



FORELAND FABRICTECH HOLDINGS LIMITED

(Incorporated in Bermuda with Company Registration No. 39151)

RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

The Board of Directors of Foreland Fabrictech Holdings Limited (“the Company”, together with its subsidiaries, “the Group”) wishes to announce its responses to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX”) in connection with the announcement made by the Company on 25 February 2011, with regard to the unaudited financial statements for the financial year ended 31 December 2010 (“FY2010”).

Query 1

Provide the breakdown and reasons for significant increase in trade receivables. Is this due to changes in billing and credit policy? Provide the directors’ views and basis on whether provision for doubtful debts is adequate.

Company’s response to Query 1

The significant increase in trade receivables is due to the increase in sales in the fourth quarter of FY2010 of RMB 143.0 million compared to that in the fourth quarter of FY2009 of RMB 72.7 million. The billing and credit policy of the Group is consistent throughout FY2009 to FY2010. The trade receivables are generally up to 60 days’ terms.

Aging analysis of trade receivables is as follows:

	As at 31 December			
	2010		2009	
	RMB'000	%	RMB'000	%
<u>Aging analysis of trade receivables</u>				
Within 1 month	55,909	78%	28,100	65%
Within 2 months	15,604	22%	14,017	32%
More than 2 months	2	0%	1,111	3%
	<u>71,515</u>	<u>100%</u>	<u>43,228</u>	<u>100%</u>

As at 28 February 2011, RMB 71,513,000 of trade receivables outstanding as at 31 December 2010 have been collected. The Directors are of the view that there is no recoverability issue on trade receivables and no provision for doubtful debt is required.

Query 2

Provide details on the increase in property, plant and equipment.

Company’s response to Query 2

Movement in property, plant and equipment:

	Leasehold Property RMB'000	Land use rights RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Power supply equipment RMB'000	Construction- in-progress RMB'000	Total RMB'000
2010								
Cost								
At 1 Jan 2010	2,736	1,366	208,135	1,402	104	2,087	188,718	404,548
<i>Additions:</i>		<i>(Note a)</i>	<i>(Note b)</i>				<i>(Note c)</i>	
- Purchase during the year	-	-	8,213	-	-	-	38,524	46,737
- Transfer from other receivables	-	28,383	5,263	-	-	-	3,703	37,349
Disposal	-	-	(25,121)	-	-	-	-	(25,121)
At 31 Dec 2010	2,736	29,749	196,490	1,402	104	2,087	230,945	463,513
Accumulated depreciation								
At 1 Jan 2010	2,374	1,224	103,571	978	83	1,981	-	110,211
Depreciation charge	130	44	18,378	116	7	-	-	18,675
Disposal	-	-	(21,491)	-	-	-	-	(21,491)
At 31 Dec 2010	2,504	1,268	100,458	1,094	90	1,981	-	107,395
Net carrying amount								
At 31 Dec 2010	232	28,481	96,032	308	14	106	230,945	356,118

Note a – Additions to land use rights mainly represent the land use rights for the new factory in Andong Industrial Area in Jinjiang city, the People's Republic of China, as mentioned in Page 5 of our FY2009 Annual Report.

Note b - Additions to plant and machinery comprise mainly new machineries for production use in our existing factory.

Note c - Additions to construction-in-progress comprise mainly construction of production premises and other infrastructure cost for the new factory in Andong Industrial Area as mentioned in Note a.

Query 3

Provide reasons for significant decline in other receivables.

Company's response to Query 3

The decrease in other receivables is mainly due to the transfer of deposits for purchase of machineries and prepayment for land use rights to property, plant and equipment. Breakdown of other receivables is as follows:

		As at 31 December	
		2010	2009
		RMB'000	RMB'000
Deposits for purchase of machineries	<i>Note a</i>	1,266	6,529
Other prepayments		1,096	1,334
Prepayment for land use right	<i>Note b</i>	-	28,383
Advance payment to contractors	<i>Note c</i>	-	3,703
		<u>2,362</u>	<u>39,949</u>

Note a - The decrease in deposits for purchase of machineries is RMB 5,263,000. Please refer to Note b of Query 2 for details.

Note b - Please refer to Note a of Query 2 for details.

Note c - Please refer to Note c of Query 2 for details.

Query 4

To state in paragraph 9 whether the results are in line with the commentary write-up of the previous quarter.

Company's response to Query 4

In paragraph 9 of the unaudited third quarter financial statements for the three months ended 30 September 2010 ie., 3Q FY2010, the previous quarter, we commented on the business trend in general: "this encouraging trend is expected to continue into the last quarter of 2010." In 4Q FY2010, good performance and financial results are achieved which is in line with the general comment made in the announcement in previous quarter.

By Order of the Board

Tsoi Kin Chit
Executive Chairman
7 March 2011