



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

**DIFFERENCES BETWEEN UNAUDITED AND AUDITED FULL YEAR FINANCIAL STATEMENTS
FOR FINANCIAL YEARS ENDED 31 DECEMBER 2014 and 31 DECEMBER 2015**

The Board of Directors (the “**Board**”) of Foreland Fabrictech Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to its unaudited full year financial results announcement for the financial years ended 31 December 2014 (“**FY2014**”) and 31 December 2015 (“**FY2015**”) released via the SGXNet on 1 March 2015 and 29 February 2016 respectively. Further reference is made to the audited financial statements of the Group for FY2014 and FY2015 contained in the Company’s annual reports for each of FY2014 and FY2015 which will be released via the SGXNET and despatched to the Company’s shareholders in due course.

Pursuant to Rule 704(6) of the Listing Manual of SGX-ST, the Board wishes to present the material variances (and the explanation thereon) between unaudited and audited full year financial statements for FY2014 and FY2015 in the Appendix hereto.

By Order of the Board

Yang Meng Yang
Executive Chairman and Executive Director
26 January 2017

APPENDIX

Statements of Financial Position

	The Group			The Company		
	FY2014 Audited RMB'000	FY2014 Unaudited RMB'000	Changes RMB'000	FY2014 Audited RMB'000	FY2014 Unaudited RMB'000	Changes RMB'000
Assets						
Non-Current						
Land use rights	22,108	22,020	88	-	-	Note 1
Property, plant and equipment	76,073	74,574	1,499	-	-	Note 2
Subsidiaries	-	-		61,113	61,113	
	<u>98,181</u>	<u>96,594</u>		<u>61,113</u>	<u>61,113</u>	
Current						
Inventories	2,483	2,483		-	-	
Trade and other receivables	25,481	22,401	3,080	-	-	Note 3
Amount owing by a subsidiary	-	-		-	90	(90) Note 4
Cash and cash equivalents	1,173	1,173		7	7	
	<u>29,137</u>	<u>26,057</u>		<u>7</u>	<u>97</u>	
Total assets	<u>127,318</u>	<u>122,651</u>		<u>61,120</u>	<u>61,210</u>	
Equity						
Capital and reserves						
Share capital	206,765	206,765		206,765	206,765	
Accumulated losses	(220,052)	(224,153)		(221,604)	(221,319)	
Reserves	112,975	112,975		74,349	74,349	
Total equity	<u>99,688</u>	<u>95,587</u>		<u>59,510</u>	<u>59,795</u>	
Liabilities						
Non-Current						
Deferred tax liability	-	-		-	-	
Current						
Trade and other payables	27,630	27,064	566	1,610	1,415	195 Note 5
Total liabilities	<u>27,630</u>	<u>27,064</u>		<u>1,610</u>	<u>1,415</u>	
Total equity and liabilities	<u>127,318</u>	<u>122,651</u>		<u>61,120</u>	<u>61,210</u>	

Notes:-

- (1) The difference was mainly due to the amortisation of land use rights of RMB88,000 were overcharged in Unaudited FY2014.
- (2) The difference was mainly due to the depreciation of property, plant and equipment of RMB1,499,000 were overcharged in Unaudited FY2014.
- (3) The difference was mainly due to the adjustment for reversal of doubtful debt after outstanding balance of RMB3,079,000 has been recovered in FY2014.
- (4) The difference was mainly due to the full impairment loss has been made on amount receivable from an inactive subsidiary, Fortune Luck International Enterprise Limited, incorporated in Hong Kong.
- (5) In Group level, the difference was mainly due to under-provision of defined contribution to the employees of RMB371,000 and audit fees of RMB195,000 in Unaudited FY2014. In Company level, the difference was mainly due to the under-provision of audit fees of RMB195,000 in Unaudited FY2014.

Consolidated statement of profit or loss and other comprehensive income

	FY2014 Audited RMB'000	FY2014 Unaudited RMB'000	Changes RMB'000	
Revenue	122,095	122,095		
Cost of sales	(129,726)	(130,987)	1,261	Note 1
Gross loss	(7,631)	(8,892)		
Other operating income	4,659	1,580	3,079	Note 2
Selling and distribution expenses	(2,836)	(2,744)	(92)	Note 3
Administrative expenses	(7,122)	(6,975)	(147)	Note 4
Other operating expenses	-	-		
Loss before taxation	(12,930)	(17,031)	4,101	Note 5
Taxation	-	-		
Loss for the year / Total comprehensive loss for the year	(12,930)	(17,031)	4,101	Note 5

Notes:-

- (1) The difference was mainly due to the depreciation of property, plant and equipment of RMB1,261,000 were over-recognised in Unaudited "Cost of Sales" for the financial year.
- (2) The difference was mainly due to the adjustment for reversal of doubtful debt after outstanding balance of RMB3,079,000 has been recovered in FY2014.
- (3) The difference was mainly due to the provision for defined contribution were understated by RMB92,000 in Unaudited "Selling and Distribution Expenses" for the financial year.
- (4) (i) The difference was due to under-provision for defined contribution for administrative staff of RMB279,000 and audit fees of RMB195,000 for Unaudited FY2014; and
(ii) partially offset by the over-provision of amortisation of land use rights of RMB88,000 and depreciation of property, plant and equipment of RMB238,000 in the Unaudited FY2014.
- (5) As a results of the adjustments set out in notes 1, 2, 3 and 4 above. The Group's net loss for the year has been decreased from RMB17.03 million to RMB12.93 million.

Consolidated statement of cash flows

	FY2014 Audited RMB'000	FY2014 Unaudited RMB'000	Changes RMB'000	
Cash flows from operating activities				
Loss before taxation	(12,930)	(17,031)		
Adjustments for:				
Amortisation of land use rights	492	579	(87)	Note 1
Depreciation of property, plant and equipment	5,806	7,306	(1,500)	Note 2
Bad debts recovered	(3,079)	-	(3,079)	Note 3
Interest income	(1,580)	(1,580)		
Operating loss before working capital changes	(11,291)	(10,726)		
(Increase)/decrease in inventories	(975)	(975)		
Decrease/(increase) in trade and other receivables	19,484	22,318	(2,834)	Note 4
(Decrease)/increase in trade and other payables	(293,914)	(294,480)	566	Note 5
Cash used in operations	(286,696)	(283,863)		
Interest received	2,613	1,580	1,033	Note 6
Net cash used in operating activities	(284,083)	(282,283)		
Cash flows from investing activities				
Acquisition of property, plant and equipment	(7,179)	(8,979)	1,800	Note 7
Net cash used in investing activities	(7,179)	(8,979)		
Net decrease in cash and cash equivalents	(291,262)	(291,262)		
Cash and cash equivalents at beginning of year	292,435	292,435		
Cash and cash equivalents at end of year	1,173	1,173		

Notes:-

- (1) The difference was mainly due to the amortisation of land use rights were overcharged by RMB88,000 in the Unaudited FY2014.
- (2) The difference was mainly due to the depreciation of property, plant and equipment were overcharged by RMB1,499,000 in the Unaudited FY2014.
- (3) The difference was mainly due to the adjustment for reversal of doubtful debt after outstanding balance of RMB3,079,000 has been recovered in FY2014.
- (4) (i) The difference was due to reclassification of bank's interest receivable of RMB1,033,000 received in the financial year; and
(ii) reclassification of the deposit paid to contractors of RMB1,800,000 to construction work-in-progress as the construction commenced in FY2014.
- (5) The difference was mainly due to under-provision of defined contribution to the employees of RMB371,000 and audit fees of RMB195,000 in Unaudited FY2014.
- (6) The difference was mainly due to bank's interest receivable of RMB1,033,000 received in FY2014 as mentioned in note 4(i) above.
- (7) The difference was mainly due to the deposit paid of RMB1,800,000 to construction work-in-progress as the constructions commenced in FY2014 as mentioned in note 4(ii) above.

Statements of Financial Position

	The Group			The Company			
	FY2015 Audited RMB'000	FY2015 Unaudited RMB'000	Changes RMB'000	FY2015 Audited RMB'000	FY2015 Unaudited RMB'000	Changes RMB'000	
Assets							
Non-Current							
Land use rights	21,617	21,441	176	-	-		Note 1
Property, plant and equipment	67,555	64,061	3,494	-	-		Note 2
Subsidiaries	-	-		61,113	61,113		
	<u>89,172</u>	<u>85,502</u>		<u>61,113</u>	<u>61,113</u>		
Current							
Inventories	164	164		-	-		
Trade and other receivables	19,949	16,869	3,080	-	-		Note 3
Amount owing by a subsidiary	-	-		-	90	(90)	Note 4
Cash and cash equivalents	162	164	(2)	39	40	(1)	Note 5
	<u>20,275</u>	<u>17,197</u>		<u>39</u>	<u>130</u>		
Total assets	<u>109,447</u>	<u>102,699</u>		<u>61,152</u>	<u>61,243</u>		
Equity							
Capital and reserves							
Share capital	206,765	206,765		206,765	206,765		
Accumulated losses	(224,512)	(230,775)		(222,320)	(221,898)		
Reserves	112,975	112,975		74,349	74,349		
Total equity	<u>95,228</u>	<u>88,965</u>		<u>58,794</u>	<u>59,216</u>		
Liabilities							
Non-Current							
Deferred tax liability	-	-		-	-		
Current							
Trade and other payables	14,219	13,734	485	2,358	2,027	331	Note 6
Total liabilities	<u>14,219</u>	<u>13,734</u>		<u>2,358</u>	<u>2,027</u>		
Total equity and liabilities	<u>109,447</u>	<u>102,699</u>		<u>61,152</u>	<u>61,243</u>		

Notes:-

- (1) The difference was due to the amortisation of land use rights were overcharged by RMB88,000 in the Unaudited FY2015. The difference also comprised adjustment for overstatement of amortisation of land use rights of RMB88,000 pertaining to FY2014.
- (2) (i) The difference was due to the depreciation of property, plant and equipment and depreciation for disposed fixed assets were overcharged by RMB1,439,000 and RMB556,000 respectively in the Unaudited FY2015; and
(ii) the difference also comprised adjustment for overstatement of depreciation of property, plant and equipment of RMB1,499,000 pertaining to FY2014.
- (3) The difference was mainly due to the adjustment for reversal of doubtful debt after outstanding balance of RMB3,079,000 received in FY2014.
- (4) The difference was mainly due to the adjustment for impairment loss on amount receivable of RMB90,000 from an inactive subsidiary, Fortune Luck International Enterprise Limited, incorporated in Hong Kong which pertaining to FY2014.
- (5) The differences were mainly due to rounding error.
- (6) In Group level, the difference was due to under-provision of defined contribution to employees of RMB154,000 and audit fees of RMB331,000 for both Unaudited FY2014 and Unaudited FY2015. In Company level, the difference was mainly due to the under-provision of audit fees of RMB331,000 for both Unaudited FY2014 and Unaudited FY2015.

Consolidated statement of profit or loss and other comprehensive income

	FY2015 Audited RMB'000	FY2015 Unaudited RMB'000	Changes RMB'000	
Revenue	60,244	61,854	(1,610)	Note 1
Cost of sales	(52,095)	(57,146)	5,051	Note 2
Gross loss	8,149	4,708		
Other operating income	6	6		
Selling and distribution expenses	(1,351)	(1,377)	26	Note 3
Administrative expenses	(9,162)	(7,301)	(1,861)	Note 4
Other operating expenses	(2,102)	(2,658)	556	Note 5
Loss before taxation	(4,460)	(6,622)	2,162	Note 6
Taxation	-	-		
Loss for the year / Total comprehensive loss for the year	(4,460)	(6,622)	2,162	Note 6

Notes:-

- (1) The difference was mainly due to goods return to supplier of RMB1,610,000 wrongly recognised as "Revenue" in Unaudited FY2015. Such amount has been reclassified to Audited "Cost of Sales" for FY2015.
- (2)
 - (i) The difference was due to the reclassification of goods return as mentioned in note 1 above;
 - (ii) the depreciation charges of RMB3,148,000 for plant and equipment that were not used in the production has been reclassified from Audited "Cost of Sales" to Audited "Administrative Expenses" for FY2015; and
 - (iii) the depreciation charges were over-recognised by RMB293,000 in Unaudited "Cost of Sales" for FY2015.
- (3)
 - (i) The difference was mainly due to reclassification of salaries of RMB51,000 from Audited "Selling and Distribution Expenses" to Audited "Administrative Expenses"; and
 - (ii) partially offset with the provision for defined contribution to staff were understated by RMB25,000 in the Unaudited FY2015.
- (4)
 - (i) The difference was due to the increase from reclassification of depreciation and salaries as mentioned in notes 2(ii) and 3(i) above;
 - (ii) there was under-provision for audit fees of RMB136,000 for Unaudited FY2015; and
 - (iii) partially offset by the over-provision of defined contribution to staff of RMB240,000, amortisation of land use rights of RMB88,000 and depreciation of property, plant and equipment of RMB1,146,000 in the Unaudited FY2015.
- (5) The difference was mainly due to the loss on disposal of property, plant and equipment were over-recognised by RMB556,000 for Unaudited FY2015.
- (6) As a results of the adjustments set out in notes 1, 2, 3, 4 and 5 above. The Group's net loss for the year has been decreased from RMB6.62 million to RMB4.46 million.

Consolidated statement of cash flows

	FY2015 Audited RMB'000	FY2015 Unaudited RMB'000	Changes RMB'000	
Cash flows from operating activities				
Loss before taxation	(4,460)	(6,622)		
Adjustments for:				
Amortisation of land use rights	491	579	(88)	Note 1
Depreciation of property, plant and equipment	5,916	7,355	(1,439)	Note 2
Loss on disposal of property, plant and equipment	2,102	2,658	(556)	Note 3
Interest income	(6)	(6)		
Operating profit/(loss) before working capital changes	4,043	3,964		
Decrease/(increase) in inventories	2,319	2,319		
Decrease in trade and other receivables	5,532	5,532		
Decrease in trade and other payables	(13,411)	(13,330)	(81)	Note 4
Cash used in operations	(1,517)	(1,515)		
Interest received	6	6		
Net cash used in operating activities	(1,511)	(1,509)		
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	500	500		
Net cash generated from/(used in) investing activities	500	500		
Net decrease in cash and cash equivalents	(1,011)	(1,009)		
Cash and cash equivalents at beginning of year	1,173	1,173		
Cash and cash equivalents at end of year	162	164		

Notes:-

- (1) The difference was mainly due to the amortisation of land use rights were overcharged by RMB88,000 in the Unaudited FY2015.
- (2) The difference was mainly due to the depreciation of property, plant and equipment were overcharged by RMB1,439,000 in the Unaudited FY2015.
- (3) The difference was mainly due to the depreciation of disposed fixed assets were overcharged by RMB556,000 in the Unaudited FY2015.
- (4) (i) The difference was due to over-provision of defined contribution to employees of RMB215,000 in the Unaudited FY2015; and
(ii) partially offset by under-provision for audit fees of RMB136,000 in the Unaudited FY2015.