



FORELAND FABRICTECH HOLDINGS LIMITED

(Incorporated in Bermuda with Company Registration No. 39151)

RESPONSE TO SGX QUERY ON ANNOUNCEMENT OF FULL YEAR RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (“FY2011”)

The Board of Directors of Foreland Fabrictech Holdings Limited (“the Company”, together with its subsidiaries, “the Group”) wishes to announce its response to the query raised by the Singapore Exchange Securities Trading Limited (“SGX”) in connection with the announcement made by the Company on 28 February 2012, with regard to the full year results for the financial year ended 31 December 2011.

Query

The Company disclosed on Page 1 that Administrative expenses increased by 107% from RMB 9.9 million in FY2010 to RMB 20.5 million in FY2011 due to an increase in payroll and payroll-related expenses of RMB 1.2 million, an increase in executive directors’ bonus of RMB 3.5 million as a result of increased business activities, an increase in educational surcharge of RMB 2.2 million and urban maintenance and construction tax surcharge of RMB 2.3 million due to a change in relevant regulations in PRC.

Please elaborate on the matters relating to the nature of the educational surcharge and urban maintenance and construction tax surcharge and the factors which caused the increases of these expenses.

Company’s response to Query

Educational surcharge (“ES”) is an additional tax imposed by tax authority in PRC, with the purpose of supporting local educational development related matters. Urban maintenance and construction tax surcharge (“CT”) is an additional tax imposed by the tax authority in PRC, with the purpose of funding for local city maintenance and construction. ES and CT are imposed at a certain percentage of turnover taxes (value-added tax, consumption tax and business tax) payable. Currently the ES rate is 3% while CT is levied at a rate of up to 7% depending on the location of the taxpayer.

Foreign investment enterprises such as the Company’s wholly-owned subsidiary - Fulian Knitting Co., Ltd. (“Fulian Knitting”), have been exempted from CT and ES since their introduction in 1985 and 1986 respectively. In accordance with the circular Guofa [2010] No. 35 (Circular 35) issued by the State Council of the PRC on 18 October 2010, all foreign investment enterprises in the PRC are subject to CT and ES effective from 1 December 2010.

In addition, in accordance with the circular Caizong [2010] No. 98 (Circular 98) issued by the Ministry of Finance of the PRC on 7 November 2010 regarding the unification of Local Educational Surcharge (“LES”) on all parties in the PRC, the applicable rate of LES applicable to Fulian Knitting increased from 1% to 2% of turnover taxes payable in FY2011.

By Order of the Board

Tsoi Kin Chit
Executive Chairman
5 March 2012