FORELAND
FABRICTECH

2014
ANNUAL REPORT

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CHAIRMAN STATEMENT

DEAR SHAREHOLDERS,

I am pleased to present you the annual report for the financial year ended 31 December 2014 ("FY2014"). On behalf of the Board, we would like to express our appreciation for your patience in awaiting the delivery of this Annual Report.

Performance Review

FY2014 remained challenging for the Group as we faced fierce competition in the textile industry as China's growth continued to slow to 7.4% during the year, a decrease from 7.7% reported in FY2013. Compounded with the effect of a continual appreciation of the Chinese Renminbi, margins for the Chinese textile industry have dropped across the board.

Concurrently, as the local textile supply greatly outstripped its demand alongside a rising trend of e-commerce in China, textile prices have come under further downward pressure. Hence, despite a modest 15% increase in the Group's revenue to RMB122.1 million from RMB106.2 million in FY2013, overall Group performance still registered a net loss of RMB12.9 million.

Moving Forward

In view of the daunting textile business environment that has persisted over the years, the Group is looking at ways to realign our business strategies to improve our profits. We intend to shift our focus onto alternative industries and will actively explore suitable investment opportunities and options. We will update shareholders as and when there are material developments in this regard.

Updates

Since the financial year ended 31 December 2013 ("FY2013"), we saw some changes in the Board composition, with the resignations of Mr Cheung Hanford Ho Fat, Mr Tan Chee Kian, Mr Lim Siang Kai, Mr Steve Tan Sze Leng, Mr Leow Yong Kin, Mr Chen Chaoying, Mr Tsoi Kin Chit and Mr Zhang Hong Lai, and my appointment as executive director and executive chairman, as well as the appointments of Mr Wu Geng and Mr Seah Chee Wei as independent non-executive directors.

On 22 January 2015, the Company had engaged BDO LLP ("BDO") to perform an independent review. The independent review took nearly 18 months to complete, before the findings of the independent review were announced by the Company on 25 May 2016.

Following the completion of the independent review by BDO, Foo Kon Tan LLP ("FKT") was appointed as the auditor of the Company at the extraordinary general meeting held on 30 September 2016.

In view of the foregoing, and due to the fact that FKT was required to complete audit fieldwork for FY2014 and the financial year ended 31 December 2015 ("FY2015"), the Annual Report for FY2014 has been delayed.

The Company had applied for, and the Singapore Exchange Securities Trading Limited ("SGX-ST") had approved several extensions of time to convene the annual general meeting for FY2014 and FY2015. Please refer to pages 27 to 29 of this Annual Report for more information.

As further set out in the Corporate Governance Report on page 10 of this Annual Report, the SGX-ST had on 11 November 2016 reprimanded ("Public Reprimand") the Company and the former Directors of the Company for certain breaches of the Listing Rules.

Further to the Public Reprimand, Company had on 7 December 2016 lodged a complaint against the former Executive Chairman, Tsoi Kin Chit, (the "Former Executive Chairman") with the Commercial Affairs Department of the Singapore Police Force in relation to the possible breaches of securities laws or other offences arising from the Public Reprimand.

As announced by the Company on 27 December 2016, due to the uncertainties of the impact on the Company in relation to the measures to be taken against the Former Executive Chairman, the Company had requested for the SGX-ST to change the trading halt (which was effected on 23 December 2016) into a trading suspension as it will not be appropriate for trading in the Company's securities to continue until the Company is satisfied with the findings by its legal advisers in relation to such measures.

The Board will work towards resumption of trading of the Company's securities and further updates will be provided to shareholders as and when there are any material developments.

Acknowledgements

Lastly, I would like to thank our shareholders, business associates and employees for their faith and commitment towards the Group as we continue to work together to reform the Group for positive developments.

BOARD OF DIRECTORS

YANG MENG YANG

Mr Yang Meng Yang was appointed the Executive Director and Executive Chairman of the Company on 1 August 2016. He is responsible for the strategic business planning and market development for the Group.

Prior to joining the Group in 2016, he was the vice general manager of Bengbu Anjia Biotechnology Industry Co. Ltd. from 2012 to 2014 and from 2015 to 2016 where he was the assistant to the chief director of the company and oversaw the general management of the company. From 2014 to 2015, he was one of the major investors and director's assistant of China Star Food which was successfully listed on the Singapore Catalist through a Reverse Takeover (RTO). He has over 8 years of experience in investing in multiple industries including properties and food production. Mr Yang is currently serving as a non-executive non-independent director of China Environment Limited (being Mainboard listed company in Singapore Stock Exchange) since March 2016.

Mr Yang holds a Diploma in International Trade and Transportation from the British Columbia Institute of Technology and is currently pursuing a Master's Degree from the University of Greenwich.

SEAH CHEE WEI

Mr Seah Chee Wei was appointed as an Independent Non-Executive Director of the Company on 24 November 2014. He is a Chartered Accountant, Institute of Singapore Chartered Accountant (ISCA) and an approved Liquidator, registered with the Accounting and Corporate Regulatory Authority (ACRA). He is a director and founder of Rock Stevenson Pte Ltd, an advisory firm providing restructuring services in Singapore.

He is also a fellow member of Insolvency of Practitioners Association of Singapore (IPAS) and an associate mediator of Singapore Mediation Centre (SMC). Mr Seah holds a Bachelor of Accountancy from Nanyang Technological University (NTU).

WU GENG

Mr Wu Geng was appointed as an Independent Non-Executive Director of the Company on 29 September 2014. Mr Wu has been in the legal profession in China and Singapore for more than 17 years. He is currently a director of Drew & Napier LLC. His experiences include pre-IPO structuring and investments, initial public offerings, securities regulation, mergers and acquisitions and general corporate legal advisory work. Mr Wu is serving as an Independent Non-Executive Director in Shengli Oil & Gas Pipe Holdings Limited (listed on the Main Board of the Stock Exchange of Hong Kong Limited) since March 2015. Mr Wu is a practicing advocate and solicitor of the Supreme Court of Singapore.

Mr Wu graduated with an LLB from Peking University with a Master Degree from the Law Faculty of National University of Singapore and a second postgraduate degree from University of Delaware, USA.

KEY MANAGEMENT

ZHANG HONG LAI
General Manager

Mr Zhang was appointed Executive Director on 10 September 2013 and ceased on 1 August 2016. He is General Manager and responsible to encompass all the procurement, production and R&D functions of our Group. He has more than 16 years of experience in the printing and dyeing industry. From November 1997 to April 2002, he was the on-site supervisor for fabric dyeing of Huamao (Xiamen) Weaving, Dyeing & Finishing Co., Ltd. Before joining our Group, he was a factory manager of the dyeing factory of Fujian Xiaoxing Textile Dyeing & Printing Co., Ltd. from May 2002 to October 2002.

Mr Zhang has a professional diploma in printing and dyeing from Wuhan Technological Institute, China.

CAI LIAN YONG
Deputy General Manager

Mr Cai, together with another Deputy General Manager, Mr Cai Zhi Meng is responsible for the sales and marketing functions of our Group. He is the brother-in-law of former Executive Chairman, Mr Tsoi Kin Chit. Mr Cai has more than 15 years of experience in sales and marketing in the textile business. He joined in August 1990 and held the position of business supervisor responsible for the business development of the Group until December 1995. From January 1996 to December 2002, he assumed the position of sales and marketing manager. He became General Manager in January 2003 and Deputy General Manager in June 2011, a position which he has held since then.

He has a degree in business management from Huaqiao University, China.

CAI ZHI MENG
Deputy General Manager

Mr Cai was appointed as Deputy General Manager in June 2011. Together with another Deputy General Manager, Mr Cai Lian Yong, he is responsible for the sales and marketing functions of the Group. Mr Cai joined the Group in 2002 as a sales representative and hold the position until 2008. From 2008 to June 2011, he assumed the position of sales supervisor responsible for supervising the sales and marketing team.

Mr Cai has a professional diploma in economics from the Southwest University, China.

LAI HAN YEN
Chief Financial Officer

Mr Lai joined in March 2016. He is responsible for overseeing the financial reporting, accounting function and compliance requirements relating to the Group. Mr Lai possesses more than 10 years of accounting experience. He started his career as an audit associate in Malaysia in 2005. He furthered his career development in Singapore by joining Baker Tilly TFW LLP in 2007, and he was subsequently promoted to the position of audit manager. Prior to joining the Group in 2016, Mr Lai was a Group Finance Manager of China Environment Ltd, which was listed on the Mainboard of the Singapore Stock Exchange.

Mr Lai graduated with a Bachelor of Business Administration (Accountancy) from University Tun Abdul Razak in Malaysia.

WANG SHU FEN
Financial Controller

Ms Wang joined Fulian Knitting Company Limited in September 1990. She worked in different position in the accounting department, promoted as finance manager in 2003 and financial controller in May 2013. She is responsible to oversee all accounting and finance activities of the Group.

Ms Wang Graduated in Liming Vocational University in 1990, focusing on financial accounting. She obtained the Certificate of Accounting Professional in PRC in 2006.

OPERATIONS REVIEW

Income Statement

In FY2014, Group revenue from manufacturing and sale of fabrics rose by 15%, from RMB106.2 million in FY2013 to RMB122.1 million during the year due to a 5% higher average selling price on account of an increase in cost of production. Nevertheless, overall sales volume dropped by about 9% to 14.4 million yards in FY2014.

Gross loss narrowed from RMB9.2 million in FY2013 to RMB7.6 million in FY2014 as attributed to an enlarged scale of production and operation during the year. Net loss reported was down from RMB558.5 million in the previous year to RMB12.9 million during the reporting year. This was largely led by a reduction in expenses.

Selling and distribution expenses remained relatively unchanged at RMB2.9 million in FY2014, while administrative expenses decreased largely by about 66% to RMB7.0 million due to the fall in depreciation of property, plant and equipment; payroll and payroll-related expenses; relocation and machine installation expenses. Additionally, the Group did not incur a considerable amount of other expenses as in FY2013. Other expenses for FY2013, which totalled RMB535.4 million, was accounted for by the impairment loss of property, plant and equipment of RMB246.2 million, compensation for customer claim and late interest payment of RMB283.0 million.

Balance Sheet

Inventories for FY2014 increased from RMB1.5 million as at 31 December 2013 to RMB2.5 million as at 31 December 2014 due to anticipation of higher business activity in 1Q2015.

Concurrently, trade receivables decreased from RMB38.8 million in FY2013 to RMB23.6 million in FY2014 as a result of the positive payment collection during the reporting period.

Meanwhile, trade payables fell from RMB26.8 million in the previous year to RMB15.2 million during the year led by payment made to the suppliers.

Cash Flow

Cash and cash equivalents for the year ended 31 December 2014 stood at RMB1.2 million.

CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER
39151

REGISTERED OFFICE
Canon's Court, 22 Victoria Street
Hamilton HM 12
Bermuda

DIRECTORS
Yang Meng Yang – Executive Chairman
(appointed on 1 August 2016)

Seah Chee Wei – Independent Non-Executive Director
(appointed on 24 November 2014)

Wu Geng – Independent Non-Executive Director
(appointed on 29 September 2014)

Tsoi Kin Chit – Executive Chairman
(resigned on 1 August 2016)

Zhang Hong Lai – Executive Director
(resigned on 1 August 2016)

Chen Chaoying – Non-Executive Director
(resigned on 1 August 2016)

Leow Yong Kin – Independent Non-Executive Director
(resigned on 30 November 2014)

Tan Sze Leng – Independent Non-Executive Director
(resigned on 10 September 2014)

AUDIT COMMITTEE
Seah Chee Wei (Chairman)
Wu Geng

NOMINATING COMMITTEE
Wu Geng (Chairman)
Seah Chee Wei

REMUNERATION COMMITTEE
Wu Geng (Chairman)
Seah Chee Wei

COMPANY SECRETARY
Tan Chee How, ACIS
(ceased service on 8 December 2016)

BERMUDA SHARE REGISTRAR
Estera Services (Bermuda) Limited
(formerly known as Appleby Management (Bermuda) Ltd)
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER AGENT
Boardroom Corporate Advisory Services Pte. Ltd.
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS
Bank of Quanzhou
Jinjiang Dongshi Branch
No. 17 – 24, 1st Floor, Block R,
China Umbrella and Assessories Market,
Dongshi Town, Jinjiang City, Fujian Province,
The People's Republic of China

INDEPENDENT AUDITOR
Foo Kon Tan LLP
Chartered Accountants
24 Raffles Place, #07-03
Clifford Centre
Singapore 048621

Partner-in-charge: Yeo Boon Chye
(Appointed with effect from financial year ended
31 December 2014)

CORPORATE GOVERNANCE REPORT

Changes to the composition of the Board of Directors (the "Board")

Since 1 January 2014 and the date of this report, there has been a series of change to the composition of the Board of Foreland Fabrictech Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**").

On 1 August 2016, Tsoi Kin Chit, Zhang Hong Lai and Chen Chaoying, former members of the Board, ceased to be the Executive Chairman, Executive Director and Non-Executive Director of the Company respectively.

On 1 August 2016, Mr Yang Meng Yang was appointed as the Executive Chairman of the Company. The new Board (the "**Current Board**"), led by Mr Yang, is committed to achieving a high standard of corporate governance within the Group so as to ensure greater transparency and protect the interests of the Company's shareholders.

A summary of the changes to the composition of the Board is set out as follows:

Name of Director	Position	Date of Appointment	Date of Cessation
Cheung Hanford Ho Fat	Independent Non-Executive Director	26 June 2012	26 February 2014
Tan Chee Kian	Independent Non-Executive Director	11 December 2012	01 April 2014
Lim Siang Kai	Independent Non-Executive Director	07 March 2007	02 June 2014
Tan Sze Leng, Steve	Independent Non-Executive Director	31 May 2014	10 September 2014
Leow Yong Kin	Independent Non-Executive Director	05 June 2014	30 November 2014
Chen Chaoying	Non-Executive Director	16 April 2014	01 August 2016
Tsoi Kin Chit	Executive Chairman	15 November 2006	01 August 2016
Zhang Hong Lai	Executive Director	10 September 2013	01 August 2016
Wu Geng	Independent Non-Executive Director	29 September 2014	–
Seah Chee Wei	Independent Non-Executive Director	24 November 2014	–
Yang Meng Yang	Executive Chairman	01 August 2016	–

The Current Board endeavors to comply with the principles of the Singapore Code of Corporate Governance 2012 (the "**Code**").

CORPORATE GOVERNANCE REPORT

Save as disclosed below, the Group has complied in all material respects with the principles and guidelines of the Code. Where there are deviations from the recommendations of the Code, appropriate explanations have been provided.

This report sets out the Company's corporate governance processes and structures of the Company with specific reference made to the principles and guidelines of the Code. This report should be read as a whole, instead of being read separately under the different principles of the Code.

FY2013 Audit

In 05 August 2014, Messrs Baker Tilly TFW LLP ("**BT**") were appointed as the Independent Auditors of the Company for the financial year ended 31 December 2013 ("**FY2013**"). BT issued a disclaimer of opinion on the Consolidated Financial Statements of the Group for FY 2013.

The matters which were disclaimed by BT are:

(i) 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.

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.

BT was not able to obtain sufficient appropriate evidence as required by SSA 500 Audit Evidence to satisfy themselves 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.

CORPORATE GOVERNANCE REPORT

Accordingly, BT was not able to obtain sufficient appropriate audit evidence to satisfy themselves 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.

(ii) Cash and cash equivalents of Fulian Knitting Co., Ltd ("Fulian"), a wholly-owned subsidiary of the Company

BT had not been able to obtain appropriate audit evidence to satisfy themselves 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.

(iii) Going concern

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.

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. BT were not able to obtain sufficient appropriate audit evidence to satisfy themselves 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.

(iv) Investment in Subsidiary and Amount due from Subsidiary

The investment in subsidiary and amount due from the subsidiary were 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. BT were not able to obtain sufficient appropriate audit evidence to satisfy themselves 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 were fairly stated at 31 December 2013.

Please refer to the Independent Auditors' Report for further details on the basis for the disclaimer of opinion.

BT did not seek re-appointment at the last Annual General Meeting ("**AGM**") of the Company held on 29 August 2014.

CORPORATE GOVERNANCE REPORT

Appointment of Independent Reviewer

The Company announced on 22 January 2015 that it had engaged BDO LLP ("**BDO**") as an independent review of the Company ("Independent Reviewer") to perform a review of the following:

(a) To perform an independent assessment of the customer's claim of Fulian, and review the circumstances leading to the settlement agreement between Fulian and the customer.

(b) To verify balances of Fulian's bank balance(s) and fixed deposit(s) totaling RMB292,298,353 at the banks in the People Republic of China as at 31 December 2013.

(c) To establish if the impairment loss of RMB223,139,000 (charged to the Company's profit and loss account in 2013), the Investment in Subsidiary and the Amount due from Subsidiary with carrying values of RMB61,113,000 and RMB nil respectively were fairly stated as at 31 December 2013.

The independent review took nearly 18 months to complete, before the executive summary of BDO's findings of the independent review (the "**Independent Review Report**") were announced by the Company on 25 May 2016.

The Board is carefully studying the findings of the Independent Review Report and is committed to carry out the recommendations made by BDO. The Board will continue to update the shareholders on the actions which the Company will implement to enhance corporate governance and internal control procedures of the Group.

Appointment of Compliance Advisor

The Company had on 04 April 2016 engaged Rajah & Tann Singapore LLP as its compliance advisor to advise the Board on, *inter alia*, the continuing listing rules obligations of the Company.

Public Reprimand by SGX for Breaches of Listing Rules

On 11 November 2016, SGX-ST reprimanded ("**Public Reprimand**")

(1) the Company for breaches of Listing Rules 703(1) for the failure to promptly announce the significant customer claim of RMB290 million and Listing Rules 719(1) for the failure to put in place a robust internal control to address financial, operational and compliance risks;

(2) former Executive Chairman Tsoi Kin Chit and former Executive Director Zhang Hong Lai (collectively, the "**former Executives Directors**") who had through their failure in carrying out their fiduciary duties, caused the Company to breach its obligations under the listing rules; and

(3) former Executive Directors and former Non-Executive Director Chen Chaoying for not demonstrating the character and integrity expected of directors and management of SGX-listed companies, as required under Listing Rules 210(5)(b) read with 720(1), in failing to act in the interests of shareholders as a whole.

CORPORATE GOVERNANCE REPORT

Complaint Against Former Executive Chairman

Further to the Public Reprimand, the Company had on 07 December 2016 lodge a complaint against its former Executive Chairman, Tsoi Kin Chit with the Commercial Affairs Department of Singapore Police Force in relation to possible breaches of securities laws or other offences arising from the Public Reprimand.

Trading Suspension

The Company had on 27 December 2016 announced that the Company is in the process of engaging legal advisers with a view to taking further measures against the former Executive Chairman Tsoi Kin Chit, in relation to possible breaches of securities laws or other offences arising from the Public Reprimand by SGX-ST and such measures would likely also be extended to Fulian.

As the Company is of the view that it is not able to ascertain if the said measures will materially impact on the Company's securities given the significant uncertainty, it will not be appropriate for trading in the Company's securities to continue, until the Company is satisfied with the findings by its legal advisers in relation to such measures. Accordingly, the Company had requested SGX-ST to change the trading halt (which was effected on 23 December 2016) into a trading suspension.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and the management remains accountable to the Board.

As at the date of this Annual Report, the Board comprises three directors, which includes one Executive Chairman and two Non-Executive Independent Directors, all of whom are from different disciplines and bring with them a diverse range of experience which will enable them to contribute effectively to the Company.

The Board oversees the business affairs of the Company and assumes responsibility for the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

Matters Requiring Board Approval

Matters which are specifically reserved for the decision of the full Board include:

- group strategy, business plan and annual budget;
- material acquisition and disposal of assets;
- capital-related matters including financial re-structure and market fund-raising;
- share issuances, interim dividends and other returns to shareholders; and
- any investment or expenditures exceeding set material limit.

While matters relating to the Group's objectives, strategies and policies require the Board's decision and approval, Management is responsible for the day-to-day operation and administration of the Group.

CORPORATE GOVERNANCE REPORT

Delegation of the Board

The Board has delegated specific responsibilities to three committees namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") to assist in the execution of its responsibilities. These committees operate within clearly defined terms of reference. All Board committees are actively engaged and play an integral role in ensuring good corporate governance in the Company and within the Group.

Attendance at Board and Board Committee Meetings

The Board holds meetings and discussions regularly and for particular and specific matters as and when required. The Company's Bye Laws (the "**Bye-Laws**") allow a Board meeting to be conducted by means of telephone conference or similar communications equipment.

The attendance of each Director at every Board and Board Committee meeting held during the financial year ended ("**FY2014**"), is set out below:

	ATTENDANCE AT BOARD & BOARD COMMITTEE MEETINGS							
	BOARD MEETING		AC MEETING		RC MEETING		NC MEETING	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Tsoi Kin Chit[1]	5	5	NA	NA	NA	NA	NA	NA
Zhang Hong Lai[2]	5	5	NA	NA	NA	NA	NA	NA
Lim Siang Kai[3]	5	3	3	1	–	–	–	–
Cheung Hanford Ho Fat[4]	5	0	3	0	–	–	–	–
Tan Chee Kian[5]	5	1	3	0	–	–	–	–
Chen Chaoying[6]	5	1	3	1	–	–	–	–
Tan Sze Leng, Steve[7]	5	0	3	0	–	–	–	–
Leow Yong Kin[8]	5	2	3	2	–	–	–	–
Wu Geng[9]	5	1	3	1	–	–	–	–
Seah Chee Wei[10]	5	0	3	0	–	–	–	–
Yang Meng Yang[11]	NA	NA	NA	NA	NA	NA	NA	NA

Notes:

1. Tsoi Kin Chit ceased to be an Executive Chairman on 01 August 2016.
2. Zhang Hong Lai ceased to be an Executive Director on 01 August 2016.
3. Lim Siang Kai ceased to be an Independent Non-Executive Director (Chairman of Audit Committee and member of the Nominating Committee and Remuneration Committee) on 02 June 2014.
4. Cheung Hanford Ho Fat ceased to be an Independent Non-Executive Director (Chairman of Remuneration Committee and member of the Audit Committee and Nominating Committee) on 26 February 2014.
5. Tan Chee Kian ceased to be an Independent Non-Executive Director (Chairman of Nominating Committee, member of the Audit Committee and Remuneration Committee) on 01 April 2014.
6. Chen Chaoying was appointed as a Non-Executive Director on 17 April 2014 and member of the Audit Committee, Nominating Committee and Remuneration Committee on 25 July 2014. He had resigned and all his positions were ceased on 01 August 2016.

CORPORATE GOVERNANCE REPORT

7. Tan Sze Leng, Steve was appointed as an Independent Non-Executive Director (Chairman of Audit Committee and member of the Nominating Committee and Remuneration Committee) on 31 May 2014. He had resigned and all his positions were ceased on 10 September 2014.
8. Leow Yong Kin was appointed as an Independent Non-Executive Director (Chairman of Nominating Committee and Remuneration Committee and member of Audit Committee) on 05 June 2014. He had resigned and all his positions were ceased on 30 November 2014.
9. Wu Geng was appointed as an Independent Non-Executive Director and member of the Audit Committee, Chairman of Nominating Committee and Remuneration Committee respectively on 29 September 2014.
10. Seah Chee Wei was appointed as an Independent Non-Executive Director and member of the Audit Committee, Nominating Committee and Remuneration Committee on 24 November 2014. He was appointed as Chairman of the Audit Committee on 03 December 2014.
11. Yang Meng Yang was appointed as Executive Chairman on 01 August 2016.

Board Orientation and Training

The Company will conduct an orientation programme for newly appointed directors to familiarize them with the businesses, operations, financial performance and key management staff of the Group. They also have the opportunity to visit the Group’s operational facilities and meet with management of the Company to obtain a better understanding of the business operations. In addition, the directors are also given access to the Board resources, including the Company’s constitutional and governing documents, Board and each committee’s terms of reference, the Group’s policies, Annual Reports, Board meeting papers and other pertinent information for his reference. A formal letter will be provided to each director, upon his appointment, setting out the Director’s duties and obligations.

All directors who have no prior experience acting as directors of a listed company will undergo the necessary training and briefing on the roles and responsibilities as directors of a listed company. The Directors may also attend other appropriate courses, conferences and seminars at the Company’s expenses.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board’s decision making.

Pursuant to the changes to the Board as detailed above, the Board comprised 5 Directors during FY2014, consisting of the Executive Chairman, the Executive Director, the Non-Executive Director and two Independent Non-Executive Directors, as set out in the table set out below. According to the Code, independent director should make up at least one-third of the Board. On this basis, the Company has complied with the Code.

CORPORATE GOVERNANCE REPORT

Name of Director	Board Membership	AC	NC	RC
Cheung Hanford Ho Fat[1]	Independent Non-Executive Director	Member	Member	Member
Tan Chee Kian[2]	Independent Non-Executive Director	Member	Chairman	Chairman
Lim Siang Kai[3]	Independent Non-Executive Director	Chairman	Member	Member
Tan Sze Leng, Steve[4]	Independent Non-Executive Director	Chairman	Member	Member
Leow Yong Kin[5]	Independent Non-Executive Director	Member	Chairman	Chairman
Chen Chaoying[6]	Non-Executive Director	Member	Member	Member
Tsoi Kin Chit[7]	Executive Chairman	–	–	–
Zhang Hong Lai[8]	Executive Director	–	–	–
Yang Meng Yang[9]	Executive Chairman	–	–	–
Wu Geng[10]	Independent Non-Executive Director	Member	Chairman	Chairman
Seah Chee Wei[11]	Independent Non-Executive Director	Chairman	Member	Member

Notes:

1. Cheung Hanford Ho Fat, ceased to be an Independent Non-Executive Director (Chairman of Remuneration Committee and member of the Audit Committee and Nominating Committee) on 26 February 2014.
2. Tan Chee Kian, ceased to be an Independent Non-Executive Director (Chairman of Nominating Committee, member of the Audit Committee and Remuneration Committee) on 01 April 2014.
3. Lim Siang Kai ceased to be an Independent Non-Executive Director (Chairman of Audit Committee and member of the Nominating Committee and Remuneration Committee) on 02 June 2014.
4. Tan Sze Leng, Steve was appointed as an Independent Non-Executive Director (Chairman of Audit Committee and member of the Nominating Committee and Remuneration Committee) on 31 May 2014. He had resigned and all his positions were ceased on 10 September 2014.
5. Leow Yong Kin was appointed as an Independent Non-Executive Director (Chairman of Nominating Committee and Remuneration Committee and member of Audit Committee) on 05 June 2014. He had resigned and all his positions were ceased on 30 November 2014.
6. Chen Chaoying was appointed as a Non-Executive Director on 17 April 2014 and member of the Audit Committee, Nominating Committee and Remuneration Committee on 25 July 2014. He had resigned and all his positions were ceased on 01 August 2016.
7. Tsoi Kin Chit ceased to be an Executive Chairman on 01 August 2016.
8. Zhang Hong Lai ceased to be an Executive Director on 01 August 2016.
9. Yang Meng Yang was appointed as an Executive Chairman on 01 August 2016.
10. Wu Geng was appointed as an Independent Non-Executive Director and member of the Audit Committee, Chairman of Nominating Committee and Remuneration Committee respectively on 29 September 2014.
11. Seah Chee Wei was appointed as an Independent Non-Executive Director and member of the Audit Committee, Nominating Committee and Remuneration Committee on 24 November 2014. He was appointed as Chairman of the Audit Committee on 03 December 2014.

CORPORATE GOVERNANCE REPORT

Board Independence

The criterion of independence is based on the guidelines provided in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group.

Each Independent Non-Executive Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

For FY2014, the NC is of the view that all its Independent Non-Executive Directors had satisfied such criteria of independence as a result of its review. The independence of each Independent Non-Executive Director will be reviewed annually by the NC, particularly the Independent Non-Executive Director whom have served the Company beyond nine (9) years from the date of his first appointment. However, none of the Independent Non-Executive Director has served the Company more than nine (9) years during the financial year.

Board Composition and Size

The Board's composition, size, and balance are reviewed annually by the NC, taking into account the nature of the Group's business and operations, the educational and professional experience backgrounds, gender and knowledge of the Company to ensure that the Board has the core competencies for effective functioning and informed decision-making. Board renewal and tenure are considered together and weighed for relevant benefit in the foreseeable circumstances which are appropriate for the size and nature of activities of the Group's businesses.

The NC is of the view that the Board's present size of three (3) members and composition is appropriate in facilitate effective decision making for the Company, taking into account the nature and scope of the Group's operations, the wide spectrum of skills and knowledge of the Directors. Further to the changes of board, the biographies of the current Directors are set out in this Annual Report.

While the Board is of the view that it current composition and size provides an appropriate balance of skills in business management & strategic planning, industry knowledge, accounting & finance and legal expertise, which facilitates effective decision-making, the Company will continue to identify appropriate candidates to be the director of the Company and to aid in developing the Group's business strategic process in meeting agreed goals and objectives.

The Independent Non-Executive Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and the remuneration of the Executive Directors and executive officers. Where necessary, the Independent Non-Executive Directors meet and discuss on the Group's affairs without the presence of Management.

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Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities between leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

During FY2014, based on information available to the Current Board, Tsoi Kin Chit, the former Executive Chairman of the Company, being the founder of the Group, played a key role in developing the business of the Group. At the same time, Mr Tsoi also took on the role of a Chief Executive Officer and was responsible for the day-to-day running of the Group's operations.

As at the date of this report, the Company has not appointed a Chief Executive Officer and the Executive Chairman of the Company is Mr Yang Meng Yang. The Executive Chairman is responsible for the overall management, corporate strategies and corporate development of the Group.

Mr Yang plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. Mr Yang is also responsible for the workings of the Board and ensures the integrity and effectiveness of the governance process of the Board as well as effective communication with Shareholders.

At the same time, as an Executive Director, Mr Yang is responsible for the day- to-day running of the Group's operations as well as the exercise of control of the quality, quantity and timeliness of information flow between the Board and the Management.

All major decisions made by the Executive Chairman are endorsed by the Board. The remuneration package of the Executive Chairman is reviewed periodically by the RC. Both the NC and the RC comprise only Independent Non-Executive Directors. As such, the Board believes that there are adequate safeguards in place against an unbalanced concentration of power and authority in single individuals.

Currently the Board does not have Lead Independent Director. However, the Independent Directors meet periodically without the presence of the Executive Chairman, and the Audit Committee Chairman will provide feedback to the Executive Chairman after such meetings as appropriate. The Board will find a suitable candidate to assume the role of Lead Independent Director.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

During FY2014, the NC comprises a Non-Executive Director and two Independent Non-Executive Directors, all of whom are not directly or indirectly associated with the substantial shareholders of the Company. The composition of the NC (and changes thereof) as set out in the table below:

Name of Director	Position	Date of Appointment	Date of Cessation
Tan Chee Kian	Chairman	–	01 April 2014
Leow Yong Kin	Chairman	05 June 2014	30 November 2014
Wu Geng	Chairman	29 September 2014	–
Lim Siang Kai	Member	–	02 June 2014
Tan Sze Leng, Steve	Member	31 May 2014	10 September 2014
Cheung Hanford Ho Fat	Member	–	26 February 2014
Chen Chaoying	Member	25 July 2014	01 August 2016
Seah Chee Wei	Member	24 November 2014	–

During FY2014, Wu Geng is the NC Chairman and also Independent Non-Executive Director, while Seah Chee Wei is a member of NC and Independent Non-Executive Director, and Chen Chaoying is a member of NC and Non-Executive Director. Under Guideline 4.1 of the Code, the NC should comprise at least 3 directors, majority of whom including the NC Chairman should be independent. In view of the changes in the Board and the events highlighted above, the Board has complied with the Guideline 4.1 during FY2014.

The principle functions of the NC stipulated in its terms of reference are summarised as follows:

(a) reviews and makes recommendations to the Board on all board appointments;

(b) to ensure that all Board appointees undergo an appropriate induction programme;

(c) reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustments that are deemed necessary;

(d) to identify gaps in the mix of skills, experience and other qualities required in an affective Board and to nominate or recommend suitable candidates to fill these gaps;

(e) to decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company, particularly where the Director has multiple board representations;

(f) to review the independence of each Director annually;

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(g) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval;

(h) makes recommendations to the Board for the continuation of services of any Director who has reached the age of 70 or otherwise;

(i) assesses the effectiveness of the Board and the academic and professional qualifications of each individual Director; and

(j) reviews and recommends Directors retiring by rotation for re-election at each AGM.

Selection Criteria and Nomination Process for New Directors

In the selection process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources, including search companies, contacts and recommendations for the right candidates. Thereafter, the NC conducts an initial assessment to review a candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates' independence, expertise, background and right skills will be considered before the NC makes its recommendations to the Board.

Rotation and Re-election of Directors

In accordance with the Company's Bye-Laws, one-third, or if the number of the Directors is not a multiple of three, the number nearest to but not less than one-third of the Directors are required to retire from office by rotation at each AGM, provided that each Director shall retire at least once every 3 years. All newly appointed Directors will have to retire at the next AGM following their appointments. The retiring Directors are eligible to offer themselves for re-election.

The NC had recommended the re-election of the following Directors all of whom are newly appointed will be retiring at the forthcoming AGM to be held on 20 February 2017:

(1)	Yang Meng Yang	retirement by re-election (Bye-Law 107);
(2)	Wu Geng	retirement by re-election (Bye-Law 107); and
(3)	Seah Chee Wei	retirement by re-election (Bye-Law 107).

The Board has accepted the NC's recommendation and accordingly, the above-mentioned Directors will be offering themselves for re-election at the forthcoming AGM.

Wu Geng and Seah Chee Wei, being the members of the NC, have abstained from reviewing, recommending and approving his own re-election.

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Key Information on Directors

Key information on each Director is set out on pages 3 of the Annual Report.

Based on information available to the Current Board, the dates of initial appointment of each Director, together with their directorships in other listed companies and any other principal commitments are set out below:

Name of Director	Date of First Appointment	Date of Last Re-Election	Directorship in Other Listed Companies	Any Other Principal Commitments
Cheung Hanford Ho Fat[1]	26 June 2012	29 April 2013	Nil	Nil
Tan Chee Kian[2]	11 December 2012	29 April 2013	Nil	Nil
Lim Siang Kai[3]	07 March 2007	27 April 2012	Nil	Nil
Tan Sze Leng, Steve[4]	31 May 2014	29 August 2014	Nil	Nil
Leow Yong Kin[5]	05 June 2014	29 August 2014	Nil	Nil
Chen Chaoying[6]	16 April 2014	29 August 2014	Nil	Nil
Tsoi Kin Chit[7]	15 November 2016	29 April 2013	Nil	Nil
Zhang Hong Lai[8]	10 September 2013	29 August 2014	Nil	Nil
Yang Meng Yang	01 August 2016	–	1. China Environment Ltd	Nil
Wu Geng	29 September 2014	–	1. Shengli Oil & Gas Pipe Holdings Limited	1. Director of Drew & Napier LLC
Seah Chee Wei	24 November 2014	–	Nil	1. Director of Rock Stevenson Pte Ltd

Notes:

1. Cheung Hanford Ho Fat, ceased to be an Independent Non-Executive Director (Chairman of Remuneration Committee and member of the Audit Committee and Nominating Committee) on 26 February 2014.
2. Tan Chee Kian, ceased to be an Independent Non-Executive Director (Chairman of Nominating Committee, member of the Audit Committee and Remuneration Committee) on 01 April 2014.
3. Lim Siang Kai ceased to be an Independent Non-Executive Director (Chairman of Audit Committee and member of the Nominating Committee and Remuneration Committee) on 02 June 2014.
4. Tan Sze Leng, Steve was appointed as an Independent Non-Executive Director (Chairman of Audit Committee and member of the Nominating Committee and Remuneration Committee) on 31 May 2014. He had resigned and all his positions were ceased on 10 September 2014.
5. Leow Yong Kin was appointed as an Independent Non-Executive Director (Chairman of Nominating Committee and Remuneration Committee and member of Audit Committee) on 05 June 2014. He had resigned and all his positions were ceased on 30 November 2014.
6. Chen Chaoying was appointed as a Non-Executive Director on 17 April 2014 and member of the Audit Committee, Nominating Committee and Remuneration Committee on 25 July 2014. He had resigned and all his positions were ceased on 01 August 2016.
7. Tsoi Kin Chit ceased to be an Executive Chairman on 01 August 2016.
8. Zhang Hong Lai ceased to be an Executive Director on 01 August 2016.

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As a director's ability to commit time to the Group's affairs is essential for his contribution and performance, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is 6 so as to able to devote sufficient time and attention to the affairs of the Company to adequately discharge his/her duties as a Directors of the Company and all Directors have complied.

None of the Directors have appointed an alternate director in FY2014.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board's performance is linked to the overall performance of the Group. The Board should ensure compliance with the applicable laws and the Board members should act in good faith, with due diligence and care in the best interest of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. The Board performance assessment is undertaken collectively and informally on a continual basis by the NC with input from the other Board members. A formal review of the Board's performance is conducted annually by way of a Board Assessment Checklist, which is circulated to the Board members for completion and thereafter, for the NC to review to determine the actions required to improve the corporate governance of the company and effectiveness of the Board and committees of the Board.

For FY2014, individual assessment of directors had not been conducted in view of the various changes to the composition of the Board and the constraints of time and resources of the Board due to the on-going preparation of Independent Review Report. However, the NC is satisfied that the Current Board has been working hard on attending to resolving the Company's issues in a satisfactory manner.

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole is adequate to measure the effectiveness of the Board's performance.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management acknowledges the importance of the complete, adequate and timely supply of information. Agenda, board papers and related materials, background or explanatory information relating to matters to be discussed at the Board meeting and Board committee meetings are distributed to all Directors in advance to allow sufficient time for Directors to prepare for meetings and facilitate the effective discussion during meetings. Any additional materials or information requested by the Directors is promptly furnished. All Directors have separate and independent access to the management, including the Company Secretary at all times.

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Any material variance between the actual results and the budgets will be explained to the Board at the relevant time at the Board or Board committee meetings. Should Directors, whether as a group or individually, require professional advice, the Group, upon direction by the Board, shall appoint a professional advisor selected by the Group or the individual, approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.

The Company Secretary attends all Board meetings and is responsible to the Board for advising on the implementation of the Group's compliance requirements pursuant to the relevant statutes and regulations. All Directors have separate and independent access to the advice and services of the Company Secretary. Nonetheless, the Company Secretary Tan Chee How has resigned on 8 December 2016 and the Company is in the midst of looking for suitable candidate to assume the role as Company Secretary. The appointment and removal of the Company Secretary are subject to the Board's approval.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC, regulated by a set of written terms of reference, comprised a Non-Executive Director and two Independent Non-Executive Directors during FY2014. Under Guideline 7.1 of the Code, the RC should comprise at least 3 directors, majority of whom including the RC Chairman should be independent. In view of the changes in the Board and the events highlighted above, the Board has complied with the Guideline 7.1 during FY2014.

The composition (and changes thereof) of the RC during FY2014 are as set out in the table below:

Name of Director	Position	Date of Appointment	Date of Cessation
Cheung Hanford Ho Fat	Chairman	–	26 February 2014
Leow Yong Kin	Chairman	05 June 2014	30 November 2014
Wu Geng	Chairman	29 September 2014	–
Lim Siang Kai	Member	–	02 June 2014
Tan Sze Leng, Steve	Member	31 May 2014	10 September 2014
Tan Chee Kian	Member	–	01 April 2014
Chen Chaoying	Member	25 July 2014	01 August 2016
Seah Chee Wei	Member	24 November 2014	–

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The duties and powers of the RC include:

(a) Recommending to the Board a framework of remuneration for the directors and senior management;

(b) Reviewing and administering the Foreland Performance Share Scheme for Directors of the Company and employees of the Group;

(c) Determining specific remuneration packages for each Executive Director. The RC should cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. In setting remuneration packages, the RC should be aware of pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of individual Directors;

(d) The remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised;

(e) In the case of service contracts of Directors, reviewing and recommending to the Board the terms of renewal of the service contracts. There should be a fixed appointment period for all directors after which they are subject to re-election. The service contracts should not be excessively long or with onerous removal clauses. The RC should consider what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination. The RC should aim to be fair and avoid rewarding poor performers; and

(f) Considering the various disclosure requirements for directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

Procedure for setting Remuneration

The Company's remuneration policy is to provide compensation packages at market rates which reward good performance and attract, retain and motivate Directors and managers. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, awards granted under the Foreland Performance Share Scheme and benefits in kind shall be covered by the RC.

The RC reviews and recommends to the Board the fees for Non-Executive Independent Directors that are subject to shareholders' approval at the AGM and all service contracts and terms of employment of the executive Directors and senior executives. The RC's recommendations are submitted for endorsement by the entire Board. The overriding principle is that no director should be involved in deciding his own remuneration.

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Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors is commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry and in comparable companies.

The remuneration package also takes into account the Company's relative performance and the performance of individual Directors. The Executive Director does not receive Directors' fees. The remuneration packages of an Executive Directors include a basic salary. A service agreement is entered into between the Company and the Executive Director.

As disclosed in the Prospectus of the Company issued on 17 April 2007, the Company has entered into a service agreement with the former Executive Chairman, Mr Tsoi Kin Chit. The Service Agreement of Mr Tsoi Kin Chit is for an initial term of three years with effect from 26 April 2007. The term of service of Mr Tsoi shall be renewed and extended automatically on the expiry of such initial term on a year to-year basis on such terms and conditions as the parties may agree mutually. There are no onerous removal clauses in the service agreements. Their remuneration includes a basic salary and incentive bonus that is designed to align their interests with those of the shareholders and link rewards to corporate and individual performance.

Subsequent to the cessation of Mr Tsoi as the Company's Executive Chairman on 1 August 2016, the Company has entered into a service agreement ("**Service Agreement**") with the Executive Chairman, Yang Meng Yang with effect from 01 August 2016. The Service Agreement may be terminated by either party to the Service Agreement giving to the other six (6) months' prior written notice or an amount equivalent to six (6) months' salary in lieu of such notice. His remuneration includes a basic salary and a one month annual wage supplement, payable at the end of December every year. Mr Yang is entitled to other benefits such as one (1) motor car and a chauffeur for his sole use, transportation expenses such as insurance, annual car registration and its running expenses. The Company shall bear his entertainment expenses, subject to limits from time to time imposed by the Board in line with the Company's policy, in respect of entertainments in connection with the Company's business. The Company shall bear all travelling, hotel and other out-of-pocket expenses, medical and dental benefits and life and health insurance, subject to limit from time to time imposed by the Board in line with the Company's policy.

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The RC is of the view that it is not necessary to use contractual provisions to allow the issuer to reclaim the incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatements of financial results, or of misconduct resulting in financial loss to the issuer.

Remuneration of Non-Executive Directors

The Non-Executive Independent Directors receive directors' fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving the Board and Board Committees. For FY2014, directors' fees of SGD 150,000 were recommended by the Board and approved by the shareholders at the Company's AGM on 29 August 2014.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Due to the competitive pressures in the talent market, the Company decided not to disclose the remuneration of the Company's directors and key management personnel. However, details of the remuneration of Executive Directors of the Company and top five key management personnel of the Group for the financial year ended 31 December 2014 (in percentage terms), are set out below:

Breakdown of Directors' Remuneration in Percentage (%):

Directors of the Company		**Salary**	**Bonus**	**Other Benefits**	**Fees**	**Total**
		%	**%**	**%**	**%**	**%**
S$250,000 and below						
Tsoi Kin Chit[1]	Executive	97	–	3	–	100
Zhang Hong Lai[2]	Executive	87	–	13	–	100
Lim Siang Kai[3]	Independent	–	–	–	100	100
Cheung Hanford Ho Fat[4]	Independent	–	–	–	100	100
Tan Chee Kian[5]	Independent	–	–	–	100	100
Tan Sze Leng, Steve[6]	Independent	–	–	–	100	100
Leow Yong Kin[7]	Independent	–	–	–	100	100
Wu Geng[8]	Independent	–	–	–	100	100
Seah Chee Wei[9]	Independent	–	–	–	100	100
Chen Chaoying[10]	Non-Executive	–	–	–	100	100

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Notes:

1. Tsoi Kin Chit ceased to be an Executive Chairman on 01 August 2016.
2. Zhang Hong Lai ceased to be an Executive Director on 01 August 2016.
3. Lim Siang Kai ceased to be an Independent Non-Executive Director of the Company on 02 June 2014. Accordingly, details of his remuneration details are to 02 June 2014.
4. Cheung Hanford Ho Fat ceased to be an Independent Non-Executive Director on 26 February 2014. Accordingly, details of his remuneration details are to 26 February 2014.
5. Tan Chee Kian ceased to be an Independent Non-Executive Director on 01 April 2014. Accordingly, details of his remuneration details are to 01 April 2014.
6. Tan Sze Leng, Steve was appointed on 31 May 2014 and ceased to be an Independent Non-Executive Director on 10 September 2014. Accordingly, details of his remuneration details are from 31 May 2014 to 10 September 2014.
7. Leow Yong Kin was appointed on 05 June 2014 and ceased to be an Independent Non-Executive Director on 30 November 2014. Accordingly, details of his remuneration details are from 05 June 2014 to 30 November 2014.
8. Wu Geng was appointed on 29 September 2014 as an Independent Non-Executive Director. Accordingly, details of his remuneration details are from 29 September 2014 to 31 December 2014.
9. Seah Chee Wei was appointed on 24 November 2014 as an Independent Non-Executive Director. Accordingly, details of his remuneration details are from 24 November 2014 to 31 December 2014.
10. Chen Chaoying was appointed on 16 April 2014 and ceased to be a Non-Executive Director on 01 August 2016. Accordingly, details of his remuneration details are from 16 April 2014 to 31 December 2014.

Breakdown of Key Executives' Remuneration in Percentage (%)

Key Executives	Salary	Bonus	Other Benefits	Fees	Total
	%	%	%	%	%
S$250,000 and below					
Cai Lian Yong	79	–	21	–	100
Cai Zhi Meng	78	–	22	–	100
Wang Shu Fen	78	–	22	–	100

The Company has not disclosed exact details of the remuneration of its directors and executive officers as it is not in the best interest of the Company and the employees to disclose such details due to the sensitive nature of such information.

As the new Executive Chairman, Mr Yang Meng Yang, was appointed on 01 August 2016, the details of his remuneration will only be disclosed in the annual report for the financial year ended 31 December 2016.

There is no employee in the Group who is an immediate family member of a director, and whose remuneration exceeds S$50,000 during the financial year ended 31 December 2014.

As disclosed in the Company's Prospectus ("**Prospectus**") issued on 17 April 2007, the Company has a performance share scheme known as the Foreland Performance Share Scheme (the "**Scheme**"), details of which were set out in pages 134 to 140 and Annexure J of the said Prospectus.

There are no termination, retirement, and post employment benefits that may be granted to Directors and key management personnel (who are not Directors or the CEO).

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ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board will provide shareholders with financial statements for the first three quarters and full financial year within the timeframe in line with Rule 705 of the Listing Manual of SGX-ST. In presenting the annual and quarterly financial statement to shareholders, the Board will provide the shareholders with a balanced and understandable analysis and explanation of the Group's financial performance, position and prospects.

Management will provide the Board with management accounts, operation review and related explanation and any other information as the Board may require together with the financial statements on a quarterly basis. The AC reviews the financial statements and reports to the Board for approval. The Board authorises the release of the results to the SGX-ST and the public via SGXNet. The Board will also provide negative assurance confirmation to shareholders for the quarterly financial statements in accordance with Rule 705(5) of the Listing Manual of SGX-ST.

In FY2014, due to a series of change at the board level as a result of differences in opinion with the Management in relation to the handling of the customer's claim of Fulian, and the Board dedicating its time and resources to appoint an appropriate accounting firm as an independent reviewer on the issues as mentioned above, the former Board and management did not engage an internal auditor to review and make recommendations to strengthen the Company's internal controls. Nonetheless, the Board and AC endeavour to engage a suitable internal auditor as soon as practicable in order to improve the internal control of the Group and safeguard shareholders' interest.

As disclosed earlier on page 10 of this report, the Company had on 22 January 2015 engaged BDO as an Independent Reviewer to perform a review on certain issues highlighted by BT. BDO had completed their review and a copy of the executive summary was published on SGXNet on 25 May 2016.

In response to the issuance of Independent Review Report, the Board has taken the necessary steps to improve the internal control of the Company. Since the issue of the Independent Review Report, the following had been undertaken:

(a) The Company has on 04 April 2016 engaged Rajah & Tann Singapore LLP as compliance advisor to advise the Board, *inter alia*, the continuing listing obligations of the Company. The Company will be seeking a review by an internal auditor to review and make recommendations to strengthen the Company's internal controls.

(b) Mr Tsoi had ceased to be a Director and Executive Chairman of the Company on 01 August 2016. The Company had appointed Mr Yang a new Director and Executive Chairman of the Company on 01 August 2016.

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(c) The Company had then appointed Messrs Foo Kon Tan LLP ("**FKT**"), which was approved by shareholders on 30 September 2016 after the completion and publication of the Independent Review Report issued by BDO on 25 May 2016 on SGXNet as the appointment of new auditors can only be formalized after the completion of the Independent Review Report by BDO.

Due to the Independent Review, resignation of the former auditors of the Company on 29 August 2014 and appointment of new auditors of the Company to conduct the audit for the financial year ended 31 December 2014 and 31 December 2015 respectively following such resignation, the AGM for FY2014 and FY2015 were not held in a timely manner.

The Company is seeking legal advisers in Singapore and PRC with a view to take further measures against Mr Tsoi in relation to possible breach(es) of securities laws or other offences arising from the Public Reprimand. Such measures would likely also be extended to its subsidiary company in China, Fulian Knitting Co., Ltd. The Company will further appoint the legal advisers in Singapore and PRC on such matter as soon as practicable.

Compliance with Rule 707

To comply with Rule 707 of the Listing Manual of the SGX-ST, the Company has sought extension of time to hold the Company's AGM for FY2014 and FY2015 to SGX-ST as follows:

Date of Application	Application to hold AGM by	Date of Approval by SGX-ST	Financial Year
23 March 2015	31 October 2015	31 March 2015	FY2014
09 October 2015	30 April 2016	14 October 2015	FY2014
20 April 2016	30 October 2016	22 April 2016	FY2014 & FY2015
18 October 2016	30 December 2016	29 October 2016	FY2014 & FY2015
27 December 2016	20 February 2017	Rejected on 4 January 2017	FY2014 & FY2015

The Company made its 1st application (the "**Application**") on 23 March 2015 to SGX-ST for extension of time from 30 April 2015 till 31 October 2015 to comply with the Rule 707 of the Listing Manual of the SGX-ST in relation to the holding of AGM for the financial year ended 31 December 2014. On 5 August 2014, the former auditor of the Company issued a disclaimer of opinion in respect of the financial statements of the Group for the financial year ended 31 December 2013. The issues highlighted by the former auditor were as follows: (a) Compensation Claim; (b) Cash and cash equivalents of the subsidiary Fulian; (c) Going Concern; and (d) Investment in subsidiary and amount due from subsidiary. On 29 August 2014, the Company's auditors, Messrs Baker Tilly TFW LLP ("BT"), retired during the AGM of the Company. The Company has then initiated the process of engaging a new professional accounting firm in Singapore to be the new external auditors of the Company. However, the engagement process has been interrupted pursuant to the reconstitution of the Board, i.e. the appointment of Mr Seah Chee Wei as the Independent Director and Audit Committee

CORPORATE GOVERNANCE REPORT

Chairman of the Company on 24 November 2014 following the resignation of Mr Leow Yong Kin and the appointment of Mr Wu Geng as the Independent Director on 29 September 2014 following the resignation of Mr Tan Sze Leng. The Company would need to prepare a circular and convene an extraordinary general meeting for the shareholders to approve the appointment of the proposed external auditor upon selection of a suitable proposed external auditor. After the confirmation of the new external auditor, the new external auditor will also require several months to perform the audit engagement. The length of times for audit varies, depending on the complexity of the business. As such, it was highly unlikely that the Company would be able to complete the audit for FY2014 and convene the AGM by 30 April 2015. An approval has been granted by SGX-ST on 31 March 2015.

In addition to the foregoing and to address the audit issues highlighted by the former auditors, BT, the Company has decided to engage Messrs BDO LLP ("BDO") to conduct an independent review on these issues. The appointment of BDO was disclosed in the announcement dated 22 January 2015.

On 9 October 2015, the Company made the 2nd application to the SGX-ST for further extension of time from 31 October 2015 till 30 April 2016 to comply with the Rule 707 of the Listing Manual of the SGX-ST in relation to the holding of AGM for the financial year ended 31 December 2014 as the BDO has completed the fieldwork of the independent review and issued an initial draft report in 16 July 2015. A revised draft report ("**Revised Draft Report**") was issued by BDO in September 2015 after receiving the comments of the Audit Committee. The Revised Draft Report has yet to be finalised pending the review of the Audit Committee. The Board has been informed by the Audit Committee that additional time is required for the finalisation of the Revised Draft Report. While the Revised Draft Report is pending finalisation, the Company has continued to approach professional accounting firms in Singapore to be the Company's auditors and commence the audit works for financial year 2014. However, prior to the issuance of the consent to act as the Company's auditors, those accounting firms have all requested for a copy of the Revised Draft Report issued by BDO as part of their firm internal risk management policy. Notwithstanding the request of the accounting firms, the Company is unable to provide the Revised Draft Report as the Board has no access to the report given the independent review falls under the purview of the Audit Committee and to date, the final report is still pending. The appointment of auditors can only be formalised after the completion of the BDO report. As such, the Company expects that it will not be able to complete the audit fieldwork for the financial year 2014 and convene the AGM by 31 October 2015. Approval has been granted by SGX-ST on 29 October 2016.

On 20 April 2016, the Company made the 3rd application to the SGX-ST for further extension of time from 30 April 2016 till 30 December 2016 to comply with the Rule 707 of the Listing Manual of the SGX-ST in relation to the holding of AGM for the financial year ended 31 December 2014 and 31 December 2015 as the Company require additional time for the finalisation of the independent review report, appointment of new auditors, completion of audit fieldwork for the financial year 2014 and 2015. As such, it was highly unlikely that the Company would be able to complete the audit for FY2014 and FY2015 and convene the AGM for FY2014 and FY2015 by 30 October 2016. Approval has been granted by SGX on 22 April 2016.

On 18 October 2016, the Company made the 4th application to the SGX-ST for further extension of time from 30 October 2016 till 30 December 2016 to comply with the Rule 707 of the Listing Manual of the SGX-ST in relation to the holding of AGM for the financial year ended 31 December 2014 and 31 December

CORPORATE GOVERNANCE REPORT

2015 as the Company had been informed by FKT that it required additional time to complete all relevant audit fieldworks for FY2014 and FY2015. As such, it was highly unlikely that the Company would be able to complete the audit for FY2014 and FY2015 and convene the AGM for FY2014 and FY2015 by 30 October 2016. Approval has been granted by SGX on 29 October 2016.

On 27 December 2016, the Company made another Application to the SGX-ST for further extension of time from 30 December 2016 till 20 February 2017 to comply with the Rule 707 of the Listing Manual of the SGX-ST in relation to the holding of AGM for the financial year ended 31 December 2014 and 31 December 2015 as the management of the Company was informed by FKT that there would be a breach of independence under the Code of Professional Conduct and Ethics for members of the Institute of Singapore Chartered Accountants if the audit fee for FY2014 is not settled. The Company had been advised by FKT to settle the outstanding audit fee before they can release the draft audited reports for FY2014 and FY2015.

As mentioned in the Company's announcement dated 27 December 2016, the Company is currently in preliminary discussions with potential investors in relation to a possible private placement of shares in the Company, which is expected to raise funds amounting to approximately S$600,000. The Company intends to utilise the proceeds from the proposed placement to complete the audit for FY2014 and FY2015.

The Management had met with FKT on the finalisation of the audited reports for FY2014 and FY2015. The outstanding audit fees shall be paid to them once the placement been successfully completed prior to release of the draft audited report for FY2014 and FY2015. Subject to the approval from SGX-ST, the said placement is expected to be completed in the first quarter of 2017.

On 4 January 2017, the Company received a letter from the SGX-ST stating that it has rejected the Company's Application ("**Rejected Application**") for the abovementioned extension of time to hold AGM for FY2014 and FY2015. Based on the Company's submissions and representations, the SGX-ST found no extenuating reasons to grant the further extension required. As such, the Company has not complied with Rule 707 from 31 December 2016.

Further to the Rejected Application, the Company had, on 16 January 2017, made an application to the SGX-ST to re-consider its extension of time from 30 December 2016 till 20 February 2017 to comply with the Rule 707 of the Listing Manual of the SGX-ST in relation to the holding of Annual General Meeting for the FY2014 and FY2015. The Company has on 6 January 2017 obtained a loan (the "**Shareholder's Loan**") of S$100,000 from its controlling shareholder, Huang Wen. The Shareholder's Loan is interest-free, has no fixed term of repayment and is to be used to pay the audit fees and expenses for upcoming annual general meeting. Based on the agreed payment terms, the Company has on 9 January 2017 paid a portion of the outstanding audit fees to the auditors. The Company is currently in preliminary discussions with potential investors in relation to a possible private placement of shares in the Company, which is expected to raise funds amounting to approximately S$600,000. The Company intends to utilise the proceeds from the proposed placement to settle the remaining outstanding audit fees and other company expenses. Subsequent to the partial payment, the Company has received the draft audited financial statements for FY2014 and FY2015 from the auditors. As such, it is likely that the Company will be able to convene the AGM for FY2014 and FY2015 by 20 February 2017.

CORPORATE GOVERNANCE REPORT

Application for Sanction from Registrar of Companies in Bermuda

The Company had on 13 October 2016 made an application for Sanction from the Registrar of Companies in Bermuda ("Registrar") to late holding of the Company AGM 2014. The Registrar had on 21 November 2016 approved the Company to hold a General Meeting to put its affairs in order for 2015 (the "**Sanction**"). The Sanction was given on the condition that its AGM is held, and that a copy of the minutes of the AGM is filed with the Registrar, within three (3) months from the date of the Sanction (i.e. 21 February 2017) or such other period as the Registrar may allow.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company has not put in place a Risk Management Committee. However, Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and AC.

Generally, the risks are exposure to credit, market, liquidity, foreign currency and interest rate risks arising in the normal course of the Group's business. The Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Internal Controls

The Board with the assistance of the AC, ensures that Management maintains an adequate system of internal controls to safeguard shareholders' investment and the Company's assets. The Board determines the levels of risk tolerance and risk policies, and oversee management in the design, implementation and monitoring of the risk management and internal control systems. The Group's external auditors had also reviewed the internal accounting controls that are relevant to their audit. Any non-compliance and recommendation for improvement were reported to the AC.

The AC makes enquiries with, and relies on reports from the external and internal auditors, if any, on any material noncompliance and internal control weaknesses. The external auditors, in the course of conducting their annual audit procedures on the statutory financial statements, also reviewed the Group's significant internal financial controls to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal financial control weaknesses noted by the external and internal auditors are reported to the AC together with their recommendations. The AC has reviewed with external and internal auditors their findings during their audit for the financial year under review. The Management would then take appropriate actions to rectify the weaknesses highlighted.

CORPORATE GOVERNANCE REPORT

However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Based on the work performed by FKT, the Company newly appointed auditors, and the reviews performed by Management, AC and the Board, the AC and the Board are of the opinion that, under the management of the former Board, the Group's risk management and internal controls, addressing financial, operational, compliance and information technology risks, were not adequate as at 31 December 2014 and as at 31 December 2015.

The Board and AC recognises that there were control weaknesses as highlighted by the Company's auditors and the Independent Review Report issued by BDO. In particular, the Board and AC also noted that SGX-ST had reprimanded the Company for, *inter alia*, breaching of Listing Rule 719(1) for the failure to put in place a robust internal control to address financial, operational and compliance risks on 11 November 2016 under the management of the former Board.

In FY2014, due to a series of change at the board level as a result of differences in opinion with the Management in relation to the handling of the customer's claim of Fulian, and the Board dedicating its time and resources to appoint an appropriate accounting firm as an independent reviewer on the issues as mentioned above, the former Board and management did not engage an internal auditor to review and make recommendations to strengthen the Company's internal controls. Nonetheless, the Board and AC endeavour to engage a suitable internal auditor as soon as practicable to in order to improve the internal control of the Group and safeguard shareholders' interests.

In light of the recent events as highlighted herein, the current Executive Chairman and the Chief Financial Officer 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 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. For the same reasons mentioned above, the Board, with the concurrence of the AC, is of the opinion that they cannot opine on the adequacy of the Group's internal controls systems (including financial, operational, compliance and information technology risks, and risk management systems) for FY2014.

For FY2014, the Board had received assurance from former Executive Chairman, Mr Tsoi Kin Chit that:

(a) 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

(b) they have evaluated the effectiveness of the Company's risk management and internal controls systems and have discussed with the Company's external auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data.

CORPORATE GOVERNANCE REPORT

The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Company's internal control system.

Whistle-blowing Policy

The AC also reviews the whistle-blowing policy by which the employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other mattes. The objective is to ensure that arrangements are in place, for the independent investigation of such concerns and for appropriate follow-up action.

As of the date of this report, the Board has not received any whistle-blowing letters.

Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

During FY2014, the AC, regulated by a set of written terms of reference, comprised a Non-Executive Director and two Non-Executive Independent Directors, the composition (and changes thereof) of the AC during FY2014 are as set out in the table below. Under Guideline 12.1 of the Code, the AC should comprise at least 3 directors, majority of whom including the AC Chairman should be independent. In view of the changes in the Board and the events highlighted above, the Board has complied with the Guideline 12.1 during FY2014.

Name of Director	Position	Date of Appointment	Date of Cessation
Lim Siang Kai	Chairman	7 March 2007	31 May 2014
Tan Sze Leng, Steve	Chairman	31 May 2014	10 September 2014
Seah Chee Wei	Chairman	24 November 2014	–
Tan Chee Kian	Member	11 December 2012	01 April 2014
Cheung Hanford Ho Fat	Member	26 June 2012	26 February 2014
Leow Yong Kin	Member	05 June 2014	30 November 2014
Chen Chaoying	Member	25 July 2014	01 August 2016
Wu Geng	Member	29 September 2014	–

The members of the AC have sufficient expertise in financial management, as interpreted by the Board in its business judgement to discharge the AC's functions. The AC confirmed that they are compliance with Guideline 12.2 during FY2014.

The AC has full access to and the co-operation of the Management and has full discretion to invite any Director or executive officer to attend its meetings and has been given adequate resources to enable it to discharge its functions.

CORPORATE GOVERNANCE REPORT

The AC performs the following functions:

(i) overall scope of external audit and the assistance given by the Company's officers to the auditors. It met with the Company's external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information, if any and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems, where appropriate;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any director or executive officer of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

CORPORATE GOVERNANCE REPORT

The AC meets with the external auditors, without the presence of the Management, at least annually. The former Board did not engage any internal auditors to perform internal audit reviews and examinations covering different processes in FY2014 due to a series of change at the board level as a result of differences in opinion with the Management in relation to the handling of the customer's claim of Fulian and the Board dedicating its time and resources to appoint appropriate accounting firm as an independent reviewer on the issues as mentioned above.

The Company has complied with Rules 712 and 715 of the Listing Manual in the appointment of its external auditors.

The AC reviews the independence of the external auditors annually. For the financial year ended 31 December 2014, the amount of audit fees paid or payable to external auditors of the Group amounted to SGD 130,000. There was no non-audit services carried out by External Auditor during the financial year.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independently of the activities it audits.

The Group recognises its responsibilities for maintaining a system of internal control processes to safeguard the shareholders' investment and the Group's assets and business. However, the former Board did not engage any internal auditors to perform internal audit reviews and examinations covering different processes in FY2014 due to a series of change of board level as a result of differences in opinion with the Management in relation to the handling of the customer's claim of Fulian and the Board dedicating its time and resources to appoint appropriate accounting firm as an independent reviewer on the issues as mentioned above. Nonetheless, the Board is committed to engage an internal auditor as soon as practicable in order to improve the internal control of the Group and safeguard shareholders' interest. Once the new internal auditors have engaged by the Board, these audit professionals report will be directly to the AC Chairman and provide a comprehensive analysis of the business processes and the risks related to each process. The AC oversees and monitors the implementation of improvements as required and will be given unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholders Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

CORPORATE GOVERNANCE REPORT

The Company's corporate governance culture and awareness promotes fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Bye-laws of the Company and other relevant laws. All shareholders are treated fairly and equitably.

The Company respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

Shareholders can vote in person or appoint more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. Under Bye-Law 85(A) of the Company, where the shareholder is the Depository, the Depository may appoint more than two (2) proxies or a corporate representative to attend and vote at general meetings.

Communication With Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

In line with continuous disclosure obligations, the Company is committed to communicate with its shareholders regularly and proactively. It is the Board's policy that shareholders be informed of all major developments of the Group and the Company does not practice selective disclosure. The Company's quarterly, half year and full year announcements are issued via SGXNet. When the opportunities arise, the Executive Chairman or Chief Financial Officer will conduct media interviews to give its shareholders and other stakeholders an insight of the Group's business development.

Price-sensitive information is released to the public through SGXNet on a timely basis in accordance with the requirements of SGX-ST. The Company noted that SGX-ST had on 11 November 2016 reprimanded the Company for breaching of Listing Rule 703(1) for the failure to promptly announce the significant customer claim of RMB290 million under the management of the former Board. Nevertheless, the Board is committed to comply with the Rule 703(1) and make the necessary announcement through SGXNet.

The Company supports the Code's principle to encourage communication with and participation by shareholders. Shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation. With the exception of The Central Depository (Pte.) Ltd., a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in place of the shareholder. Shareholders are given the opportunity to pose questions to the Board or the Management at the AGM.

The Company does not have a fixed dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend declared for the current financial year pursuant to the operating loss suffered by the Company.

CORPORATE GOVERNANCE REPORT

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the mandatory period. Notice of general meeting is announced through SGXNet.

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy forms are sent with notice of general meeting to all shareholders. With the exception of the Central Depository (Pte.) Ltd., a shareholder may appoint up to two proxies to attend and vote on his behalf at the meeting through proxy forms deposited 48 hours before the meeting.

As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, Management, Company Secretary, external auditors and legal advisors (if necessary), will attend the general meetings. The respective Chairman of the AC, NC and RC will be present at the AGM to answer questions relating to matters overseen by the committees. The external auditors will also be present at the AGM to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditors' report.

The procedures of general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication by the shareholders with the Director on their views on matters relating to the Company is encouraged.

Minutes of general meetings that include substantial and relevant comments or queries from the Board and Management will be made available to shareholders upon their request.

To enhance shareholder participation, all resolutions put to vote at general meetings of the company shall be voted by way of poll.

The polling results are also announced to the SGXNet after the meetings.

Interested Person Transactions

The Company is required to comply with the requisite rules under Chapter 9 of the SGX-ST Listing Manual for interested person transactions. An interested person transaction of a value equal to or more than 3% of the Group's latest audited net tangible assets will be approved by the AC prior to entry into such transactions.

CORPORATE GOVERNANCE REPORT

All interested person transactions will be properly documented and submitted to the AC for quarterly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders. In the event that a member of the AC is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

The Board will ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and accounting standards are complied with. The Board is not aware of any interested person transactions in FY2014.

Internal Code on Dealing in Securities

The Group has adopted and implemented policies in line with the Rule 1207(19) of the SGX-ST Listing Manual in relation to the dealing of shares of the Company. The policies have been made known to Directors, executive officers and any other persons as determined by the Management who may possess unpublished material price-sensitive information of the Group.

The Directors and officers have been informed not to deal in the Company's shares on short-term consideration and not to deal in the Company's shares whilst in possession of "price sensitive" information and during the periods commencing two weeks prior to the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year results (the "**Prohibited Periods**").

Directors and officers are required to comply with and observe the laws on insider trading even if they trade in the Company's securities outside the Prohibited Periods. They are discouraged from dealing in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

The Board confirms that for FY2014, the Company has complied with Listing Rule 1207(19).

Material Contracts

Save for the renewal of the service agreement entered with the former Executive Chairman Tsoi Kin Chit, the Board is not aware of any other material contracts involving the interests of any Director or controlling shareholder of the Company has been entered into by the Company or any of its subsidiaries in FY2014.

CORPORATE GOVERNANCE REPORT

Status Report on Use of IPO Proceeds

As at the date of this report, the net proceeds from the Company's initial public offering ("IPO") in 2007 that had been utilised are as follows:

Use of IPO Proceeds	Amount Allocated	Balance Brought Forward from 31 December 2013	Amount Utilised by 31 December 2014	Amount Utilised (on a cumulative basis since completion of IPO)	Balance
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Expansion of production capacity and research and development capabilities:					
– Construction costs	609	–	–	609	–
– New equipment	13,025	–	–	13,025	–
– Wastewater, treatment and recycling plant and methylbenzene recycling facility	2,957	552	552	2,957	–
	16,591	**552**	**552**	**16,591**	**–**

As announced by the Company on 14 August 2014, the IPO proceeds were fully utilised in FY2014.

The use of IPO proceeds had been announced in the Group's quarterly results announcement published on the SGXNet.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014.

Names of Directors

The Directors of the Company in office at the date of this report are:

Yang Meng Yang – Executive Chairman (appointed on 1 August 2016)
Seah Chee Wei – Independent Non-Executive Director (appointed on 24 November 2014)
Wu Geng – Independent Non-Executive Director (appointed on 29 September 2014)
Tsoi Kin Chit – Executive Chairman (resigned on 1 August 2016)
Zhang Hong Lai – Executive Director (resigned on 1 August 2016)
Chen Chaoying – Non-Executive Director (resigned on 1 August 2016)
Leow Yong Kin – Independent Non-Executive Director (resigned on 30 November 2014)
Tan Sze Leng – Independent Non-Executive Director (resigned on 10 September 2014)

Arrangements to enable Directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body, other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings, none of the Directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director		**Holdings in which director is deemed to have an interest**	
The Company	**As at 1.1.2014 or date of appointment, If later**	**As at 31.12.2014 and 21.1.2015#**	**As at 1.1.2014 or date of appointment, If later**	**As at 31.12.2014 and 21.1.2015#**
	Number of shares of US$0.005 each			
Tsoi Kin Chit	220,619,700	**220,619,700**	–	**–**

\# There are no changes to the above shareholdings as at 21 January 2015.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Foreland Performance Share Scheme

The Foreland Performance Share Scheme ("PSS") was approved and adopted by the members of the Company on 7 March 2007.

The purpose of the PSS is to provide an opportunity for the Group's employees and directors (including Independent Directors and Non-Executive Directors) who have met the performance targets to be remunerated not just through cash bonuses but also by an equity stake in the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of the Company and the Group.

The PSS is administered by the Remuneration Committee whose members are:

Wu Geng
Seah Chee Wei

The Remuneration Committee ("Committee") comprises directors who may be participants of the PSS. A member of the Committee who is a participant of the PSS is prohibited from being involved in the Committee's deliberation or decision in respect of awards to be granted to him.

Information on the PSS is as follows:

(i) The following categories of individuals are currently eligible to participate in the PSS:

   (a) Group's employees who have attained the age of 21 years on or before the commencement date of the PSS;

   (b) Group's Executive Directors; and

   (c) Non-Executive Directors (including Independent Directors).

   Controlling shareholders and their associates are not eligible to participate in the PSS. As the former Executive Chairman, Tsoi Kin Chit, was a controlling shareholder, he did not participate in the PSS.

(ii) Participants are awarded with ordinary shares of the Company when the prescribed performance targets are met. The awards are granted at the absolute discretion of the Committee.

(iii) The PSS shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years from 7 March 2007 to 6 March 2017, provided always that the PSS may continue beyond the above stipulated period with the approval of the members by ordinary resolution in general meeting and of any relevant authorities which may then be required.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Foreland Performance Share Scheme (Cont'd)

(iv) Awards under PSS may be granted at any time in the course of the financial year, and may lapse by reason of cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or the participant, being a non-executive director, ceasing to be a director, or a takeover, winding-up or reconstruction of the Company.

(v) The total number of new ordinary shares of the Company which may be issued pursuant to awards granted under the PSS shall not exceed 15% of the total number of issued shares in the capital of the Company on the day preceding the relevant date of award.

(vi) Subject to the prevailing legislation and SGX-ST guidelines, the Company will deliver ordinary shares of the Company to participants of the PSS upon vesting of their awards by way of an issue of new ordinary shares, deemed to be fully paid upon their issuance and allotment.

(vii) The class and/or number of ordinary shares of the Company comprised in an award to the extent not yet vested, and/or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution), upon the written confirmation of the auditors of the Company that such adjustment is (other than in the case of a capitalisation issue) fair and reasonable.

Share options

No options to take up unissued shares of the Company or its subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries.

There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit Committee

The Audit Committee ("AC") at the end of the financial year comprises the following members:

Seah Chee Wei (Chairman)
Wu Geng

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Audit Committee (Cont'd)

All members of the Audit Committee were non-executive directors and all members were independent.

The AC performs the functions set out in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance. In performing those functions, the committee reviewed the following:

(i) overall scope of external audit and the assistance given by the Company's officers to the auditors. It met with the Company's external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information, if any and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems, where appropriate;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The AC has full access to Management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The AC also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Audit Committee (Cont'd)

The AC is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Corporate Governance Statement.

In appointing the auditors for the Company and subsidiaries, the Directors have complied with Rules 712 and 715 of the SGX Listing Manual.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

Other information required by the SGX-ST

Material information

There are no material contract to which the Company or its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There was no interested person transactions as defined in Chapter 9 of SGX-ST Manual conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance".

On behalf of the Board of Directors

....
YANG MENG YANG

Dated: 25 January 2017

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2014 and the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2014; and at the date of this statement, except as disclosed in Note 2(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

....
YANG MENG YANG

Dated: 25 January 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORELAND FABRICTECH HOLDINGS LIMITED

Report on the financial statements

We were engaged to audit the accompanying financial statements of Foreland Fabrictech Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group 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 financial statements in accordance with Singapore Financial Reporting Standards, and Section 90 of the Companies Act 1981 of Bermuda, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material statement, 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, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Group

1. Compensation claim

   – Validity of claim

   According to the audited accounts for the financial year ended 31 December 2013, it was reported that the Group recorded a provision for claim of RMB282,992,774 on the statements of financial position as at 31 December 2013, and an expense in the statement of profit or loss and other comprehensive income of RMB282,992,774 for the financial year.

   As disclosed in Note 13 to the financial statements, this provision was made with respect to a claim made by Jiangxi Longdu Clothing and Accessories Weaving Limited Co. Ltd ("Jiangxi Longdu"). On 17 November 2013, Jiangxi Longdu made a complaint to Fulian Knittings Co., Limited ("Fulian") that there were quality issue over the purchase of certain dyed textiles which were used in the manufacture of winter jackets for its customer, known as Mega Chinese Limited (Mega Chinese), ("the Complaint").

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORELAND FABRICTECH HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Cont'd)

The Group (Cont'd)

1. Compensation claim (Cont'd)

– Validity of claim (Cont'd)

The extent of the internal investigation by Fulian and the process of legal review carried out by Fujian Minhua Law Firm and the work performed by the PRC valuer Fujian Hua Tie Certified Public Accounting Firm ("Fujian Hua Tie") regarding the claim and compensation raised several doubts by the special accountants in their report submitted before the Singapore Exchange Limited ("SGX"). The 2013 auditor's report also draw attention that there was disagreement between the then audit committee members and the management where there was difference in opinion as to 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.

The compensation claim of RMB282,992,774 was reported to be made up of:

- Fujian Hua Tie's assessment of Jiangxi Longdu's loss at RMB275,284,800; and
- Jiangxi Longdu's loss of interest for the period 1 January 2014 to 30 April 2014 at RMB7,707,974.

On 6 May 2014, Fulian paid the compensation sum of RMB282,992,774. There was no further outstanding amount owing between the parties upon a final payment of RMB3,079,380 made by Jiangxi Longdu to Fulian in September 2014.

As at the date of this report, we have not been provided with any further evidence to show cause that there is a change of event or circumstances that could explain the reported matter otherwise. On this basis, we were unable to ascertain the veracity of the claim made and compensation paid as we were not able to obtain sufficient appropriate evidence to satisfy ourselves as to whether the validity of the claim and appropriateness of the amount paid which may have impact on the retained profits carried forward for the current year as well as the impact on the income tax, and the consolidated statement of cash flow for the financial year thereon.

On 7 December 2016, the directors of the Company lodged a complaint with Commercial Affairs Department regarding the above matter.

On 27 December 2016, the directors of the Company announced that they are in the process of engaging legal advisers with a view to take further measures against Tsoi Kin Chit, who is the former executive director of the Company, in relation to the possible breach of securities laws or other offences arising from the above matter. Such measures would likely also be extended to its subsidiary in China, Fulian Knitting Co., Limited. As at the date of this report, the status is preliminary.

As described in Note 12 to the financial statements, in respect of taxation, the extent of the validity of the compensation claim has significant impact on the manner in which the taxation, whether current or deferred tax, is to be reported. Because of the uncertainty and the manner and timing in which taxation is to be reported, we were unable to ascertain the correctness of the taxation to be accounted for.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORELAND FABRICTECH HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Cont'd)

The Group (Cont'd)

2. Land use rights and property, plant and equipment

– Assessment of impairment

(i) As disclosed in Notes 4(a) and 4(b) to the financial statements, the net book value of the Group's land use rights and property, plant and equipment amounted to RMB22,108,000 and RMB76,073,000 respectively as at 31 December 2014. There were indications of impairment required to be assessed given the reported compensation claim in the financial year 2013. The Group did not appoint an independent professional valuer to assess the recoverable amount of the land use rights and property, plant and equipment and the extent of impairment to be made for the financial year ended 31 December 2014.

We were unable to obtain sufficient appropriate evidence to assess the recoverable amount of the Group's land use rights and property, plant and equipment as at 31 December 2014.

– Documentary evidence not available

(ii) As disclosed in Note 4(a) to the financial statements, the Group has land use rights of RMB29,749,000 acquired in the financial year 2011. We were not provided with the relevant and appropriate audit evidence from the land bureau authority to ascertain the cost incurred for this land use rights.

3. Inventories

– Lack of supporting documents

The work-in-progress and finished goods were RMB498,000 and RMB985,000 respectively as at 31 December 2014. In so far as to the costing of the dyed textile process, we were not provided with relevant documents regarding the production process for the raw materials used and the allocated processing costs such as yarn, chemicals and additives as well as the quality testing process. Because we were unable to obtain sufficient appropriate audit evidence as to the processing of raw materials used and the allocated processing costs, we were unable to ascertain that the allocation of cost of production of the dyed products. Accordingly, we were unable to ascertain the unit cost of the dyed products and therefore the carrying amount of the inventories at the end of reporting period and the impact on the profit or loss.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORELAND FABRICTECH HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Cont'd)

The Group (Cont'd)

4. Investment in a subsidiary, Fulian and amount owing by a subsidiary, Fulian

   – Assessment of impairment

   In the 2013 audited report, it was reported that the auditor had not been able to obtain appropriate audit evidence to satisfy themselves with regards to the carrying amount of the investment in a subsidiary, Fulian and the extent of the amount owing by Fulian to be recoverable as carried in the books of the Company. This is because the management of the Company provided the impairment sum based on internal management estimate adopting the value-in-use method (See Note 5 to the financial statements). Based on the report prepared by the Special Accountant, we noted that several of the assumptions used by the management were queried without satisfactory input.

   On the basis as explained above, where no independent professional valuer was appointed to assess the recoverable amount of the property, plant and equipment, we were unable to ascertain the recoverable amount of the investment in a subsidiary.

5. Limitation of scope – account receivables, account payables, cash and cash equivalents and inventories of Fulian

   Due to limitations placed on the scope of our work by the then directors of the Group, the audit evidence available was limited as follows:

   (i) Account receivables and account payables

   – We were unable to visit the customers and the suppliers to physically obtain the confirmation letters for the outstanding balance in the account receivables of RMB16,181,145 and account payables of RMB12,081,337 and to inspect the documentary evidence to support the amount owing by the customers and the liability owing to the suppliers for the financial year ended 31 December 2014.

     Based on our sample items selected as part of our audit alternative procedures, we were 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 as the tax invoice number of these respective invoices cannot be found in the government tax authority website (http://wssw.fj-n-tax.gov.cn/etax/135/sscx/fpcy.jsp). We have informed and discussed with the finance team in Fulian on 19 December 2016. However, there was no outcome as at the date of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORELAND FABRICTECH HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Cont'd)

The Group (Cont'd)

5. Limitation of scope – account receivables, account payables, cash and cash equivalents and inventories of Fulian (Cont'd)

   Due to limitations placed on the scope of our work by the then directors of the Group, the audit evidence available was limited as follows (Cont'd):

   (ii) Cash and cash equivalents

   – In the 2013 audited report, it was reported that the auditor had not been able to obtain appropriate audit evidence to satisfy themselves with regards to certain bank balances and fixed deposits of two bank accounts of Fulian totalling RMB292,298,353 as included in the Group's cash and cash equivalents at 31 December 2013.

     On 28 May 2014, Fulian closed the two said bank accounts and transferred the balance of RMB99,606 to a new operating bank account. We have physically obtained the bank confirmation reply of the new bank directly from the bank for the financial year ended 31 December 2014. However, we were unable to physically obtain and verify the bank statement directly from the bank as there was no letter of consent from Fulian's authorised bank signatory, Tsoi Kin Chit, who is the former executive director of the Company. No letter of consent was obtained upon request by our audit team.

     As disclosed in Note 9 to the financial statements, the cash on hand was RMB608,000 as at 31 December 2014. We were unable to count the cash on hand of RMB608,000 as we were appointed as the Company's independent auditors only in year 2016. In the absence of alternative procedures, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the existence and accuracy of the cash on hand as of 31 December 2014.

     We have informed and discussed with the local management of Fulian regarding the deficiency of internal control of cash and bank over receipts and payments for which we did not receive any comments from the local management. As these transactions relate to the dealing of past directors of the Company and has been reported by the Special Accountant, the existing directors of the Company believed that all necessary steps to be taken have been appropriately considered.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORELAND FABRICTECH HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Cont'd)

The Group (Cont'd)

5. Limitation of scope – account receivables, account payables, cash and cash equivalents and inventories of Fulian (Cont'd)

Due to limitations placed on the scope of our work by the then directors of the Group, the audit evidence available was limited as follows (Cont'd):

(iii) Inventories

– We were unable to observe the counting of physical inventories having a carrying amount of RMB2,483,000 as at 31 December 2014 as we were appointed as the Company's independent auditors only in year 2016. In the absence of alternative procedures, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the existence of the inventories as of 31 December 2014. Should it be found necessary, adjustments would be made to the carrying amount of the inventories for the financial year ended 31 December 2014, with a corresponding impact to the profit or loss for the financial year then ended and/or retained earnings as of 31 December 2014.

As a result of the above, we have been unable to obtain sufficient evidence concerning account receivables, account payables, cash and cash equivalents and inventories of Fulian as at 31 December 2014.

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.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on whether the accounting and other records to be kept by the Company have been properly kept.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORELAND FABRICTECH HOLDINGS LIMITED

Other matters

1. The financial statements for the financial year ended 31 December 2013 were audited by another firm of auditors whose report dated 5 August 2014 expressed a modified opinion on those financial statements.

2. Going concern

   The 2013 audited report contained a disclaimer on the appropriateness of going concern assumptions of the Group and the Company. This has been considered resolved in the financial year ended 31 December 2014. Please refer to Note 29 for details.

3. Cessation of Company Secretary

   On 8 December 2016, the directors of the Company ceased the service of Tan Chee How as Company Secretary. As at the date of this report, the Company is looking for a suitable company secretary to replace Tan Chee How.

4. The directors' report and statement by directors is signed by a single director of the Company.

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 25 January 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		The Group		The Company	
	Note	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Assets					
Non-Current					
Land use rights	4(a)	**22,108**	22,600	**–**	–
Property, plant and equipment	4(b)	**76,073**	74,700	**–**	–
Subsidiaries	5	**–**	–	**61,113**	61,113
		98,181	97,300	**61,113**	61,113
Current					
Inventories	6	**2,483**	1,508	**–**	–
Trade and other receivables	7	**25,481**	42,919	**–**	–
Amount owing by a subsidiary	8	**–**	–	**–**	90
Cash and cash equivalents	9	**1,173**	292,435	**7**	106
		29,137	336,862	**7**	196
Total assets		**127,318**	434,162	**61,120**	61,309
Equity					
Capital and reserves					
Share capital	10	**206,765**	206,765	**206,765**	206,765
Accumulated losses		**(220,052)**	(207,122)	**(221,604)**	(220,734)
Reserves	11	**112,975**	112,975	**74,349**	74,349
Total equity		**99,688**	112,618	**59,510**	60,380
Liabilities					
Non-Current					
Deferred tax liability	12	**–**	–	**–**	–
Current					
Trade and other payables	13	**27,630**	321,544	**1,610**	929
Total liabilities		**27,630**	321,544	**1,610**	929
Total equity and liabilities		**127,318**	434,162	**61,120**	61,309

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		The Group	
	Note	31 December 2014 RMB'000	31 December 2013 RMB'000
Revenue	3	**122,095**	106,184
Cost of sales		**(129,726)**	(115,370)
Gross loss		**(7,631)**	(9,186)
Other operating income	14	**4,659**	2,613
Selling and distribution expenses	15	**(2,836)**	(2,901)
Administrative expenses	16	**(7,122)**	(20,271)
Other operating expenses	17	**–**	(535,412)
Loss before taxation	18	**(12,930)**	(565,157)
Taxation	20	**–**	6,695
Loss for the year		**(12,930)**	(558,462)
Other comprehensive income, net of tax	21	**–**	–
Total comprehensive loss for the year		**(12,930)**	(558,462)
		RMB Cents	**RMB Cents**
Loss per share			
– Basic	22	**(2.38)**	(102.65)
– Diluted	22	**(2.38)**	(102.65)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Group	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Merger reserve RMB'000	Accumulated losses/ retained earnings* RMB'000	Total equity RMB'000
Balance at 1 January 2013		206,147	74,349	1,463	56,069	(18,906)	351,340	670,462
Loss for the year		–	–	–	–	–	(558,462)	(558,462)
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive loss for the year		–	–	–	–	–	(558,462)	(558,462)
Transaction with owners – issue of new shares	10	618	–	–	–	–	–	618
Balance at 31 December 2013		**206,765**	**74,349**	**1,463**	**56,069**	**(18,906)**	**(207,122)**	**112,618**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(12,930)**	**(12,930)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**(12,930)**	**(12,930)**
Balance at 31 December 2014		**206,765**	**74,349**	**1,463**	**56,069**	**(18,906)**	**(220,052)**	**99,688**

* Retained profits are distributable.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Group	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Loss before taxation		**(12,930)**	(565,157)
Adjustments for:			
Amortisation of land use rights	4(a)	**492**	587
Depreciation of property, plant and equipment	4(b)	**5,806**	19,518
Impairment loss of land use rights and property, plant and equipment	4(a),4(b)	**–**	246,206
Loss on disposal of property, plant and equipment		**–**	6,213
Bad debts recovered	14	**(3,079)**	–
Interest income	14	**(1,580)**	(2,613)
Compensation for customer claim and late interest	13	**–**	282,993
Operating loss before working capital changes		**(11,291)**	(12,253)
(Increase)/decrease in inventories		**(975)**	1,776
Decrease/(increase) in trade and other receivables		**19,484**	(15,819)
(Decrease)/increase in trade and other payables		**(293,914)**	20,508
Cash used in operations		**(286,696)**	(5,788)
Interest received		**2,613**	1,579
Net cash used in operating activities		**(284,083)**	(4,209)
Cash flows from investing activities			
Acquisition of property, plant and equipment	4(b)	**(7,179)**	(41,022)
Proceeds from disposal of property, plant and equipment		**–**	720
Net cash used in investing activities		**(7,179)**	(40,302)
Cash flows from financing activity			
Proceeds from shares issued		**–**	618
Net cash generated from financing activity		**–**	618
Net decrease in cash and cash equivalents		**(291,262)**	(43,893)
Cash and cash equivalents at beginning of year		**292,435**	336,328
Cash and cash equivalents at end of year	9	**1,173**	292,435

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

1 General information

The financial statements of Foreland Fabrictech Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company (Registration No. 39151) was incorporated in Bermuda on 9 November 2006 under the Bermuda Companies Act as an exempted company with limited liability and listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business of the Group is located at The Second Processing Zone, Dongshi Town, Jinjiang City, Fujian Province, the People's Republic of China (the "PRC").

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC") of Singapore. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Other than as disclosed elsewhere in the financial statements, the financial statements are prepared based on the financial information provided by Tsoi Kin Chit, the former executive chairman of the Company and the finance team in Fulian.

The financial statements are presented in Renminbi (RMB) which is the Company's functional currency. All financial information presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

Going concern assumption

As at 31 December 2014, the Group reported net cash outflow from operating activities of RMB284,083,000 (2013 – RMB4,209,000) due to repayment to creditors and incurred losses of RMB12,930,000 (2013 – RMB565,157,000). The current liabilities exceeded the current assets of the Company by RMB1,603,000 (2013 – RMB733,000). During the financial year, the Company reported loss and total comprehensive loss for the financial year of RMB870,000 (2013 – RMB224,690,000) and the net cash outflow from the operating activities was RMB796,000 (2013 – RMB1,923,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Notwithstanding this, the management is of the view that the going concern assumption is appropriate for the presentation of these financial statements as at the date of this report, the liabilities of approximately RMB17.8 million owing to creditors have been settled whilst the remaining amounts of RMB1.5 million and RMB8.3 million pertain to deposit received from a third party for the transfer of land use rights and buildings (Note 13) and accrual for defined contribution scheme respectively. The trade receivables of approximately RMB23.6 million have been received. Prompt receipts from trade receivables will enable the Group to meet their liabilities as and when they fall due. On this basis, the use of going concern assumption is appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below:

Significant judgements in applying accounting policies

Income tax (Notes 12 and 20)

Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to recognise deferred tax liability for withholding tax arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividends. The Group considers the amount of profits which will be distributed in the foreseeable future to determine if deferred taxes should be provided and the amount to be provided. The carrying amount of deferred tax liability at the end of the reporting period are presented on the statements of financial position.

Impairment of loans and receivables (Note 7)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(a) Basis of preparation (Cont'd)

Impairment of loans and receivables (Note 7) (Cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 7 to the financial statements. All of the Group's loans and receivables are neither past due nor impaired.

Critical accounting estimates and assumptions used in applying accounting policies

Amortisation of land use rights [Note 4(a)]

Land use rights are amortised on a straight-line basis over their estimated useful lives. The Group has been granted rights of use of land of 10 to 49 years. The carrying amount of the Group's land use rights as at 31 December 2014 was RMB22,108,000 (2013 – RMB22,600,000). Changes in the expected level of usage could impact the economic useful lives of land use rights, therefore future amortisation charges could be revised. If the actual useful lives of land use rights differ by 10% from management's estimates, the carrying amount of the land use rights of the Group will be approximately RMB45,000 (2013 – RMB53,000) higher or RMB55,000 (2013 – RMB65,000) lower.

Depreciation of property, plant and equipment [Note 4(b)]

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, competitors' actions and technological obsolescence arising from changes in market demands or service output of the assets could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If the actual useful lives of property, plant and equipment differ by 10% from management's estimates, the carrying amount of the property, plant and equipment of the Group will be approximately RMB528,000 (2013 – RMB1,774,000) higher or RMB645,000 (2013 – RMB2,169,000) lower.

NOTES TO THE FINANCIAL STATEMENTS

2(a) Basis of preparation (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Impairment of non-financial assets [Notes 4(a) and 4(b)]

Assets that are subject to depreciation/amortisation are reviewed to determine whether there is any such indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the assets are tested for impairment. The recoverable amount of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Such impairment loss is recognised in profit or loss. There were indications of impairment required to be assessed given the reported compensation claim in the financial year 2013. No sensitivity analysis was disclosed as the amount was not significant for the financial year ended 31 December 2013. There was no impairment charged to profit or loss for the financial year ended 31 December 2014.

Impairment of investment in subsidiaries (Note 5)

Determining whether investment in subsidiaries is impaired requires an estimation to the recoverable amounts of the investments in subsidiaries. The recoverable amounts of the investments in subsidiaries are estimated using the "fair value less costs of disposal" approach. Fair value is based on the revalued net assets of subsidiaries. In deriving the revalued net assets of these subsidiaries, the fair values of the underlying assets are estimated based on their expected selling prices and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. Management has evaluated the recoverability of the investment based on such estimates. An increase of one percentage point in the discount rate used would have increased the impairment loss by approximately RMB6,000,000 for the financial year ended 31 December 2013. There was no impairment charged to profit or loss for the financial year ended 31 December 2014.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2(b) Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs. This includes the following FRSs which are relevant to the Group.

Reference	**Description**
FRS 110	Consolidated Financial Statements
FRS 112	Disclosure of Interests in Other Entities
Amendments to FRS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 36	Recoverable Amount Disclosures to Non-Financial Assets

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(b) Interpretations and amendments to published standards effective in 2014 (Cont'd)

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 110 Consolidated Financial Statements and Revised FRS 27 Separate Financial Statements

FRS 110 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 110 will require management to exercise significant judgement to determine whether entities are controlled and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements.

The Group has reassessed of which entities the Group controls and there are no resulting changes required.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements.

As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when applied in.

The adoption of the above amended standards does not have any material impact on the basic and fully diluted EPS of the Group.

2(c) FRS issued but not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on the SGX-ST will have to assess the impact of IFRS 1 First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(c) FRS issued but not yet effective (Cont'd)

The following are the new or amended FRS issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Improvements to FRSs		
FRS 16	Property, Plant and Equipment	1 July 2014
FRS 24	Related Party Transaction	1 July 2014
FRS 103	Business Combinations	1 July 2014
FRS 108	Operating Segments	1 July 2014
FRS 113	Fair Value Measurement	1 July 2014
FRS 107	Financial Instruments: Disclosures	1 January 2016
FRS 1	Amendments to FRS 1: Presentation of Financial Statements	1 January 2016
FRS 7	Amendments to FRS 7: Statement of Cash Flows	1 January 2017
FRS 112	Disclosure of Interests in Other Entities	1 January 2017
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Clarifications to FRS 115	1 January 2018
FRS 116	Leases	1 January 2019

The directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for the following:

FRS 115 – Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers establish a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(c) FRS issued but not yet effective (Cont'd)

FRS 115 – Revenue from Contracts with Customers (Cont'd)

The standard replaces FRS 11 Construction Contracts, FRS 18 Revenue, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 Agreements for Construction of Real Estate, INT FRS 118 Transfer of Assets from Customers and INT FRS 31 Revenue – Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

FRS 115 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the financial statements.

FRS 115 – Clarifications to FRS 115

The amendments clarify how to:
- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, FRS 115, i.e. on 1 January 2018.

FRS 109 – Financial Instruments

FRS 109 Financial Instruments replaces the FRS 39 and it is a package of improvements introduced by FRS 109 which include a logical model for:
- Classification and measurement;
- A single, forward – looking "expected loss" impairment model; and
- A substantially reformed approach to hedge accounting.

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(c) FRS issued but not yet effective (Cont'd)

FRS 116 – Leases

FRS 116 Leases replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 Leases that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. FRS 116 Leases will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the Group has adopted FRS 115. The Group is currently assessing the impact to the consolidated financial statements.

Improvements to FRSs (January 2014) Related Party Disclosures

Improvements to FRSs (January 2014) Related Party Disclosures clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The improvements to FRSs (January 2014) FRS 24 Related Party Disclosures are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group when implemented.

Improvements to FRSs (January 2014) Operating Segments

Improvements to FRSs (January 2014) Operating Segments clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial statements.

Amendments to FRS 1 Presentation of Financial Statements

The amendments to FRS 1 Presentation of Financial Statements clarify that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. FRS 1 is effective apply to the whole of financial statement and where and in what order information is presented in the financial disclosures. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company and the Group when implemented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
– de-recognises the carrying amount of any non-controlling interest;
– de-recognises the cumulative translation differences recorded in equity;
– recognises the fair value of the consideration received;
– recognises the fair value of any investment retained;
– recognises any surplus or deficit in profit or loss; and
– re-classifies the Group’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

– power over the investee;
– exposure, or rights or variable returns from its involvement with the investee; and
– the ability to use its power over the investee to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
– potential voting rights held by the Group, other vote holders or other parties;
– rights arising from other contractual arrangements; and
– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

A change in the ownership interest

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (Cont'd)

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses on an individual subsidiary basis.

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 10 to 49 years.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Leasehold property	20 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Office equipment	5 years

No depreciation was provided for construction-in-progress.

Construction-in-progress represented buildings, plant and machinery under construction or pending installation. This included cost of construction, plant and equipment and other direct costs. No provision for depreciation was made on construction-in-progress until such time as the relevant assets were completed and ready for intended use. When the assets concerned were brought into use, the costs were transferred to property, plant and equipment and depreciated in accordance with the policy stated above.

The cost of property, plant and equipment included expenditure that was directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs were included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration was incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that had been recognised was added to the carrying amount of the asset when it was probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, would flow to the Group and the cost could be reliably measured. Other subsequent expenditure was recognised as an expense during the financial period in which it was incurred.

NOTES TO THE FINANCIAL STATEMENTS

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

For acquisitions and disposals during the financial period, depreciation was provided from the month of acquisition and to the month after disposal respectively. Fully depreciated property, plant and equipment were retained in the books of accounts until they were no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

An item of property, plant and equipment was derecognised upon disposal or when no future economic benefits were expected from its use or disposal. Any gain or loss on derecognition of the asset was included in profit or loss in the financial period the asset was derecognised.

Fully depreciated assets are retained in the consolidated financial statements until they are no longer in use.

Financial assets

Financial assets, other than hedging instruments, can be divided into the followings categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date – the date on which the Company and the Group commit to purchase or sell the assets. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (cont'd)

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit and loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in profit or loss.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables comprise trade and other receivables, cash on hand and deposits held in banks.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes all costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes the cost of raw materials, direct labour and an appropriate proportion of production overheads based on the normal level of activity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (Cont'd)

Inventories (Cont'd)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. The amount of any write-down of inventories to net realisable value is recognised as an expense in the period the write-down occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unallocated production overheads due to low production levels including depreciation charges are recognised as expenses in the period in which they are incurred.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is credited as income in the profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share premium account.

Merger reserve

The merger reserve represents the difference between the purchase consideration and the carrying value of the share capital and capital reserve of subsidiaries acquired which was accounted for as a business combination under common control.

Dividends

Final dividends, if any proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends, if any are simultaneously proposed and declared, because of the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (Cont'd)

Income tax (Cont'd)

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

Value-added tax

The Group's sales of goods in the PRC are subjected to Value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivable" or "other payable" in the statement of financial position. The Group's export sales are not subject to VAT.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (Cont'd)

Leases
Where the Group is the lessee,

Operating leases

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company and the Group if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or the Group or of a parent of the Company.

(b) An entity is related to the Company and the Group if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (Cont'd)

Related parties (Cont'd)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and executive officers are considered key management personnel.

Employee benefits

Defined contribution plans

The Company and the Group participate in the defined contribution/pension schemes as provided by the laws of the countries in which it has operations. The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. The contributions to national pension schemes are charged to the profit or loss in the period as incurred to which the contributions relate.

Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave will be forfeited.

Revenue recognition

Sales of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

NOTES TO THE FINANCIAL STATEMENTS

2(d) Summary of significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

Sales of goods (Cont'd)

Revenue from sale of goods is recognised when a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Company and the Group are presented in Renminbi (to the nearest thousand) ("RMB'000"), which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in the profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (Cont'd)

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 24 to the financial statements.

Operating segment

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

3 Principal activities and revenue

The Group	2014 RMB'000	2013 RMB'000
Manufacturing and sale of fabrics	**122,095**	106,047
Provision of fabric processing services	**–**	137
	122,095	106,184

4(a) Land use rights

The Group	2014 RMB'000	2013 RMB'000
Cost		
At beginning and end of year	**29,749**	29,749
Accumulated amortisation		
Balance at beginning of year	**3,103**	2,516
Amortisation for the year	**492**	587
Balance at end of year	**3,595**	3,103
Impairment loss		
Balance at beginning of year	**4,046**	–
Impairment loss for the year	**–**	4,046
Balance at end of year	**4,046**	4,046
Net book value	**22,108**	22,600

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4(a) Land use rights (Cont'd)

Land use rights

Land use rights relate to the following plots of land at the Second Processing Zone, Dongshi Town, Jinjiang City, Fujian Province, the PRC, 362271(Parcel of Land #1 and #2) and Xiaoxia Village, Dongshi Town, Jinjiang City, Fujian Province, the PRC, 362271 (Parcel of Land #3 and #4) where the Group's PRC manufacturing and storage facilities reside:

	Land area Square metres	**Tenure years**	**Expiry date**
Parcel of land #1	3,720	50	17 May 2051
Parcel of land #2	25,613	48	16 December 2052
Parcel of land #3	11,100	50	18 May 2059
Parcel of land #4	53,481	50	18 May 2059
	93,914		

Please refer to Note 4(b) for further information on the impairment loss of land use rights.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4(b) Property, plant and equipment

The Group	Leasehold property RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost						
At 1 January 2013	2,736	164,854	1,402	104	254,221	423,317
Additions	3,754	24,734	–	–	12,534	41,022
Disposals	–	(87,908)	–	–	–	(87,908)
Transfer	257,052	7,903	–	–	(264,955)	–
At 31 December 2013	**263,542**	**109,583**	**1,402**	**104**	**1,800**	**376,431**
Additions	**7,179**	**–**	**–**	**–**	**–**	**7,179**
Transfer	**1,800**	**–**	**–**	**–**	**(1,800)**	**–**
At 31 December 2014	**272,521**	**109,583**	**1,402**	**104**	**–**	**383,610**
Accumulated depreciation						
At 1 January 2013	2,698	116,876	1,353	101	–	121,028
Depreciation for the year	7,619	11,884	14	1	–	19,518
Disposals	–	(80,975)	–	–	–	(80,975)
At 31 December 2013	**10,317**	**47,785**	**1,367**	**102**	**–**	**59,571**
Depreciation for the year	**2,850**	**2,939**	**15**	**2**	**–**	**5,806**
At 31 December 2014	**13,167**	**50,724**	**1,382**	**104**	**–**	**65,377**
Impairment losses						
At 1 January 2013	–	–	–	–	–	–
Impairment loss for the year	200,925	41,235	–	–	–	242,160
At 31 December 2013 and 2014	**200,925**	**41,235**	**–**	**–**	**–**	**242,160**
Net book value						
At 31 December 2014	**58,429**	**17,624**	**20**	**–**	**–**	**76,073**
At 31 December 2013	52,300	20,563	35	2	1,800	74,700

Depreciation charge is recognised as expenses as follows:

The Group	2014 RMB'000	2013 RMB'000
Cost of sales	**5,111**	14,180
Administrative expenses (Note 16)	**695**	5,338
	5,806	19,518

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4(b) Property, plant and equipment (Cont'd)

In year 2013, the subsidiary, Fulian Knitting Co., Ltd, carried out a review of the recoverable amount of the land use rights and property, plant and equipment arising from the significant decline in its revenue and level of production in the financial year. The recoverable amount of the land use rights and property, plant and equipment was determined on the basis of its fair value less costs of disposal. Please refer to Note 26.1 to the financial statements.

As a result of the review, an impairment loss of RMB246,206,000 (land use rights of RMB4,046,000 and property, plant and equipment of RMB242,160,000) was recognised under "other operating expenses" line item in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2013.

Buildings and plant structure

The cost of the buildings and plant structure of RMB272,521,000 (2013 – RMB263,542,000) relates to structural costs incurred on the office and factory buildings on the land located at Xiaoxia Village, Dongshi Town, Jinjiang City, Fujian Province, the PRC, 362271.

5 Subsidiaries

The Company	2014 RMB'000	2013 RMB'000
Unquoted equity shares, at cost	**240,540**	240,540
Impairment loss	**(179,427)**	(179,427)
At end of year	**61,113**	61,113

Movement in impairment loss during the financial year is as follows:

The Company	2014 RMB'000	2013 RMB'000
At beginning of year	**179,427**	–
Allowance made during the year	**–**	179,427
At end of year	**179,427**	179,427

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

5 Subsidiaries (Cont'd)

During the financial year ended 31 December 2013, management performed an impairment test for the investment in a subsidiary, Fulian Knitting Co., Ltd ("Fulian") and the amount owing by this said subsidiary (Note 8) as Fulian incurred losses and declining revenue during the financial year. The recoverable amount of the investment in Fulian was determined based on the value-in-use of Fulian using cash flow forecasts approved by management covering a five-year period. The discount rate applied to the cash flow projection is 15.5% per annum. The cash flows beyond the five-year period were projected based on the estimated terminal value using a terminal growth rate of 1%. An impairment loss pertaining to investment in a subsidiary of RMB179,427,000 has been recognised during the financial year ended 31 December 2014.

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by the Group		Principal activities
		2014	**2013**	
		%	**%**	
Fulian Knitting Co., Ltd*	The People's Republic of China	**100**	100	Manufacturing and selling of functional and normal fabrics and provision of fabric processing services
Fortune Luck International Enterprise Limited*	Hong Kong	**100**	100	Inactive

* audited by Foo Kon Tan LLP for the Group's financial statements audit and consolidation purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

6 Inventories

The Group	2014 RMB'000	2013 RMB'000
At Cost		
Raw materials	**1,000**	551
Work-in-progress	**498**	482
Finished goods	**985**	465
Consumables	**–**	10
	2,483	1,508

Changes in raw materials, consumables, work-in-progress and finished goods included as cost of sales amounted to RMB110,750,000 (2013 – RMB89,604,000).

7 Trade and other receivables

The Group	2014 RMB'000	2013 RMB'000
Trade receivables – third parties	**23,604**	38,814
Other receivables		
VAT receivable	**1,610**	2,197
Interest receivable	**–**	1,034
Prepayments	**267**	874
	1,877	4,105
Total	**25,481**	42,919

All trade and other receivables are subject to credit risk exposure where the credit terms are generally between 30 days and 90 days (2013 – 30 days and 90 days) and do not bear any effective interest rate. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers.

Trade and other receivables are denominated in Renminbi.

The ageing analysis of trade receivables is as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

7 Trade and other receivables (Cont'd)

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially customers with a good collection track record with the Group is as follows:

The Group	2014 RMB'000	2013 RMB'000
Current	**23,604**	38,814

Other receivables of the Group that are neither past due nor impaired amounted to Nil (2013 – RMB1,034,000).

Based on historical default rates, the directors of the Group are of the opinion that no impairment is necessary in respect of trade and other receivables not past due or past due but not impaired as these receivables are mainly arising from customers that have a good credit record with the Group.

Impairment on trade and other receivables is made on specific debts for which the directors of the Group are of the opinion that these debts are long outstanding and are not recoverable.

8 Amount owing by a subsidiary

The Company	2014 RMB'000	2013 RMB'000
Dividend receivable from a subsidiary	**43,015**	43,712
Advance owing by a subsidiary – non-trade	**90**	90
	43,105	43,802
Impairment loss on receivable	**(43,105)**	(43,712)
	–	90

Movement in impairment loss on receivable:

The Company	2014 RMB'000	2013 RMB'000
At beginning of year	**43,712**	–
Allowance made during the year	**90**	43,712
Allowance no longer required	**(697)**	–
At end of year	**43,105**	43,712

The advance owing by a subsidiary is unsecured, interest-free and repayable on demand.

Impairment has been made in full as to the debt owing from the subsidiary as the subsidiary has incurred losses which has nearly exceeded its paid-up capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9 Cash and cash equivalents

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	**608**	23	**–**	–
Cash at banks	**565**	72,412	**7**	106
Fixed deposits	**–**	220,000	**–**	–
	1,173	292,435	**7**	106

Fixed deposits totalling RMB220,000,000 were fully received in May 2014 bearing an effective interest rate of 2.85% per annum which was subsequently used to make payment for customer's damage claim over defective goods.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	**1,166**	292,329	**–**	–
Singapore dollars	**7**	106	**7**	106
	1,173	292,435	**7**	106

10 Share capital

	No. of ordinary shares		Share capital	
	31 December	31 December	31 December	31 December
The Group and The Company	2014	2013	2014	2013
	'000	'000	US$'000	US$'000
Authorised:				
At beginning and end of year	**1,000,000,000**	1,000,000,000	**50,000**	50,000
Issued and fully paid:				
At beginning of year	**544,395,199**	542,424,199	**27,220**	27,121
Issue of new ordinary shares	**–**	1,971,000	**–**	99
At end of year	**544,395,199**	544,395,199	**27,220**	27,220
Issued and fully paid at end of year equivalent to (RMB'000)			**206,765**	206,765

In year 2013, pursuant to the Foreland Performance Share Scheme, 1,971,000 ordinary shares amounting to US$99,000 (approximately RMB618,000) were issued on 5 March 2013 in respect of the award to the employees of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10 Share capital (Cont'd)

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The newly issued shares rank pari passu in all respects with the previously issued shares.

11 Reserves

		The Group		The Company	
		2014	**2013**	**2014**	**2013**
The Group		**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Share premium	(i)	**74,349**	74,349	**74,349**	74,349
Capital reserve	(ii)	**1,463**	1,463	**–**	–
General reserve fund	(iii)	**56,069**	56,069	**–**	–
Merger reserve	(iv)	**(18,906)**	(18,906)	**–**	–
		112,975	112,975	**74,349**	74,349
Represented by:					
Non-distributable		**112,975**	112,975	**74,349**	74,349

The movements in other reserves are as follows:

(i) Share premium

	2014	**2013**
The Group and The Company	**RMB'000**	**RMB'000**
Balance at beginning and at end of year	**74,349**	74,349

(ii) Capital reserve

	2014	**2013**
The Group	**RMB'000**	**RMB'000**
Balance at beginning and at end of year	**1,463**	1,463

The capital reserve arises from the accumulated profits transferred by the PRC subsidiary and is not distributable as cash dividend.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11 **Reserves (Cont'd)**

(iii) General reserve fund

The Group	2014 RMB'000	2013 RMB'000
Balance at beginning and at end of year	**56,069**	56,069

In accordance with relevant regulations applicable to foreign investment enterprise in PRC, the PRC subsidiary is required to transfer 10% of its net profit to the general reserve fund until the reserve reaches 50% of its registered capital. The transfer to this reserve must be made before the payment of dividends to shareholders. In the event that the PRC subsidiary has accumulated losses, the transfer of this reserve can only be made after the accumulated losses are fully set off against current year net profit.

The general reserve fund can only be used to set off against accumulated losses or to increase the registered capital of the PRC subsidiary, subject to approval from the PRC authorities. This general reserve fund is not available for dividend appropriation to the shareholders.

(iv) Merger reserve

The Group	2014 RMB'000	2013 RMB'000
Balance at beginning and at end of year	**(18,906)**	(18,906)

The merger reserve represents the difference between the purchase consideration and the carrying value of the share capital and capital reserve of subsidiaries acquired which was accounted for as a business combination under common control.

12 **Deferred tax liability**

The Group

Deferred tax liability arose from the PRC subsidiary's distributable earnings generated from 1 January 2008 which will be subject to tax at 10% when the PRC subsidiary declares and remits dividend to its foreign investor. The directors expect that no more than 20% of the PRC subsidiary's earnings each year, where available for distribution, will be distributed to the Company in the foreseeable future and accordingly, deferred tax liability was provided on this amount, if any. In financial year 2013, based on management's consideration, deferred tax liability of RMB6,695,000 (Note 20) had been reversed and no deferred tax liability has been provided as at 31 December 2013 and 2014. As at 31 December 2014, Fulian has accumulated losses which has nearly exceeded its paid-up capital. Also, please refer to Note 20 to the financial statements regarding available unabsorbed tax losses carried forward.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13 Trade and other payables

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables – third parties	**15,229**	26,803	**–**	–
Deposit received from a third party (a)	**1,500**	1,500	**–**	–
Other payables	**29**	34	**–**	–
Accrued operating expenses	**10,872**	10,214	**1,610**	929
Liability arising from customer claim and late interest (b)	**–**	282,993	**–**	–
	12,401	294,741	**1,610**	929
	27,630	321,544	**1,610**	929

The Group

Due to their short duration, management considers the carrying amounts recognised in the statements of financial position to be reasonable approximation of their fair values.

(a) In financial year 2012, a subsidiary entered into a transfer agreement with a third party to transfer the land use rights and buildings situated at The Second Processing Zone, Dongshi Town, with no carrying value as at 31 December 2014 for a consideration sum of RMB15 million. A deposit of RMB1.5 million was received in the prior year upon signing of the agreement. The transfer has not been completed at the end of the reporting period. There is no call for the refund of the deposit.

(b) Customer claim

For the financial year 2013, a subsidiary, Fulian Knitting Co., Ltd, received a claim from its customer who demanded compensation for all losses and damages it had incurred in connection with an alleged breach of the sales contract and supply of defective textile products.

In financial year 2014, the Group announced that the subsidiary has entered into an amicable settlement with the customer. Based on the settlement agreement:

(1) The sale and purchase agreement as well as the supplemental agreement between the subsidiary and the customer for sales value of RMB4,062,375 entered into during financial year and from which the claim arose from, have been terminated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13 Trade and other payables (Cont'd)

(b) Customer claim (Cont'd)

(2) In view of the termination, the subsidiary compensated the customer an amount of RMB275,284,800 for all economic losses sustained by the customer, determined based on an appraisal report issued by Fujian Huatie Accounting Firm Limited ("appraisal report").

(3) As the subsidiary was not able to settle the claim upon issuance of the appraisal report as mutually agreed upon, the subsidiary is to pay a late interest payment of RMB7,707,974 which is determined based on bank interest rate of 7% per annum for the period from 1 January 2014 to 30 April 2014.

The compensation and late interest payment totalling RMB282,992,774 was paid on 6 May 2014 and the customer agreed not to make any further claim against the subsidiary for whatever reason under the sales agreements.

A trade debt of RMB3,079,380 from this customer was also written off as bad debt by the Group for the financial year ended 31 December 2013. However, this amount was recovered in the financial year 2014 (Note 14).

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Renminbi	**26,020**	320,615	**–**	–
Singapore dollars	**1,610**	929	**1,610**	929
	27,630	321,544	**1,610**	929

14 Other operating income

	2014	**2013**
The Group	**RMB'000**	**RMB'000**
Bank interest (Note 18)	**1,580**	2,613
Bad debts recovered [Notes 13(b), 18]	**3,079**	–
	4,659	2,613

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15 Selling and distribution expenses

The Group	Note	2014 RMB'000	2013 RMB'000
Advertisement expenses		**826**	1,095
Office rental	18	**691**	654
Staff costs	19	**453**	423
Entertainment expenses		**215**	192
Travelling expenses		**191**	142
Petrol charges		**180**	139
Others		**280**	256
		2,836	2,901

16 Administrative expenses

The Group	Note	2014 RMB'000	2013 RMB'000
Staff costs	19	**3,033**	5,967
Amortisation of land use rights	4(a)	**492**	587
Depreciation of property, plant and equipment	4(b)	**695**	5,338
Service tax for land use rights		**608**	608
Audit fees	18	**631**	367
Property tax		**294**	294
Travelling expenses		**239**	206
Entertainment expenses		**236**	202
Professional fees		**194**	242
Others		**700**	6,460
		7,122	20,271

17 Other operating expenses

The Group	Note	2014 RMB'000	2013 RMB'000
Loss on disposal of property, plant and equipment		**–**	6,213
Impairment loss of land use rights and property, plant and equipment	4(a),4(b)	**–**	246,206
Compensation for customer claim and late interest payment	13	**–**	282,993
		–	535,412

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18 Loss before taxation

The Group	Note	2014 RMB'000	2013 RMB'000
Loss before taxation has been arrived at after charging/ (crediting):			
Audit fees paid to auditor of the Company	16	**631**	367
Amortisation of land use rights	4(a)	**492**	587
Depreciation of property, plant and equipment	4(b)	**5,806**	19,518
Office rental	15	**691**	654
Bad debt written off (trade)	13	**–**	3,079
Interest income	14	**(1,580)**	(2,613)
Bad debts recovered	13(b),14	**(3,079)**	–

19 Staff costs

The Group	2014 RMB'000	2013 RMB'000
Key management personnel		
– Directors of the Company		
– directors' fees	**406**	634
– salaries and related costs	**1,331**	1,363
– employer's contributions to defined contribution plans	**74**	12
Key management personnel (non-directors) and close family members of a previous director		
– salaries and related costs	**247**	740
– employer's contributions to defined contribution plans	**69**	27
Other than key management personnel		
– salaries and related costs	**3,835**	5,319
– employer's contributions to defined contribution plans	**1,301**	1,243
Other personnel related expenses	**–**	93
Total staff costs	**7,263**	9,431
Charged to:		
– cost of sales	**3,777**	3,041
– Selling and distribution expenses (Note 15)	**453**	423
– Administrative expenses (Note 16)	**3,033**	5,967
	7,263	9,431

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20 Taxation

The Group	2014 RMB'000	2013 RMB'000
Deferred tax expense	–	(6,695)

Reconciliation of effective tax rate

The Group	2014 RMB'000	2013 RMB'000
Loss before taxation	**(12,930)**	(565,157)
Tax at the domestic rates applicable to loss in the countries where the Group operates	**(3,081)**	(140,902)
Tax effect on non-deductible expenses	**346**	54
Reversal of deferred tax expense arising from distributable earnings	–	(6,695)
Deferred tax asset on losses not recognised	**2,735**	140,848
	–	(6,695)

The Group does not have any assessable income in Bermuda.

Pursuant to the relevant laws and regulations in the PRC, the subsidiary of the Group which was incorporated in the PRC is required to pay PRC enterprise income tax at an uniform rate of 25%.

Pursuant to the relevant laws and regulations in Hong Kong, the subsidiary of the Group which was incorporated in Hong Kong is required to pay income tax at a rate of 16.5% of its taxable income.

The Group has not recognised a deferred tax asset, in respect of tax losses and other deductible temporary differences arising from land use rights, property, plant and equipment and provision of approximately RMB146.7 million (2013 – RMB144 million) because it is not probable that sufficient future taxable profits would be available to utilise the tax benefit. The utilisation of the tax benefit is subject to the agreement of the income tax authority and tax losses will expire after five years from the year of assessment they arose from.

21 Other comprehensive income, net of tax

The Group did not generate other comprehensive income for the financial years ended 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

22 Loss per share

	2014	2013
The Group		
Loss (RMB'000)		
Net loss for the year attributable to equity holders of the Company	**(12,930)**	(558,462)
Number of shares ('000)		
Weighted average number of ordinary shares for basic earnings per share	**544,395**	544,055
Basic and diluted loss per share (RMB Cents)	**(2.38)**	(102.65)

23 Commitments

23.1 Capital commitments

The Group	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for purchase of property, plant and equipment and construction-in-progress	–	6,036

23.2 Operating lease commitments (non-cancellable)

The Group has entered into commercial leases on various representation office premises. These leases have an average tenure of 1 year (2013 – 1 year). The leases for office premises have renewal options included in the contracts.

As at the end of reporting period, the Group was committed to making the following rental payments in respect of non-cancellable operating lease for rental of office premises with an original term of more than one year:

The Group	2014 RMB'000	2013 RMB'000
Not later than one year	**257**	113
Later than one year and not later than five years	**–**	–
Later than five years	**–**	–

The leases on the Group's office premises on which rentals are payable will expire between 13 February 2015, being the earliest date and 9 July 2015 being the latest date. The current rent payable on the leases range between RMB14,500 and RMB27,000 (2013 – RMB13,250 and RMB25,000) per month, which are subject to revision on renewal.

24 Financial risk management objectives and policies

The Group's and the Company's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group and the Company. Management does not have written procedure to monitor the Group's and the Company's risk exposures but it monitors the costs associated with such monitoring and management against the costs of risk occurrence. The Group's and the Company's risk management policies are reviewed periodically for changes in market conditions and the Group's and the Company's operations.

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market risk.

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

24.1 Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group and the Company. The Group's and the Company's exposure to credit risk arises primarily from trade receivables. For other financial assets, including cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Company's objective are to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtors' balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts are not significant. Impairment loss has been fully provided for amount owing by a subsidiary (Note 8).

<u>Exposure to credit risk</u>

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group's and the Company's major classes of financial assets are cash and cash equivalents, trade and other receivables. All trade receivables of the Group are due from third parties and receivable in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

24 Financial risk management objectives and policies (Cont'd)

24.1 Credit risk (Cont'd)

Exposure to credit risk (Cont'd)

For trade receivables, the Group and the Company adopt the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparties fail to perform their obligations as of 31 December 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statements of financial position. Cash is held with reputable financial institutions.

Further details of credit risks on trade and other receivables are disclosed in Note 7 to the financial statements.

24.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising fund to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted cash flows:

The Group	**Less than one year RMB'000**	**One to five years RMB'000**	**Over five years RMB'000**	**Total RMB'000**
At 31 December 2014				
Trade and other payables	**27,630**	**–**	**–**	**27,630**
At 31 December 2013				
Trade and other payables	321,544	–	–	321,544
The Company				
At 31 December 2014				
Trade and other payables	**1,610**	**–**	**–**	**1,610**
At 31 December 2013				
Trade and other payables	929	–	–	929

Please refer to Note 2(a) going concern assumption which affects the liquidity assumptions of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

24 Financial risk management objectives and policies (Cont'd)

24.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Apart from the Group's and the Company's bank balances and fixed deposits where interest income is not significant, the Group and the Company have no significant interest-bearing assets and liabilities. The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates.

24.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company and its subsidiaries maintain their respective books and accounts in their functional currencies. As a result, the Group and the Company are subject to transaction exposures resulting from foreign currency exchange rate fluctuations in particular, the Singapore dollars ("SGD") but the exposures are not significant. It is not the Group's and the Company's policy to take speculative positions in foreign currencies.

The Group's and the Company's currency exposure based on the information provided to key management is as follows:

	Financial assets/(liabilities) denominated in SGD	
	2014	**2013**
The Group and the Company	**RMB'000**	**RMB'000**
Cash and cash equivalents	**7**	106
Trade and other payables	**(1,610)**	(929)
Net financial liabilities denominated in foreign currency	**(1,603)**	(823)

Sensitivity analysis for foreign currency risk is not presented as the effect of changes in foreign currency exchange rates on the Group's and Company's profit or loss is not significant.

24.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

At the end of reporting period, the Group is not subject to significant market price risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25 Financial instruments

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

		The Group		The Company	
		2014	2013	2014	2013
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Loans and receivables					
Trade and other receivables	7				
– Trade receivables		**23,604**	38,814	**–**	–
– Interest receivables		**–**	1,034	**–**	–
Amount owing by a subsidiary	8	**–**	–	**–**	90
Cash and cash equivalents	9	**1,173**	292,435	**7**	106
		24,777	332,283	**7**	196
Financial liabilities					
Trade and other payables	13	**27,630**	321,544	**1,610**	929

26 Fair value measurement

Fair value

FRS 113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 Inventories or value in use in FRS 36 Impairment of Assets.

The carrying amount of financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

26 Fair value measurement (Cont'd)

26.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : unobservable inputs for the asset or liability

There is no financial assets and financial liabilities measured at fair value as at 31 December 2014 and 2013.

Level 3 fair value measurement

Information about significant unobservable inputs used in Level 3 fair value measurement

Valuation techniques and significant unobservable inputs

The following table shows the Group's valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

FY2013

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs
(1) Leasehold property; (2) Land use rights; (3) Plant and machinery; (4) Motor vehicles; and (5) Office equipment	Market and cost comparison technique: The Group considers both approaches, and reconciles and weighs the estimates under each approach based on its assessment of the judgement that market participants would apply. Comparison was made to valuations of comparable property and land in recent market transactions with adjustments made to reflect the condition and utility of the assets valued relative to the market comparative. The cost approach considers costs to reproduce or replace in new conditions the assets valued in accordance with the market prices of similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence.	Market approach • Acquisition of similar assets in the used market, with allowance made to reflect the costs for disposal. Cost approach • Estimation of life span according to the assets' physical conditions, functions, technologies as well as manufacturers, maintenance policies and product market.	The fair value change is dependent on the assumptions and estimates of the key unobservable inputs. No coefficient adjustment indicator is applied.

26 Fair value measurement (Cont'd)

26.1 Fair value measurement of financial instruments (Cont'd)

Valuation techniques and significant unobservable inputs (Cont'd)

In year 2013, the subsidiary, Fulian Knitting Co., Ltd, carried out a review of the recoverable amount of the land use rights and property, plant and equipment arising from the significant decline in its revenue and level of production in the financial year. The recoverable amount of the land use rights and property, plant and equipment was determined on the basis of its fair value less costs of disposal. The fair value less costs of disposal was determined by a professional valuer using the market approach for the leasehold property and land use rights, and the cost approach for the other assets. Under the market approach, the value of assets was estimated through analysis of recent sales of comparable items of the assets with adjustments made to the indicated market price to reflect condition and utility of the assets value relative to the market comparative. The cost approach considered the costs to reproduce or replace the assets in a new condition which was measured in accordance with the market prices of similar assets, with allowance for accrued depreciation arising from the conditions, utility, age wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history, if any. This measurement of fair value of the land use rights and property, plant and equipment is categorised within Level 3 of the fair value hierarchy. Level 3 represents measurement using inputs for the asset or liability that are not based on observable market data.

As a result of the review, an impairment loss of RMB246,206,000 (land use rights of RMB4,046,000 and property, plant and equipment of RMB242,160,000) was recognised under "other operating expenses" line item in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2013.

27 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as a going concern;
(b) To support the Group's and the Company stability and growth;
(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
(d) To provide an adequate return to shareholders.

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27 Capital management (Cont'd)

The Directors monitor capital on the basis of its equity ratio, which is calculated as a percentage of total assets. The Group's and the Company's equity ratios are as follows:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total equity	**99,688**	112,618	**59,510**	60,380
Total assets	**127,318**	434,162	**61,120**	61,309
Equity ratio	**78%**	26%	**97%**	98%

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are not subject to externally imposed capital requirements.

28 Segment information

No operating segment is presented as the Group operates principally in a single business segment which is manufacturing and selling of functional and normal fabrics. As the business of the Group is engaged entirely in the People's Republic of China ("PRC"), no reporting by geographical location of operations is presented.

All revenue and losses are attributable to customers who are located in the PRC.

All non-current assets including capital expenditure are located in the PRC.

The segment assets and segment liabilities amounted to RMB125,708,000 (2013 – RMB431,965,000) and RMB27,630,000 (2013 – RMB321,544,000) respectively as at 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

29 Disclaimer audit report for financial year ended 31 December 2013

The 2013 audited report dated 5 August 2014 on the financial statements contained a disclaimer opinion on the appropriateness of going concern assumptions of the Group and the Company, which was resolved for the financial year ended 31 December 2014:

Appropriateness of going concern assumptions of the Group and the Company

During the financial year ended 31 December 2013, 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 13 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's and the Company's ability to continue as a going concern.

Management has prepared a cash flow forecast in their assessment of the Group's and the 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's and the Company's financial statements is appropriate. The other auditors were not able to obtain sufficient appropriate audit evidence to satisfy themselves 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 assumptions is dependent on the ability of the Group and the Company to generate sufficient level of revenue and profit from their operations and sufficient cash flows for their requirements in the next twelve months.

For the financial year ended 31 December 2014, the management is of the view that the going concern assumption is appropriate for the presentation of these financial statements as at the date of this report, the liabilities of approximately RMB17.8 million owing to creditors have been settled whilst the remaining amounts of RMB1.5 million and RMB8.3 million pertain to deposit received from a third party for the transfer of land use rights and buildings (Note 13) and accrual for defined contribution scheme respectively. The trade receivables of approximately RMB23.6 million have been received. Prompt receipts from trade receivables will enable the Group to meet their liabilities as and when they fall due. On this basis, the use of going concern assumption is appropriate.

Accordingly, the matter was considered resolved.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30 Events after end of reporting date

Appointment of Chief Financial Officer

Lai Han Yen was appointed as the Group's Chief Financial Officer on 21 March 2016.

Incorporation of Suncere International Pte. Ltd.

On 28 September 2016, the Company incorporated Suncere International Pte. Ltd., a company incorporated in Singapore, with a share capital of 1 ordinary share for a total cash consideration of S$1.00. The principal activity is that of investment holding.

Appointment of auditor

Foo Kon Tan LLP was appointed as the auditor of the Company on 30 September 2016 at the extraordinary general meeting.

STATISTICS OF SHAREHOLDINGS

AS AT 10 JANUARY 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	8	0.82	383	0.00
100 – 1,000	45	4.61	26,512	0.01
1,001 – 10,000	206	21.11	1,315,025	0.24
10,001 – 1,000,000	676	69.26	100,608,631	18.48
1,000,001 AND ABOVE	41	4.20	442,444,648	81.27
TOTAL	**976**	**100.00**	**544,395,199**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	222,371,759	40.85
2	OCBC SECURITIES PRIVATE LIMITED	37,620,581	6.91
3	ZHANG SHENGHUA	20,272,500	3.72
4	LIAO CHENG	18,935,800	3.48
5	WU SENHUA	16,656,900	3.06
6	CHEUNG LEUNG YAN	15,434,400	2.84
7	PU RONGLIANG	7,973,000	1.46
8	PHILLIP SECURITIES PTE LTD	7,839,411	1.44
9	CITIBANK NOMINEES SINGAPORE PTE LTD	7,207,181	1.32
10	CHEW CHOO POH	6,800,000	1.25
11	RAFFLES NOMINEES (PTE) LIMITED	6,638,255	1.22
12	DBSN SERVICES PTE. LTD.	6,431,234	1.18
13	LEOW KIM HOW	5,400,000	0.99
14	RHB SECURITIES SINGAPORE PTE. LTD.	5,000,011	0.92
15	CHEN TINGYI	4,900,000	0.90
16	DANIEL TAN POON KUAN	4,200,000	0.77
17	PHUA HUA SENG	4,000,000	0.73
18	2G CAPITAL PTE LTD	3,804,000	0.70
19	KGI SECURITIES (SINGAPORE) PTE LTD	3,000,300	0.55
20	TAY SWEE SZE	3,000,000	0.55
	TOTAL	**407,485,332**	**74.84**

STATISTICS OF SHAREHOLDINGS

AS AT 10 JANUARY 2017

SHARE CAPITAL

Authorised capital	USD50,000,000
Issued and fully-paid capital	USD27,219,760
Number of Shares	544,395,199
Class of Shares	Ordinary share of USD0.05 each
Voting rights	1 vote per ordinary share

The Company does not hold any treasury shares.

SUBSTANTIAL SHAREHOLDERS

The name of the substantial shareholder and the number of shares in which she has interests is as follow:

Name of Shareholder	No. of shares in which the substantial shareholder has direct interests	No. of shares in which the substantial shareholders has deemed interests
Huang Wen	160,619,700*	–

* The shares were held in the name of UOB Kay Hian Private Limited as nominee.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as of 10 January 2017, approximately 70.5% of the issued ordinary shares of the Company are held by the public and therefore Rule 723 of the Listing Manual of SGX-ST is complied with.

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Singapore 329892