

FORELAND FABRICTECH HOLDINGS LIMITED (the “Company”)(Co. Regn. No: 39151)**UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR 31 MARCH 2017 (“1Q2017”)****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.**

Unaudited Consolidated Statement of Comprehensive Income Group

	1Q2017	1Q2016	Changes
	RMB'000	RMB'000	%
Revenue	87	3,816	(98)
Cost of sales	<u>(166)</u>	<u>(5,781)</u>	(97)
Gross loss	(79)	(1,965)	(96)
Other income	-	131	N/M
Selling and distribution expenses	(35)	(115)	(70)
Administrative expenses	<u>(3,349)</u>	<u>(2,770)</u>	21
Loss before tax	(3,463)	(4,719)	(27)
Taxation	<u>-</u>	<u>-</u>	-
Net loss, representing total comprehensive loss for the period attributable to shareholders	<u>(3,463)</u>	<u>(4,719)</u>	(27)

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

Group

	1Q2017	1Q2016	Changes
	RMB'000	RMB'000	%
Amortisation of land use rights	123	123	-
Depreciation of property, plant and equipment	1,369	1,673	(18)
Gain on disposal of property, plant and equipment	-	(130)	N/M
Foreign exchange loss/(gain)	148	(2)	N/M
Interest income	-	(1)	N/M

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.

Unaudited Statement of Financial Position

	Group		Company	
	31/3/2017 RMB'000	31/12/2016 RMB'000	31/3/2017 RMB'000	31/12/2016 RMB'000
Non-current assets				
Land use rights	21,003	21,126	-	-
Property, plant and equipment	59,717	61,086	36	39
Investment in subsidiaries	-	-	61,113	61,113
	<u>80,720</u>	<u>82,212</u>	<u>61,149</u>	<u>61,152</u>
Current assets				
Inventories	-	261	-	-
Trade receivables	10,863	12,376	-	-
Other receivables	81	78	-	-
Amount due from a subsidiary	-	-	83	49
Cash and cash equivalents	45	91	5	22
	<u>10,989</u>	<u>12,806</u>	<u>88</u>	<u>71</u>
Total assets	<u>91,709</u>	<u>95,018</u>	<u>61,237</u>	<u>61,223</u>
Current liabilities				
Trade payables	76	363	-	-
Other payables and accruals	16,489	16,048	6,702	5,599
Total liabilities	<u>16,565</u>	<u>16,411</u>	<u>6,702</u>	<u>5,599</u>
Net current liabilities	<u>(5,576)</u>	<u>(3,605)</u>	<u>(6,614)</u>	<u>(5,528)</u>
Net assets	<u>75,144</u>	<u>78,607</u>	<u>54,535</u>	<u>55,624</u>
Equity attributable to equity holders 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	(244,596)	(241,133)	(226,579)	(225,490)
Total equity	<u>75,144</u>	<u>78,607</u>	<u>54,535</u>	<u>55,624</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 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 31 March 2017		As at 31 December 2016	
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.

**Unaudited Consolidated Statement of Cash Flows
Group**

	1Q2017 RMB'000	1Q2016 RMB'000
Cash flows from operating activities		
Loss before income tax	(3,463)	(4,719)
Adjustment for:		
Amortisation of land use rights	123	123
Depreciation for property, plant and equipment	1,369	1,673
Gain on disposal of property, plant and equipment	-	(130)
Inventories written-off	107	-
Interest income	-	(1)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(1,864)	(3,054)
Inventories	154	(68)
Trade receivables	1,513	3,450
Other receivables	(3)	219
Trade payables	(287)	(304)
Other payables and accruals	441	(322)
	<hr/>	<hr/>
Cash used in operations	(46)	(79)
Interest income	-	1
	<hr/>	<hr/>
Net cash used in operating activities	(46)	(78)
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Cash flows from investing activities		
Proceed from disposal of property, plant and equipment	-	130
	<hr/>	<hr/>
Net cash generated from investing activities	-	130
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(46)	52
Cash and cash equivalent at the beginning of the year	91	164
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Cash and cash equivalent at the end of the period	45	216
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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.

**Unaudited Statement of Changes in Equity
Group**

	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 2016	206,765	74,349	1,463	56,069	(18,906)	(230,775)	88,965
Loss and total comprehensive loss for the period	-	-	-	-	-	(4,719)	(4,719)
Balance at 31 March 2016	206,765	74,349	1,463	56,069	(18,906)	(235,494)	84,246
Balance at 1 January 2017	206,765	74,349	1,463	56,069	(18,906)	(241,133)	78,607
Loss and total comprehensive loss for the period	-	-	-	-	-	(3,463)	(3,463)
Balance at 31 March 2017	206,765	74,349	1,463	56,069	(18,906)	(244,596)	75,144

Company

	Share capital RMB'000	Share premium RMB'000	Revenue reserve RMB'000	Total RMB'000
Balance at 1 January 2016	206,765	74,349	(221,898)	59,216
Loss and total comprehensive loss for the period	-	-	(281)	(281)
Balance at 31 March 2016	206,765	74,349	(222,179)	58,935
Balance at 1 January 2017	206,765	74,349	(225,490)	55,624
Loss and total comprehensive loss for the period	-	-	(1,089)	(1,089)
Balance at 31 March 2017	206,765	74,349	(226,579)	54,535

- 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 held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2016 and 31 March 2017	<u>544,395,199</u>	<u>27,220</u>

There were no outstanding convertibles issued or treasury shares held by the Company as at 31 March 2017 and 31 December 2016 respectively.

Save as disclosed above, there have been no bonus or other issues of shares during the period.

- 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 2017	At 31 December 2016
Total 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, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

During the financial period, there was no transaction pertaining to subsidiary holdings.

- 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 2016. The adoption of these new/revised FRS, where applicable, has no material impact on the consolidated financial statements for the year ended 31 December 2016. 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	
	1Q2017	1Q2016
Net loss (RMB'000)	<u>(3,463)</u>	<u>(4,719)</u>
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	<u>544,395</u>	<u>544,395</u>
Loss per share (RMB cents)		
- Basic	<u>(0.64)</u>	<u>(0.87)</u>

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/year. Diluted earnings per share is not presented because there is no potential dilutive ordinary share existing during the financial period/year.

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	
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
Net asset value (RMB'000)	<u>75,144</u>	<u>78,607</u>	<u>54,535</u>	<u>55,624</u>
Number of shares at the end of the period ('000)	<u>544,395</u>	<u>544,395</u>	<u>544,395</u>	<u>544,395</u>
Net asset value per share (RMB per share)	<u>0.14</u>	<u>0.14</u>	<u>0.10</u>	<u>0.10</u>

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		Changes %
	1Q2017	1Q2016	
	RMB'000	RMB'000	
Manufacturing and sale of fabrics	-	3,816	N/M
Sale of fabrics (raw materials)	<u>87</u>	<u>-</u>	N/M
	<u>87</u>	<u>3,816</u>	(98)

Our revenue decreased by 98%, from RMB3.8 million in 1Q2016 to RMB87,000 in 1Q2017. Our products comprised functional and normal fabrics for the manufacture of apparel, shoes, bags and high grade umbrella fabrics.

In 1Q2017, the subsidiary of the Company, Fulian Knitting Co., Ltd. (“Fulian”) is not in operations. It is due to less sales quote received during the period and it is not cost-efficient to operate. The decrease in demand for textile products results in weak market demand and increased price pressure for textile products, including high-grade textile products.

Gross loss and gross profit margin

Our gross loss decreased from RMB2.0 million in 1Q2016 to RMB79,000 in 1Q2017. It is due to the depreciation charges for plant and machinery for the quarter period has been included in the “Administrative expenses” for 1Q2017.

Expenses

Our selling and distribution expenses decreased by approximately 70% from RMB115,000 in 1Q2016 to RMB35,000 in 1Q2017 due to drop in sales activities.

Our administrative expenses increased by approximately 21%, from RMB2.8 million in 1Q2016 to RMB3.3 million in 1Q2017. The increase in administrative expenses was due to depreciation charges for plant and machinery of RMB1.2 million as a results of no operations in 1Q2017, the administrative expenses in holding company increased by RMB0.8 million mainly for professional expenses, office expenses, staff costs of new management and general meeting expenses. Such increase has been offset with decrease of administrative expenses in Fulian as a results of reduced operating activities.

As Fulian incurred a loss during the quarter period and therefore there was no taxation expense for the Group during 1Q2017.

Net loss

Our net loss decreased from RMB4.7 million in 1Q2016 to RMB3.5 million in 1Q2017.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Land use rights decreased by RMB0.1 million mainly due to amortisation charges for the quarter period. Property, plant and equipment decreased by RMB1.4 million during 1Q2017 mainly due to the depreciation charges.

Inventories decreased by RMB0.2 million and there are no inventories as at 31 March 2017.

Trade receivables decreased by RMB1.5 million from RMB12.4 million as at 31 December 2016 to RMB10.9 million as at 31 March 2017. The decrease in trade receivables was mainly due to the collection received during the quarter period. The customers have delayed their payments as a result of weak market condition and challenging business environment. The management in subsidiary of China is negotiating with debtors from time to time for collection.

Other receivables have slightly increased from RMB78,000 as at 31 December 2016 to RMB81,000 as at 31 March 2017.

Trade payables decreased by RMB0.3 million from RMB0.4 million as at 31 December 2016 to RMB0.1 million as at 31 March 2017. The decrease in trade payables was due to the repayment to the suppliers during the quarter period.

As at 31 March 2017, the Group and the Company has a negative working capital of RMB5.6 million and RMB6.6 million respectively. The Company will be raising the funds through placement or obtaining financial support from major shareholders to enable the Company to operate as a going concern. If any material development occurs, the Company will make immediately announcement of such development.

In 1Q2017, the Group's net cash used in operating activities of RMB0.1 million, which mainly arose from change in working capital of RMB1.8 million, offset by operating loss before change in working capital of RMB1.9 million.

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. The Group has, on 4 May 2017, made an announcement in connection with the proposed acquisition and proposed diversification of new business to realign its business strategies to improve group's profits and shareholder's value, subject to the Shareholder's approval. A circular containing, *inter alia*, further details on the proposed acquisition and proposed diversification, together with a notice of special general meeting will be despatched by the Company to the Shareholders in due course. The Company will make further announcements as and when there are material developments on the proposed acquisition and proposed diversification.

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 period ended 31 March 2017 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. 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 2017 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Yang Meng Yang
Executive Director and Executive Chairman

15 May 2017