



FORELAND FABRICTECH HOLDINGS LIMITED
(Incorporated in Bermuda with company registration no. 39151)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Company has received the following three (3) queries from SGX-ST on 10 May 2019 in relation to the Company's announcement dated 9 May 2019 (the "**Announcement**") regarding the appointment of Mr Soh Yong Soon ("Mr Soh") as Independent Non-Executive Director, Chairman of Audit Committee, Nominating Committee and Remuneration Committee.

Background & Queries

SGX-ST refer to Foreland Fabrictech Holdings Ltd's ("Foreland's" or the "Company's") announcement dated 9 May 2019, concerning the appointment of Soh Yong Soon, as "independent non-executive director" and "Chairman of the Audit Committee, Remuneration Committee and Nominating Committee". SGX-ST further refer to China Environment Ltd's announcements dated 9 May 2019, inter alia, disclosing that its independent auditors had issued a disclaimer of opinion for its audited FY2015 financial statements, taking into account the:-

- § "lack of on-site evidence to establish the existence of 5 major trade receivables";
- § auditors were "unable to ascertain whether the Group's revenue and the costs of sales are valid and appropriate";
- § "revenues for AHDY and FJDY are overstated by approximately RMB13.53 million and RMB 204.47million, respectively";
- § auditors were "unable to ascertain the accuracy and appropriateness of the carrying amounts of the trade payables and VAT payables which amounted to approximately RMB 15.6million";
- § auditors were "unable to determine the validity, accuracy and appropriateness of the carrying amounts of the trade receivables totaling RMB 12.3million";
- § "management was unable to furnish the required supporting documents and explanations" and;
- § auditors were "unable to determine whether placement proceeds amounting to S\$7.54million had eventually reached the bank account of the Group and/or if the Group had benefited from the intended proceeds from the placement."

SGX-ST note that Soh Yong Soon was the Chief Financial Officer of China Environment Ltd from 4 May 2015 to 30 April 2016 "in charge of the overall financial matters of the China Environment Ltd Group". In addition, Huang Min, Foreland's Executive Chairman was China Environment Ltd's Executive Chairman from 26 August 2009 to 28 March 2016 and was therefore, Soh Yong Soon's superior. We also note the fraud alleged by China Environment Ltd's Board announced on 6 February 2017. Principle 2 of the Code of Corporate Governance("Code") requires the Board to have an "appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company". Having regard to the past working relationship between Huang Min, Yang Meng Yang and Soh Yong Soon in China Environment Ltd and Huang Min and Soh Yong Soon's respective involvement in management of China Environment Ltd during the relevant period of the alleged fraud, please justify robustly:

Query 1: the Board's views on how Soh Yong Soon is suitable to be appointed an independent director of Foreland noting that Soh Yong Soon was reporting to Huang Min and the 3 directors were all directors of China Environment Ltd.

Company's Response:

Mr Soh served as an executive officer of China Environment Ltd ("CEL") and not the director of CEL. During his short working period in CEL, Mr Soh was not only reporting to Mr Huang Min but also to all other directors which included the audit committee of CEL for the period from 4 May 2015 to 30 April 2016.

Mr Soh's working relationship in CEL with Mr Huang Min had ceased after Mr Huang Min left CEL on 26 March 2016. Mr Soh's working relationship in CEL with Mr Yang Meng Yang had ceased after Mr Soh stepped down as Chief Financial Officer of CEL on 30 April 2016.

However, after further discussions between Mr Soh and the Company, Mr Soh has decided to resign as independent director from the Company with effect from 13 May 2019 due to his time commitment to his other new business opportunities, and the Company has released the relevant announcement pertaining to his resignation.

The Company is still currently looking for other additional suitable candidates to join the Group and serve as independent directors of the Company to fulfill the Company's Corporate Governance requirements.

Query 2: In the Code, the Audit Committee must "review the significant financial reporting issues and judgments to ensure the integrity of the financial statements of the company" and "review the adequacy, effectiveness, independence, scope and results of the external audit and internal audit function", amongst other things. Noting the significant concerns raised in the Audit Disclaimer in CEL when Soh Yong Soon was the CFO, please explain how he is still suitable for his role as the Independent Director and Audit Committee Chairman of Foreland noting his track record as CFO in CEL.

Query 3: In view of the serious concerns raised by the Auditors on the financial statements of CEL during the period when Soh Yong Soon was CFO, please justify how Soh Yong Soon complies with the requirement of the character and integrity required of an independent director under Listing Rule 210(5)(b). To provide the basis to substantiate the Board's views.

Company's Response:

When the Company appointed Mr Soh on 9 May 2019, the Board was of the view that Mr Soh's track record as CFO in CEL did not disqualify him from being an independent director of the Company as Mr Soh was not listed on SGX's Directors' and Executive Officer's Watchlist, and the Board was also not fully privy to the historical facts and events involving Mr Soh and CEL.

BY ORDER OF THE BOARD

Huang Min
Executive Chairman and Executive Director
14 May 2019