



FORELAND FABRICTECH HOLDINGS LIMITED

(Incorporated in Bermuda with Company Registration No. 39151)

RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2011

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 12 August 2011, with regard to the unaudited second quarter financial statements for the three months ended 30 June 2011 (“2Q 2011”).

Query 1

The Company disclosed on Page 1 that Gross Profit for 6 months ended 30 June 2011 is RMB 59.8 million and Gross Profit for 6 months ended 30 June 2010 was RMB 9.6 million. The Gross Profit Margin therefore increased from 14.4% in 2Q2010 to 29.4% in 2Q2011.

We note from Page 9 of the financial results that the improvement in gross profit margin was mainly due to an increase in the sales of existing functional fabric that have a better profit margin.

Please provide further details on what functional fabric is and to explain the reasons why gross profit margin of this fabric exceeded 29.4% compared to the previous average gross profit margin of 14.4%. Please also disclose the percentage of sales which are attributed to this fabric in 2Q2011 as compared to 2Q2010.

Company’s response to Query 1

Functional fabric is a fabric that has special properties and serves functions such as moisture and air breathability, UV protection and chlorine resistance. From time to time new products are launched to meet market needs. Quality and grades of existing products are enhanced on an on-going basis. A list of our range of functional fabric products can be found on Page 3 of our FY2010 Annual Report.

We are able to produce quality functional fabric because we have: i) established collaborations with technology partners; ii) strong R&D capabilities; iii) advanced production facilities and equipments; and iv) good quality assurance control and management.

Functional fabric is used in higher grade textile products. In 2Q 2010, demand for high grade textile products was sluggish as a result of the negative impact of the global financial turmoil and credit crunch on the textile market. As a result, market demand and the average selling price for functional fabric remained at a low level. In 2Q 2011, market demand for high grade textile products recovered mainly due to the continuous improvement of world-wide economy post financial turmoil. Average selling price also increased due to the general increase in product grade. Higher grade products usually yield higher gross profit margin.

	<u>2Q 2011</u>	<u>2Q 2010</u>
Percentage of sales of functional fabric	38.6%	39.7%
Sales volume of functional fabric (in million yard)	4.6	2.2

The slight decrease in percentage of sales of functional fabric was mainly due to the significant increase in sales of high grade umbrella fabric in 2Q 2011. The increase in sales of high grade umbrella fabric in 2Q 2011 also contributed to the increase in gross profit margin. Sales volume of functional fabric increased by approximately 109% from 2.2 million yard in 2Q 2010 to 4.6 million yard in 2Q 2011. Please also refer to Page 9 of the announcement on the second quarter financial statements for 2Q 2011 for the effect on gross profit margin due to the increase in production volume and capacity in 2Q 2011 compared to that of 2Q 2010.

By Order of the Board

Tsoi Kin Chit
Executive Chairman
18 August 2011