

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
FORELAND FABRICTECH HOLDINGS LIMITED**  
(Incorporated in Bermuda)

We were engaged to audit the accompanying financial statements of Foreland Fabrictech Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 7 to 35 which comprise the statements of financial position of the Group and the Company as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*Basis for Disclaimer of Opinion*

1. Compensation claim

The financial statements of the Group recorded a provision for claim of RMB282,992,774 on the statement of financial position at 31 December 2013, and an expense in the statement of comprehensive income of RMB282,992,774 for the financial year.

As disclosed in Note 19, this provision was made with respect to a claim made by a customer of a subsidiary, Fulian Knitting Co., Ltd ("Fulian") against Fulian for alleged breach of contract and supply of defective textile products ("customer claim"). Subsequent to the end of the reporting period, Fulian entered into a settlement agreement with the customer and the amount agreed of RMB282,992,774 was paid.

Management had relied on a legal advisor in the People's Republic of China ("PRC") ("Legal Advisor") for legal advice with respect to this customer claim, and the compensation amount for the customer claim was based on an appraisal report issued by a PRC accounting firm ("Accountant").

In a board of directors' meeting held on 22 January 2014, the independent directors of the Company who held office on that date and who are also the Audit Committee members on that date, had a difference in opinion with Management on the handling of the claim and had required the appointment of another reputable audit firm and reputable law firm to conduct an independent re-assessment of the customer claim. All 3 independent directors who held office on 22 January 2014 had subsequently resigned as directors of the Company because of differences in opinion with Management in relation to the handling of the customer claim. The customer claim was settled subsequent to the end of the reporting period without an independent re-assessment of the customer claim as required by the independent directors and Audit Committee members.

We were not able to obtain sufficient appropriate evidence as required by SSA 500 Audit Evidence to satisfy ourselves as to the reliability of the evidence provided by the Legal Advisor and the Accountant which was relied upon by Management for this customer claim.

Accordingly, we were not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the provision for customer claim and the corresponding expense are fairly stated in the Group's financial statements for the financial year ended 31 December 2013.

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FORELAND FABRICTECH HOLDINGS LIMITED (cont'd)**  
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*Basis for Disclaimer of Opinion (cont'd)*

2. Cash and cash equivalents of Fulian

We have not been able to obtain appropriate audit evidence to satisfy ourselves with regards to bank balance and fixed deposits of Fulian totalling RMB292,298,353 as included in the Group's cash and cash equivalents at 31 December 2013.

3. Going Concern

During the financial year, the Group reported declining revenue, net cash outflows from operating activities, and incurred losses of RMB558 million. The settlement of the customer claim subsequent to the end of the reporting period as disclosed in Note 19 utilised substantially the Group's cash and cash equivalents as reported at 31 December 2013. At 31 December 2013, the Company's current liabilities exceeded its current assets by RMB0.7 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern.

As disclosed in Note 2(t), Management has prepared a cash flow forecast in their assessment of the Group and Company's ability to continue as a going concern and is of the view that the use of the going concern assumption in the preparation of the Group and Company's financial statements is appropriate. We were not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reliability of Management's assessment, and assumptions used by Management in their forecast. The appropriateness of the use of the going concern assumption is dependent on the ability of the Group and Company to generate sufficient level of revenue and profit from their operations and sufficient cash flows for their requirements in the next twelve months.

If the Group and Company are unable to continue in operational existence for the foreseeable future, and the Group and Company are unable to discharge its liabilities in the normal course of business, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial positions. In addition, the Group and Company may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. No such adjustments have been made to the financial statements.

4. Investment in subsidiary and amount due from subsidiary

The investment in subsidiary and amount due from the subsidiary are carried in the Company's statement of financial position at 31 December 2013 after deducting impairment loss totalling RMB223,139,000 based on impairment test performed by Management. We were not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the impairment loss of RMB223,139,000 charged to the Company's profit or loss, and the investment in subsidiary and amount due from subsidiary with carrying values of RMB61,113,000 and RMB nil respectively in the Company's statement of financial position are fairly stated at 31 December 2013.

*Disclaimer of Opinion*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

5 August 2014