



FORELAND FABRICTECH HOLDINGS LIMITED

(Incorporated in Bermuda with Company Registration No. 39151)

RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF UNAUDITED THIRD QUARTER RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

The Board of Directors (the “**Board**”) 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-ST”) in connection with the announcement made by the Company on 14 November 2016, with regard to the unaudited third quarter results for the financial period ended 30 September 2016.

SGX Queries 1

We note on page 1 that ‘Administrative expenses’ has increased by 149% from RMB832,000 to RMB2.071 million. Please provide breakdown of material items and explain nature of items and reasons for the significant increase.

Company’s response to Queries 1

Breakdown of administrative expenses:

	3Q 2016 RMB'000	3Q 2015 RMB'000
Audit fees	110	90
Depreciation charges	(i) 454	12
Directors’ remuneration and fees	(ii) 231	118
General meeting expenses	(iii) 46	-
Office and general expenses	(iv) 166	-
Professional fees	(v) 236	52
Staff costs	(ii) 746	468
Travelling and entertainment expenses	82	92
	<u>2,071</u>	<u>832</u>

The increase in administrative expenses mainly due to:-

- the reclassification of depreciation charges pertaining to January 2015 to June 2015 amounted to RMB435,000 from “Administrative Expenses” to “Cost of Sales” in quarter period 3Q2015, and this resulted higher depreciation in 3Q2016 compared with 3Q2015;
- increase in staff costs for new management in Singapore;
- expense such as meeting venue, printing, mailing and media costs incurred for special general meeting held on 30 September 2016;
- office running expenses for new office premises in Singapore; and
- professional fees such as compliance adviser fees and compliance fees to meet Bermuda Companies Act’s requirement, whereas none in 3Q2015.

SGX Queries 2

We note on page 2 'Trade receivables' of RMB10.384 million. Please provide the following information: -

- (a) Provide breakdown of 'Trade receivables' and aging.
- (b) Provide reasons for outstanding balance of RMB10.384 million when sales in 3Q2016 was only RMB1.485 million.
- (c) Provide details on what efforts have Company taken to ensure financial standing and veracity of customers when sales were reported.

Company's response to Queries 2

(a)

Breakdown of trade receivables			
		30 September	31 December
		2016	2015
		RMB'000	RMB'000
Top 5 trade debtors		5,817	6,661
Other trade debtors		4,567	8,309
		10,384	14,970
Trade receivables aging			
		30 September	31 December
		2016	2015
		RMB'000	RMB'000
Within 30 days		671	5,156
31 to 60 days		484	4,307
61 to 90 days		187	1,068
More than 90 days		9,042	4,439
		10,384	14,970

- (b) According to the aging above, majority of trade receivables was composed of trade receivables with aging over 90 days.
- (c) As a result of weak market condition and challenging business environment, customers have delayed their payments. The Company reviewed customer's financial standing from time to time. The Company is negotiating with debtors from time to time for collection. The management will consider to provide impairment loss on doubtful debts as and when necessary.

SGX Queries 3

We note on page 2 that 'Other payables and accruals' has increased by 7.7% from RMB13.08 million to RMB14.082 million. Please provide the following information: -

- (a) Reason for increase in 'Other payables and accruals'.
- (b) Provide breakdown and nature of underlying transactions

Company's response to Queries 3

Breakdown of other payables:

	3Q 2016 RMB'000	3Q 2015 RMB'000
Accrued social welfare	8,419	8,256
Advance receipt from customer	1,500	1,500
Accrued offshore compliance expenses	3,083	2,027
Other payables and accrued operating expenses	1,080	1,297
	<u>14,082</u>	<u>13,080</u>

The increase in other payables was mainly due to increase in accrued offshore compliance expense, accrued operating expenses incurred by Singapore office and independent directors fee and staff salary payable. The increase in accrued offshore compliance was mainly due to one-off special review fee and higher statutory expenses compared with 3Q2015.

SGX Queries 4

We note that the Company has a negative working capital of RMB3.5 million. Please explain whether the Company is able to operate as a going concern and basis for directors' view and whether all material information has been disclosed.

Company's response to Queries 4

The Company will be raising the funds through placement or obtaining financial support from major shareholders to enable the Company to operate as a going concern. If any material development occurs, the Company will make immediately announcement of such development.

Apart from the above, the Board would like to inform shareholders that we are actively seeking other potential opportunities and proposals that will enhance its financial position and provide a basis to support its application to the SGX-ST for the extension of time for Watch-List, and subsequent removal from the Watch-List.

SGX Queries 5

We note on page 7 that sales volume from the manufacturing and sale of fabrics segment decreased by approximately 86% from 1.7 million yards in 3Q2015 to 0.2 million yards in 3Q2016 as a result of weak market condition. Please provide the following information: -

- (a) Please substantiate statement with data on size of the market shrinkage and how this affected Company's sales.
- (b) Disclose why demand fell so substantially by 86%.

Company's response to Queries 5

- (a) According to statistic as quoted in Global Textiles (<http://www.tnc.com.cn/info/c-001001-d-3591844.html>), record 21% decrease in apparel and textile accessories export in China for September 2016. The overall decrease in demand for textile products results in weak market demand and increased price pressure for textile products, including high-grade textile products.
- (b) Demand for Company's product fell substantially mainly due to i) weak market demand; ii) keen competition from manufacturer from other area with lower production cost.

By Order of the Board

Yang Meng Yang
Executive Chairman
22 November 2016