total liabilities	<u>30,719</u>	<u>321,544</u>	<u>1,654</u>	<u>929</u>
Net assets	<u>103,017</u>	<u>112,618</u>	<u>59,726</u>	<u>60,380</u>
Equity attributable to equity holder of the Company				
Share capital	206,765	206,765	206,765	206,765
Share premium	74,349	74,349	74,349	74,349
Capital reserve	1,463	1,463	-	-
General reserve fund	56,069	56,069	-	-
Merger reserve	(18,906)	(18,906)	-	-
Revenue reserve	(216,723)	(207,122)	(221,388)	(220,734)
Total equity	<u>103,017</u>	<u>112,618</u>	<u>59,726</u>	<u>60,380</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 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 30 June 2014		As at 31 December 2013	
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

	2Q 2014	2Q 2013	Six months ended 30 June	
	RMB'000	RMB'000	2014	2013
			RMB'000	RMB'000
Cash flow from operating activities				
Loss before tax	(3,725)	(12,747)	(9,601)	(22,291)
Adjustment for:				
Depreciation for property, plant and equipment	(1,637)	4,284	3,873	7,907
Loss on disposal of property, plant and equipment	-	4,833	-	4,833
Interest income	49	(282)	(1,579)	(589)
Operating loss before changes in working capital	(5,313)	(3,912)	(7,307)	(10,140)
Inventories	(1,683)	(1,505)	(5,633)	(342)
Trade receivables	(3,049)	113	24,179	17,982
Other receivables	(7,737)	(1,015)	(10,065)	(3,077)
Trade payables	7,625	6,299	(7,731)	379
Other payables and accruals	(281,713)	(124)	(283,094)	23
Cash (used in)/generated from operations	(291,870)	(144)	(289,651)	4,825
Interest income	(49)	282	1,579	589
Income tax paid	-	-	-	-
Net cash (used in)/generated from operating activities	(291,919)	138	(288,072)	5,414
Cash flow from investing activities				
Purchase of property, plant and equipment	-	(38,712)	(2,137)	(38,801)
Proceed from disposal of property, plant and equipment	-	443	-	443
Net cash used in investing activities	-	(38,269)	(2,137)	(38,358)
Net decrease in cash and cash equivalents	(291,919)	(38,131)	(290,209)	(32,944)
Cash and cash equivalents at the beginning of the financial period	294,145	341,515	292,435	336,328
Cash and cash equivalents at the end of the financial period	2,226	303,384	2,226	303,384

Cash and cash equivalents represented by:

	Group	
	30 June	30 June
	2014	2013
	RMB'000	RMB'000
Cash and bank balances	2,226	303,384

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 2013	206,147	74,349	1,463	56,069	(18,906)	351,340	670,462
Total comprehensive loss for the period	-	-	-	-	-	(9,544)	(9,544)
Issue of new shares	618	-	-	-	-	-	618
Balance at 31 March 2013	206,765	74,349	1,463	56,069	(18,906)	341,796	661,536
Total comprehensive income for the period	-	-	-	-	-	(12,747)	(12,747)
Balance at 30 June 2013	206,765	74,349	1,463	56,069	(18,906)	329,049	648,789
Balance at 1 January 2014	206,765	74,349	1,463	56,069	(18,906)	(207,122)	112,618
Total comprehensive loss for the period	-	-	-	-	-	(5,876)	(5,876)
Balance at 31 March 2014	206,765	74,349	1,463	56,069	(18,906)	-212,998	106,742
Total comprehensive loss for the period	-	-	-	-	-	(3,725)	(3,725)
Balance at 30 June 2014	206,765	74,349	1,463	56,069	(18,906)	(216,723)	103,017

Company

	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total RMB'000
Balance at 1 January 2013	206,147	74,349	3,956	284,452
Total comprehensive loss for the period	-	-	(342)	(342)
Issue of new shares	618	-	-	618
Balance at 31 March 2013	206,765	74,349	3,614	284,728
Total comprehensive loss for the period	-	-	(352)	(352)
Balance at 30 June 2013	206,765	74,349	3,262	284,376
Balance at 1 January 2014	206,765	74,349	(220,734)	60,380
Total comprehensive income for the period	-	-	492	492
Balance at 31 March 2014	206,765	74,349	(220,242)	60,872
Total comprehensive loss for the period	-	-	(1,146)	(1,146)
Balance at 30 June 2014	206,765	74,349	(221,388)	59,726

- 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 2013	542,424,199	27,121
Issue of new ordinary shares pursuant to the Foreland Performance Share Scheme	1,971,000	99
At 31 December 2013 and 30 June 2014	<u>544,395,199</u>	<u>27,220</u>

Pursuant to the Foreland Performance Share Scheme, 1,971,000 new ordinary shares were issued on 5 March 2013 in respect of the award to the employees of the Group.

There were no outstanding convertibles issued or treasury shares held by the Company as at 30 June 2014 and 31 December 2013 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 2014	At 31 December 2013
Number of issued shares (excluding treasury shares)	<u>544,395,199</u>	<u>544,395,199</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 was 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 2014. The adoption of these new/revised FRS, where applicable, has no material impact on the consolidated financial statements for the year ended 31 December 2014. 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.**

	2Q 2014	2Q 2013	Six months ended 30 June	
			2014	2013
Net loss (RMB'000)	(3,725)	(12,747)	(9,601)	(22,291)
Weighted average number of ordinary shares ('000) (according to the above assumption)	544,395	544,395	544,395	543,702
Loss per share (RMB cents)				
- Basic	(0.68)	(2.34)	(1.76)	(4.10)

The calculation of the diluted earnings per share is based on the Group's net loss attributable to shareholders and the weighted average number of ordinary shares in issue for the relevant 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 2014	31 December 2013	30 June 2014	31 December 2013
Net asset value (RMB'000)	103,017	112,618	59,726	60,380
Number of shares at the end of the period ('000)	544,395	544,395	544,395	544,395
Net asset value per share (RMB per share)	0.19	0.21	0.11	0.11

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 2014	2Q 2013		Six months ended 30 June		
	RMB'000	RMB'000	Change %	2014	2013	Change %
				RMB'000	RMB'000	
Revenue						
Manufacturing and sale of fabrics	28,149	8,877	217%	43,383	9,891	339%
Provision of fabric processing services	-	-		-	-	
Total	28,149	8,877	217%	43,383	9,891	339%

Our revenue for manufacturing and sale of fabrics segment increased by 2.1 times, from RMB 8.9 million in 2Q 2013 to RMB 28.1 million in 2Q 2014. Our products comprised functional and normal fabrics for the manufacture of apparel, shoes, bags and high grade umbrella fabrics.

The average selling price of the manufacturing and sale of fabrics decreased by approximately 8%, from RMB 8.3 per yard in 2Q 2013 to RMB 7.6 per yard in 2Q 2014, as a result of weak market condition. Sales volume from the manufacturing and sale of fabrics segment increased by approximately 2.5 times, from 1.1 million yards in 2Q 2013 to 3.7 million yards in 2Q 2014. During 2Q 2013 the relocation and installation of all production process in the new production facility have been completed and the new factory has been fully operational since June 2013.

Gross loss and gross profit margin

Our gross loss decreased from RMB 3.8 million in 2Q 2013 to RMB 0.8 million in 2Q 2014.

The decrease in our gross loss margin was mainly due to larger scale of operation during 2Q 2014 compared to 2Q 2013. Manufacturing overhead allocated to each unit was lower due to larger scale of operation. During 2Q 2013 the relocation and installation of all production process in the new production facility have been completed and the new factory has been fully operational since June 2013.

Expenses

Our selling and distribution expenses increased by approximately 24%, from RMB 0.6 million in 2Q 2013 to RMB 0.7 million in 2Q 2014. The increase in selling and distribution expenses was mainly due to increase in traveling and entertainment expense and delivery charges of RMB 0.1 million as a result of increased business activities. Our administrative expenses decreased by approximately 44%, from RMB 3.8 million in 2Q 2013 to RMB 2.1 million in 2Q 2014. The decrease in administrative expenses was mainly due to the decreases in depreciation of RMB 1.6 million, payroll and payroll-related expenses of RMB 0.6 million and relocation and machine installation expense of RMB 0.2 million. During 2Q 2013 there was no production during the first half of 2013 while we were relocating our production facilities, overheads such as salary for production workers and depreciation for machine and equipment were recorded as administrative expenses instead of cost of sales.

Our subsidiary, Fulian Knitting Co., Ltd, incurred a loss during the year and therefore there was no taxation expense for the Group during 2Q 2014.

Net loss

Our net loss decreased from RMB 12.7 million in 2Q 2013 to RMB 3.7 million in 2Q 2014.

(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 1.7 million during the six months ended 30 June 2014 mainly due to depreciation charges of RMB 3.9 million, offset by the addition of property, plant and equipment of RMB 2.1 million.

Inventories increased from RMB 1.5 million as at 31 December 2013 to RMB 7.1 million as at 30 June 2014. The increase in inventories level was due to higher business activity expected in 3Q 2014.

Trade receivables decreased from RMB 38.2 million as at 31 December 2013 to RMB 14.6 million as at 30 June 2014. The decrease in trade receivables was mainly due to the collection received during the period.

Other receivables as at 30 June 2013 mainly represent deposits for buildings construction of RMB 12.5 million, VAT receivable of RMB 3.2 million and other prepayment of RMB 0.3 million.

Trade payables decreased from RMB 26.8 million as at 31 December 2013 to RMB 19.1 million as at 30 June 2014. The decrease in trade payables was due to the payment made to the suppliers during the period.

In 2Q 2014, the Group's net cash used in operating activities of RMB 291.9 million, which mainly arose from operating loss of RMB 5.3 million and change in working capital of RMB 286.6 million. The significant change in working capital was due to the compensation for customer claim and late interest payment of RMB 283.0 million paid during 2Q 2014. Please refer to the Company's relevant announcement for details.

As at 30 June 2014, 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 the Company's announcement released on 14 May 2014, we commented that "We expect the operating business environment to continue to be fraught with possible headwinds due to weak market demand and increased pricing pressures for high-grade textile products. This is likely to affect the Group's performance in the next reporting period and the next twelve months."

Revenue for 2Q 2014 increased by approximately 2.2 times mainly driven by the increase in sales volume from the manufacturing and sale of fabrics segment of approximately 2.5 times. However, as a result of weak market demand and increased pricing pressures for high-grade textile products, the Company record a gross loss. This is consistent with the commentary and the reasons given in the announcement released on 14 May 2014.

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.

We expect the operating business environment to continue to be fraught with possible headwinds due to weak market demand and increased pricing pressures for high-grade textile products. This is likely to affect the Group's performance 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/recommended, a statement to that effect.

No dividend for the year ended 30 June 2014 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:

Use of IPO proceeds	Amount allocated S\$'000	Amount utilised S\$'000	Balance S\$'000
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>16,591</u>	<u>-</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 first quarter financial results for the period ended 30 June 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Tsoi Kin Chit
Executive Chairman

Zhang Hong Lai
Executive Director

14 August 2014