



FORELAND FABRICTECH HOLDINGS LIMITED
(Incorporated in Bermuda with Company Registration No. 39151)

FURTHER RESPONSES TO SGX QUERIES ON ANNUAL REPORT FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 31 DECEMBER 2015

Following the responses to SGX queries announced on 23 February 2017 (“**Previous Announcement**”), the Board of Directors (the “**Board**”) of Foreland Fabrictech Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to respond to the following queries raised further by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 28 February 2017 in connection with the Company’s Annual Report for the financial years ended 31 December 2014 (“**FY2014**”) and 31 December 2015 (“**FY2015**”).

SGX Query 1:

It was disclosed that “(a)fter completion of the Restructuring, the Board will engage an internal auditor to improve the internal control of the Group as a whole and safeguard shareholders’ interests”. Please justify the Board’s view on why it is not important to ensure that the current assets are properly safeguarded and internal controls are effective.

Company’s response:

The Board wishes to clarify and emphasise that it is of the view that it is important to ensure that the current assets are properly safeguarded and internal controls are effective. In light of the severe challenges and constraints it is facing in terms of working capital to pay professional fees to obtain advice and implement the internal controls, the Company engaged a compliance adviser in 2016 to boost its investors’ protection. The Company also engaged a new external auditor to perform audits on the outstanding financial records of the Company and the Group for FY2014 and FY2015.

Having taken into consideration its plans to undertake a Restructuring, the Board intends to engage an internal auditor to improve the internal control of the Group as a whole and safeguard its shareholders’ interests as and when practicable after the Restructuring.

SGX Query 2:

It was disclosed that the “current Executive Chairman and the Chief Financial Officer joined the Company on 1 August 2016 and 21 March 2016 respectively. As such, they have not had sufficient time, resources and information to opine on the effectiveness of the Company’s risk management and internal controls system or provide the assurance that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances and are in accordance with the relevant accounting standards for FY2014”.

- i) Despite the current Executive Chairman and the Chief Financial Officer being in the Company for 7 months and 11 months respectively, please explain why they are still

unable to have sufficient time and information to opine on the effectiveness of the Company's risk management and internal controls system and to provide the assurance that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and are in accordance with the relevant accounting standards; and

Company's response: The current Executive Chairman and Chief Financial Officer joined the Company on 1 August 2016 and 21 March 2016 respectively. As such, they are unable to opine on the effectiveness of the Company's risk management and internal controls system or provide the assurance that the financial records of the Company have been properly maintained and whether the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards for FY2014 and FY2015. Given the lack of information available in relation to and their involvement during that period of time, they are not in a position to assess the above for FY2014 and FY2015.

- ii) What has the current Executive Chairman and the Chief Financial Officer done so far to assess the above? Please explain why this is not sufficient to form an opinion.

Company's response: The current Executive Chairman and Chief Financial Officer are both currently working with the Company's compliance adviser to improve the governance of the Company. They are also still in the midst of working with the external auditors to identify the weaknesses of the internal controls system of the Group and communicating with the management of the Company's subsidiaries to improve the identified weaknesses of the internal controls system. Accordingly, the current Executive Chairman and Chief Financial Officer are not in a position to form an opinion as they are still in the process of assessing the above.

SGX Query 3:

It was disclosed that (t)he local management of Fulian, namely, Tsoi Kin Chit, the Company's former Executive Chairman, was against the auditors from visiting the customers and suppliers as the outstanding balance for account receivables and account payables relate to transactions in 2014 and before.

- i) The Company announced on 12 December 2016 that Tsoi Kin Chit's shareholding in the Company has been reduced from 9.92% to 4.96% and that Tsoi Kin Chit had since 1 August 2016 ceased to be the Executive Chairman of the Company to pursue his other interest. Please explain why the Board of the Company had allowed Tsoi Kin Chit remain and exercise his powers to object to the auditors visiting the bank, customers and suppliers to verify the veracity of the transactions, bank statements, customers and suppliers; and

Company's response: Tsoi Kin Chit had expertise and experience in the textile industry. Given his past involvement in running the Company's business and the Company's personnel being accustomed to working with him, the Company allowed Tsoi Kin Chit to remain and assist with the audit. Moving forward, the Board will re-assess the managerial positions to oversee the operations of Fulian as soon as the Company has available cash flows.

- ii) Please provide details on how the Board intends to take further action to verify the transactions, bank statements, customers and suppliers to address the concerns raised by the auditors and safeguard the interest of the Company, its assets and its shareholders.

Company's response: As mentioned in the Previous Announcement, the Board is currently seeking a suitable legal firm in PRC to advise on the aforementioned matters and will update its shareholders in due course.

SGX Query 4:

It was disclosed that the Board is currently in the midst of seeking a suitable legal firm in the People's Republic of China ("PRC") to advise the Company as it is unable to ascertain whether the sales invoices raised by Fulian and the supplier invoices received from the suppliers can be matched and traced to the tax invoice number found in the government website and that the tax invoice number of these respective invoices cannot be found in the government tax authority website. The Company mentioned that it will update the shareholders in due course. Please provide details of the legal firm appointed and the timeline to update shareholders on this matter.

Company's response: The Company has approached a few legal firms in PRC but none has been appointed yet as the Company is currently evaluating the legal costs involved and taking into consideration constraints of the Company's working capital. The Company will update its shareholders the details of the legal firm appointed and timeline in due course.

SGX Query 5:

It was mentioned that "(r)epresentative of Tsoi Kin Chit indicated that Fulian had the bank statement in their records and did not require his authorisation, notwithstanding the auditor's numerous requests for the same as part of the audit procedure to verify the authenticity of the transactions of Fulian". Please disclose what the Board of Directors intends to do with Tsoi Kin Chit as he is no longer a controlling shareholder nor a director of the Company and has not allowed the auditors to perform their duties.

Company's response: The Board is currently seeking a suitable legal firm in PRC to advise on the aforementioned matters and will update its shareholders in due course. The Board is currently unable to appoint a legal firm due to constraints of the Company's working capital to pay the legal fees and will appoint a suitable legal firm as and when practicable.

SGX Query 6:

It was disclosed that as the current Board had not had the opportunity to work closely with the Directors (whose remuneration is to be disclosed), if at all, the disclosure in the Corporate Governance Report in the Annual Report for the financial year ended 31 December 2015 was based on disclosures and position taken by the previous Board in the previous years, including the Corporate Governance Reports of the Company's Annual Reports for the financial years ended 31 December 2013 and 2014. Noting that the previous Board as disclosed in the Company's response to question 10(ii) had all resigned between 26 February 2014 and 30 November 2014, please disclose which director in the Board had taken the position not to disclose the remuneration of Tsoi Kin Chit and the key management of the Company.

Company's response: The current Board does not have the information on which Director took the position not to disclose the remuneration of Tsoi Kin Chit and the key management and believes that the previous Board had collectively taken the position not to disclose the remuneration of Tsoi Kin Chit and the key management of the Company. Moving forward,

the Board will disclose the range of the remunerations of the directors and key management of the Company in respect of FY2016.

SGX Query 7:

Please disclose whether Cai Lian Yong, Cai Zhi Meng and Wang Shu Fen are related to Tsoi Kin Chit. If so, how are they related.

Company's response: As disclosed in the Key Management section of the Annual Report FY2014 and FY2015, Cai Lian Yong is the brother-in-law of Tsoi Kin Chit. Cai Zhi Meng and Wang Shu Fen are not related to Tsoi Kin Chit.

By Order of the Board

Yang Meng Yang
Executive Chairman and Executive Director
13 March 2017