

FORELAND FABRICTECH HOLDINGS LIMITED (the “Company”)(Co. Regn. No: 39151)**UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (“1Q 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 Statement of Comprehensive Income

	Group		Change %
	1Q 2014	1Q 2013	
	RMB'000	RMB'000	
Revenue	15,234	1,014	1402%
Cost of sales	(20,842)	(1,257)	1558%
Gross loss	<u>(5,608)</u>	<u>(243)</u>	2208%
Other income	1,628	307	430%
Selling and distribution expenses	(678)	(567)	20%
Administrative expenses	(1,218)	(9,041)	-87%
Loss before tax	<u>(5,876)</u>	<u>(9,544)</u>	-38%
Taxation	-	-	#DIV/0!
Net loss, representing total comprehensive loss for the period attributable to shareholders	<u>(5,876)</u>	<u>(9,544)</u>	-38%

- 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:

	Group	
	1Q 2014	1Q 2013
	RMB'000	RMB'000
Depreciation on property, plant and equipment	5,510	3,623
Foreign exchange loss	3	6
Interest income	(1,628)	(307)

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	
	31 March 2014 RMB'000	31 December 2013 RMB'000	31 March 2014 RMB'000	31 December 2013 RMB'000
Non-current assets				
Property, plant and equipment	122,050	125,423	-	-
Investment in subsidiaries	-	-	240,540	240,540
	<u>122,050</u>	<u>125,423</u>	<u>240,540</u>	<u>240,540</u>
Current assets				
Inventories	5,458	1,508	-	-
Trade receivables	11,586	38,814	-	-
Other receivables	8,233	5,905	-	-
Amount due from a subsidiary	-	-	90	90
Dividend receivable from a subsidiary	-	-	43,453	43,712
Cash and cash equivalents	294,145	292,435	100	106
	<u>319,422</u>	<u>338,662</u>	<u>43,643</u>	<u>43,908</u>
Total assets	<u>441,472</u>	<u>464,085</u>	<u>284,183</u>	<u>284,448</u>
Non-current liability				
Deferred tax liability	6,695	6,695	-	-
Current liabilities				
Trade payables	11,447	26,803	-	-
Other payables and accruals	11,283	12,664	1,088	1,845
	<u>22,730</u>	<u>39,467</u>	<u>1,088</u>	<u>1,845</u>
Total liabilities	<u>29,425</u>	<u>46,162</u>	<u>1,088</u>	<u>1,845</u>
Net assets	<u>412,047</u>	<u>417,923</u>	<u>283,095</u>	<u>282,603</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	92,307	98,183	1,981	1,489
	<u>412,047</u>	<u>417,923</u>	<u>283,095</u>	<u>282,603</u>
Total equity	<u>412,047</u>	<u>417,923</u>	<u>283,095</u>	<u>282,603</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 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 31 March 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	
	1Q 2014	1Q 2013
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	(5,876)	(9,544)
Adjustments for:		
Depreciation for property, plant and equipment	5,510	3,623
Interest income	(1,628)	(307)
	<u>(1,994)</u>	<u>(6,228)</u>
Operating cash flow before changes in working capital	(1,994)	(6,228)
Inventories	(3,950)	1,163
Trade receivables	27,228	17,869
Other receivables	(2,328)	(2,062)
Trade payables	(15,356)	(5,920)
Other payables and accruals	(1,381)	147
	<u>2,219</u>	<u>4,969</u>
Cash generated from operations	2,219	4,969
Interest received	1,628	307
	<u>3,847</u>	<u>5,276</u>
Net cash generated from operating activities	3,847	5,276
Cash flows from investing activities		
Purchase of property, plant and equipment, represents net cash used in investing activities	(2,137)	(89)
	<u>1,710</u>	<u>5,187</u>
Net increase in cash and cash equivalents	1,710	5,187
Cash and cash equivalents at the beginning of the period	292,435	336,328
Cash and cash equivalents at the end of the period	<u>294,145</u>	<u>341,515</u>

Cash and cash equivalents represented by:

	Group	
	31 March	31 March
	2014	2013
	RMB'000	RMB'000
Cash and bank balances	<u>294,145</u>	<u>341,515</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 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	<u>206,765</u>	<u>74,349</u>	<u>1,463</u>	<u>56,069</u>	<u>(18,906)</u>	<u>341,796</u>	<u>661,536</u>
Balance at 1 January 2014	206,765	74,349	1,463	56,069	(18,906)	98,183	417,923
Total comprehensive loss for the period	-	-	-	-	-	(5,876)	(5,876)
Balance at 31 March 2014	<u>206,765</u>	<u>74,349</u>	<u>1,463</u>	<u>56,069</u>	<u>(18,906)</u>	<u>92,307</u>	<u>412,047</u>

<u>Company</u>	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total equity 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	<u>206,765</u>	<u>74,349</u>	<u>3,614</u>	<u>284,728</u>
Balance at 1 January 2014	206,765	74,349	1,489	282,603
Total comprehensive profit for the period	-	-	492	492
Balance at 31 March 2014	<u>206,765</u>	<u>74,349</u>	<u>1,981</u>	<u>283,095</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.**

	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 31 March 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 31 March 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 31 March 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.**

	Group	
	1Q 2014	1Q 2013
Net loss (RMB'000)	(5,876)	(9,544)
Weighted average number of ordinary shares ('000)	544,395	543,009
Loss per share (RMB cents)		
- Basic	(1.08)	(1.76)

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 after adjusting for the effect of the award pursuant to the Foreland Performance Share Scheme.

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 2014	31 December 2013	31 March 2014	31 December 2013
Net asset value (RMB'000)	412,047	417,923	283,095	282,603
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)	0.76	0.77	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 2014 RMB'000	1Q 2013 RMB'000	
<u>Revenue</u>			
Manufacturing and sale of fabrics	15,234	1,014	1402%
Provision of fabric processing services	-	-	n/a
Total	15,234	1,014	1402%

Our revenue for manufacturing and sale of fabrics segment increased by 14.0 times, from RMB 1.0 million in 1Q 2013 to RMB 15.2 million in 1Q 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 increased by approximately 2%, from RMB 7.6 per yard in 1Q 2013 to RMB 7.8 per yard in 1Q 2014. Sales volume from the manufacturing and sale of fabrics segment increased by approximately 13.7 times, from 0.1 million yards in 1Q 2013 to 2.0 million yards in 1Q 2014. During 1Q 2013 there was no production since we were relocating our existing production facilities. The revenue in 1Q 2013 arose from sale of existing inventory as at 31 December 2012 as a discount during the course of relocation.

Gross loss and gross profit margin

Our gross loss increased from RMB 0.2 million in 1Q 2013 to RMB 5.6 million in 1Q 2014.

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. Higher manufacturing overhead was allocated to each unit of sales. During 1Q 2013 there was no production since we were relocating our existing production facilities and therefore no significant manufacturing overhead was incurred.

Expenses

Our selling and distribution expenses increased by approximately 20%, from RMB 0.6 million in 1Q 2013 to RMB 0.7 million in 1Q 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 87%, from RMB 9.0 million in 1Q 2013 to RMB 1.2 million in 1Q 2014. The decrease in administrative expenses was mainly due to the decreases in depreciation of RMB 3.2 million, payroll and payroll-related expenses of RMB 1.3 million, relocation and machine installation expense of RMB 2.1 million and staff performance share scheme expense of RMB 0.8 million. During 1Q 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 1Q 2014.

Net loss

Our net loss decreased from RMB 9.5 million in 1Q 2013 to RMB 5.9 million in 1Q 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 3.4 million during 1Q 2014 mainly due to depreciation charges of RMB 5.5 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 5.5 million as at 31 March 2014. The increase in inventories level was due to higher business activity expected in 2Q 2014.

Trade receivables decreased from RMB 38.2 million as at 31 December 2013 to RMB 11.6 million as at 31 March 2014. The decrease in trade receivables was mainly due to a decrease in business volume in 1Q 2014.

Other receivables as at 31 December 2013 mainly represent deposits for buildings construction of RMB 3.7 million, VAT receivable of RMB 2.8 million, bank interest receivable of RMB 1.0 million and other prepayment of RMB 0.7 million.

Trade payables decreased from RMB 26.8 million as at 31 December 2013 to RMB 11.4 million as at 31 March 2014. The decrease in trade payables was due to a decrease in business activity in 1Q 2014.

In 1Q 2014, the Group's net cash generated from operating activities of RMB 3.8 million, which mainly arose from change in working capital of RMB 4.2 million and interest received of RMB 1.6 million, offset by operating loss before changes in working capital of RMB 2.0 million. Net cash used in investing activities mainly represented purchase of property, plant and equipment of RMB 2.1 million.

As at 31 March 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.

Not applicable.

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.

Claim by customer

Pursuant to the announcements made by the Company on 13 December 2013, 18 December 2013, 23 December 2013, 26 December 2013, 3 January 2014, 10 January 2014, 10 February 2014 and 6 May 2014, a customer, Jiangxi Longdu Clothing & Accessories Weaving Limited Company ("Jiangxi Longdu"), demanded from Fulian Knitting a total compensation of RMB 290 million for all losses and damages it had incurred in connection with the alleged breach of the Contracts and defective products. As announced, the Board of Directors of the Company (with the exception of the Independent Director, Mr Lim Siang Kai) had approved the entry of settlement agreement between Fulian Knitting and Jiangxi Longdu. Please refer to the announcement dated 6 May 2014 for the details of the settlement. The payment of the claim was also effected on 6 May 2014.

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 31 March 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:

<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	765	2,192
	<u>16,591</u>	<u>14,399</u>	<u>2,192</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 31 March 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 May 2014