



FORELAND FABRICTECH HOLDINGS LIMITED
(Incorporated in Bermuda with Company Registration No. 39151)

UPDATE ON CONSTRUCTION OF THE NEW PRODUCTION FACILITY

Further to the announcement released on 06 October 2008 in relation to the above, the Board of Directors of Foreland Fabrictech Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) deems it appropriate to provide an update on the progress of construction and estimated costs in respect of the new production facility being constructed by the Company’s subsidiary, Fulian Knitting Co., Ltd.

Progress of construction

The commencement of the commercial production at the new production facility (the “Andong Project”) will be delayed to the third quarter of financial year 2010. The foundation works for the Andong Project have been completed and currently the construction for the Andong Project has entered into the building construction stage.

This delay was mainly due to the following reasons:-

- (i) The actual geographical condition of the construction site is different from the initial estimated geographical condition, in particular, the higher amount of silt in the soil was unexpected. This has significantly increased the usage of raw materials and labour costs and affected the original construction plan and time schedule which have to be revised accordingly.
- (ii) Within the approval granted by the authority in June 2009 for the increase of the Andong Project building density from less than 40% to 56.7% of the total land size of approximately 76,000 square metres, the production floor area has accordingly increased by approximately 1.1 time from 14,000 square metres to 30,000 square metres to cater for future production expansion plan.
- (iii) The environmental department has taken stricter measures on “chemical oxygen demand (COD) emission” requirement. This has resulted in a change of the original plan for the construction of the wastewater treatment plant with a resultant increase in its construction cost. The construction plan and budget for methylbenzene recycling facility have also been revised upwards in order to comply with government’s requirements for a higher recycling rate of about 85% from the existing 20%.
- (iv) The fire department has imposed higher standards on fire protection measures. It is now required that specialised fire-proof paint be applied on the steel structures of the production facilities and more fire-extinguishing sprinklers have to be installed. Such measures require more time and cost to comply with.

- (v) Additional compliance requirements and fees, such as construction filing fee, air defence construction costs, construction plan audit fee, etc, have also been imposed.
- (vi) Unforeseen bad weather conditions, such as continuous heavy rains had contributed to the delay in the construction progress.

Estimated Costs

As a result of the above, the costs of construction of the Andong Project have increased significantly. For comparison, the initial estimated costs (as disclosed in the Company's prospectus dated 2007 for the IPO) for the Andong Project was estimated to be RMB 144 million. As at November 2009, the Company had already paid RMB 245 million for the Andong Project, out of an estimated revised budget of RMB 438 million. In effect and barring unforeseen circumstances, there is an estimated cost over-run of RMB 294 million at this juncture.

The Company will disclose further details from time to time as and when appropriate.