



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

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

The Board of Directors (the “**Board**”) of Foreland Fabrictech Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 20 February 2017 in connection with the Company’s Annual Report for the financial years ended 31 December 2014 (“**Annual Report 2014**”) and 31 December 2015 (“**Annual Report 2015**”).

ANNUAL REPORT 2014

SGX Query 1:

Guideline 9.2 of the Code of Corporate Governance 2012 (the “**Code**”) states that the Company should fully disclose the remuneration of each individual director and the chief executive officer (“**CEO**”) on a named basis. For administrative convenience, the Company may round off the disclosed figures to the nearest thousand dollars.

Noting that Tsoi Kin Chit, Zhang Hong Lai, Lim Siang Kai, Cheung Hanford Ho Fat, Tan Chee Kian, Tan Sze Leng Steve, Leow Yong Kin and Chen Chaoying have ceased to be directors of the Company, please:-

- i) Explain why the Company is concerned with the competitive pressures in the talent market to retain them;

Company’s response: The remuneration of each individual director is set out in the table below.

Name of directors	Remuneration (RMB’000)
Lim Siang Kai	72
Cheung Hanford Ho Fat	23
Tan Chee Kian	52
Tan Sze Leng Steve	68
Leow Yong Kin	34
Chen Chaoying	85
Total	334

- ii) Elaborate on the competitive pressure in disclosing the pay of Tsoi Kin Chit and Zhang Hong Lai, in particular noting their behavior noted in the disclaimer of opinion by the Independent Auditors and the findings by the Special Auditors; and

Company’s response: The remuneration of Tsoi Kin Chit and Zhang Hong Lai is set out in the table below.

Name of directors	Remuneration (RMB'000)
Tsoi Kin Chit	1,114
Zhang Hong Lai	291
Total	1,405

iii) Explain for the deviation from Guideline 9.2 of the Code.

Company's response: As the current Board had not had the opportunity to work closely with the Directors (whose remuneration is to be disclosed), if at all, the disclosure in the Corporate Governance Report in the Annual Report for the financial year ended 31 December 2014 was based on disclosures and position taken by the previous Board in the previous years, including the Corporate Governance Report of the Company's Annual Report for the financial year ended 31 December 2013.

SGX Query 2:

Guideline 9.3 of the Code states that the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel. As required by Rule 1207(12) of the Listing Manual, please make disclosures as recommended in paragraph 9.3 of the Code:-

i) Name the top 5 key management of the Company; and

Company's response: The Company only has 3 key management personnel (who are not directors or the CEO) in the financial year ended 31 December 2014. The 3 key management personnel are Cai Lian Yong, Cai Zhi Meng and Wang Shu Fen.

ii) Disclose the aggregate remuneration paid to the top five key management personnel or otherwise explain the reason(s) for the deviation from the following Code recommendations.

Company's response: Details of remuneration of the 3 key management personnel in the financial year ended 31 December 2014 is as follows:-

Name of key management personnel	Remuneration (RMB'000)
Cai Lian Yong	163
Cai Zhi Meng	72
Wang Shu Fen	81
Total	316

SGX Query 3:

It was disclosed that "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". Please elaborate and provide details on what were not adequate, why these were not adequate and the Board of Directors' actions to rectify this.

Company's response: The details of inadequacy of Group's risk management and internal controls can be found on pages 8 to 11 of the Annual Report 2014, as well as the summary of BDO's findings of the independent review announced by the Company on 25 May 2016. As stated in page 34 of Annual Report 2014, 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 engaging an internal auditor as soon as practicable in order to improve the internal control of the Group and safeguard shareholders' interest.

SGX Query 4:

It was disclosed that "(n)onetheless, 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". Please disclose a timeline for this engagement.

Company's response: The Company is in the process of restructuring the Group ("**Restructuring**") and is currently in preliminary discussions to acquire a new business.

After completion of the Restructuring, the Board will engage an internal auditor to improve the internal control of the Group as a whole and safeguard shareholders' interests. The Board is of the view that the engagement of an internal auditor after the Restructuring will be more cost-effective and meaningful as the scope of the internal audit could then take into consideration the business of the Group following the Restructuring and endeavor to appoint the same within 2 months after the Restructuring.

SGX Query 5:

It was disclosed that "(i)n 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". Please elaborate on the reasons why the current Executive Chairman and the Chief Financial Officer are unable to opine on the above.

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

SGX Query 6:

For the section on "Limitation of scope – account receivables, account payables, cash and cash equivalents and inventories of Fulian", it was mentioned that "(d)ue to limitations placed on the

scope of our work by the then directors of the Group, the audit evidence available was limited...”
Please disclose:-

i) the “limitations” placed on the scope and why these limitations were placed; and

Company’s response:

Limitations placed on the scope include the following:

1) Account receivables and account payables

The local management of Fulian, namely, Tsoi Kin Chit, the Company’s former Executive Chairman, was against the auditors from visiting the customers and suppliers as the outstanding balance for account receivables and account payables relate to transactions in 2014 and before. Fulian no longer has business relationship with some of the customers and suppliers.

2) Cash and cash equivalents

The local management of Fulian, namely, Tsoi Kin Chit, the Company’s former Executive Chairman, believed it was not necessary for the auditors to obtain the bank statement directly from the bank as Fulian has already obtained the monthly bank statement which was available from their office. However, as part of the audit procedure to verify the authenticity of the transactions of Fulian, the auditors needed to obtain the bank statement physically and directly from the bank.

ii) who are the “directors” mentioned here.

Company’s response: The “directors” referred to the executive and non-executive directors in office during the financial year ended 31 December 2014, namely, Tsoi Kin Chit, Zhang Hong Lai and Chen Chaoying.

SGX Query 7:

It was disclosed that “(b)ased 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”. Please disclose what the Board of Directors intends to do to ensure it has control over its assets and accounting records.

Company’s response: The Board is currently in the midst of seeking a suitable legal firm in the People’s Republic of China (“PRC”) to advise on the aforementioned matters and will update the shareholders in due course.

SGX Query 8:

It was mentioned that the Independent Auditors 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 and that no letter of consent was obtained upon request by the audit team. Please:-

i) Disclose what the Company is going to do to protect its assets and cash; and

Company’s response: The Board is currently in the midst of seeking a suitable legal firm in the PRC to advise on the aforementioned matters and will update the shareholders in due course.

ii) Disclose why Tsoi Kin Chit did not provide the authorization.

Company's response: Representative of Tsoi Kin Chit indicated that Fulian had the bank statement in their records and did not require his authorisation, notwithstanding the auditor's numerous requests for the same as part of the audit procedure to verify the authenticity of the transactions of Fulian.

SGX Query 9:

For the section on "Limitation of scope – account receivables, account payables, cash and cash equivalents and inventories of Fulian" under the Independent Auditor's Report, if the Independent Auditors were not allowed to do paragraphs (i) to (iv) in this section, what was the scope of the audit that was eventually carried out?

Company's response:

Limitation of scope on:	Audit procedures adopted in view of the limitation of scope:
Account receivables	For account receivables: - obtained full transactions listing for the selected debtors; - vouched to sales invoices and goods delivery notes for sales made to these debtors; - vouched to bank statement for receipts during the financial year; and - checked to subsequent receipts for the selected debtors. The auditors also performed background checks for the selected debtors.
Account payables	For account payables: - obtained full transactions listing for the selected creditors; - vouched to supplier invoices, goods received notes and purchase contracts for purchases made to these creditors; and - vouched to bank statement for payments made during the financial year. The auditors also performed background checks for the selected creditors.
Cash and cash equivalents	For cash and bank balance: The auditors physically visited the bank - requested for original bank confirmation and witnessed the confirmation reply process; - verified the signatory on the confirmation from the bank; and - obtained the bank officer's name card with address and contact indicated.
Inventories	For inventories: The auditors obtained the detailed purchase listing from the management and computed the weighted average cost of inventories by verifying to the purchase invoices.

	The auditors also checked to the subsequent sales invoices and inventories were measured at the lower of cost and net realisable value as at 31 December 2014. A reconciliation was performed by the auditors for raw materials, work-in-progress and finished goods to agree the movement to the inventory listing.
--	--

ANNUAL REPORT 2015

SGX Query 10:

Guideline 9.2 of the Code of Corporate Governance 2012 (the "Code") states that the Company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the Company may round off the disclosed figures to the nearest thousand dollars.

Noting that Tsoi Kin Chit, Zhang Hong Lai, Lim Siang Kai, Cheung Hanford Ho Fat, Tan Chee Kian, Tan Sze Leng Steve, Leow Yong Kin and Chen Chaoying have ceased to be Directors of the Company, please:-

- i) Explain why the Company is concerned with the competitive pressures in the talent market to retain them;

Company's response: The remuneration of each individual director is set out in the table below:

Name of directors	Remuneration (RMB'000)	Remarks
Lim Siang Kai	-	Resigned on 2 June 2014
Cheung Hanford Ho Fat	-	Resigned on 26 February 2014
Tan Chee Kian	-	Resigned on 1 April 2014
Tan Sze Leng Steve	-	Resigned on 10 September 2014
Leow Yong Kin	-	Resigned on 30 November 2014
Chen Chaoying	120	
Total	120	

- iii) Elaborate on the competitive pressure in disclosing the pay of Tsoi Kin Chit and Zhang Hong Lai, in particular noting their behavior noted in the disclaimer of opinion by the Independent Auditors and the findings by the Special Auditors; and

Company's response: The remuneration of Tsoi Kin Chit and Zhang Hong Lai is set out in the table below.

Name of directors	Remuneration (RMB'000)
Tsoi Kin Chit	1,028
Zhang Hong Lai	294
Total	1,322

- iii) Explain for the deviation from Guideline 9.2 of the Code.

Company's response: As the current Board had not had the opportunity to work closely with the Directors (whose remuneration is to be disclosed), if at all, the disclosure in the Corporate Governance Report in the Annual Report for the financial year ended 31 December 2015 was based on disclosures and position taken by the previous Board in the previous years, including the Corporate Governance Reports of the Company's Annual Reports for the financial years ended 31 December 2013 and 2014.

SGX Query 11:

Guideline 9.3 of the Code states that the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel. As required by Rule 1207(12) of the Listing Manual, please make disclosures as recommended in paragraph 9.3 of the Code:-

- i) Name the top 5 key management of the Company; and

Company's response: The Company only has 3 key management personnel (who are not directors or the CEO) in the financial year ended 31 December 2015. The 3 key management personnel are Cai Lin Yong, Cai Zhi Meng and Wang Shu Fen.

- ii) Disclose the aggregate remuneration paid to the top five key management personnel or otherwise explain the reason(s) for the deviation from the following Code recommendations.

Company's response: Details of remuneration of key management personnel in the financial year ended 31 December 2015 are as follows:-

Name of key management personnel	Remuneration (RMB'000)
Cai Lian Yong	172
Cai Zhi Meng	63
Wang Shu Fen	63
Total	298

SGX Query 12:

It was disclosed that "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". Please elaborate and provide details on what were not adequate, why these were not adequate and the Board of Directors' actions to rectify this.

Company's response: The details of inadequacy of Group's risk management and internal controls can be found on pages 8 to 10 of the Annual Report 2015, as well as the summary of BDO's findings of the independent review announced by the Company on 25 May 2016. As stated in page 31 of Annual Report 2014, the former Board did not engage any internal auditors to perform internal audit reviews and examinations covering different processes in FY2015 due to an on-going independent review by BDO. Nonetheless, the Board is committed to engaging an internal auditor as soon as practicable in order to improve the internal control of the Group and safeguard shareholders' interest.

SGX Query 13:

It was disclosed that “(n)onetheless, 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”. Please disclose a timeline for this engagement.

Company’s response: The Company is in the process of Restructuring and is currently in preliminary discussions to acquire a new business.

After completion of the Restructuring, the Board will engage an internal auditor to improve the internal control of the Group as a whole and safeguard shareholders’ interests. The Board is of the view that the engagement of an internal auditor after the Restructuring will be more cost-effective and meaningful as the scope of the internal audit could then take into consideration the business of the Group following the Restructuring and endeavor to appoint the same within 2 months after the Restructuring.

SGX Query 14:

It was disclosed that “(i)n 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”. Please elaborate on the reasons why the current Executive Chairman and the Chief Financial Officer are unable to opine on the above.

Company’s response: The current Executive Chairman and the Chief Financial Officer joined the Company on 1 August 2016 and 21 March 2016 respectively. As such, they have not had sufficient time and information to opine on the effectiveness of the Company’s risk management and internal controls system or provide the assurance that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances and are in accordance with the relevant accounting standards for FY2015.

SGX Query 15:

For the section on “Limitation of scope – account receivables, account payables, cash and cash equivalents and inventories of Fulian“, it was mentioned that “(d)ue to limitations placed on the scope of our work by the then directors of the Group, the audit evidence available was limited...” Please disclose:-

- i) the “limitations” placed on the scope and why these limitations were placed; and

Company’s response:

Limitations placed on the scope include the following:

- 1) Account receivables and account payables

The local management of Fulian, namely, Tsoi Kin Chit, the Company’s former Executive Chairman, was against the auditors from visiting the customers and suppliers as the outstanding balance for account receivables and account payables relate to transactions in 2015 and before. Fulian no longer has business relationship with some of the customers and suppliers.

- 2) Cash and cash equivalents

The local management of Fulian, namely, Tsoi Kin Chit, the Company's former Executive Chairman, believed it was not necessary for the auditors to obtain the bank statement directly from the bank as Fulian has already obtained the monthly bank statement which was available from their office. However, as part of the audit procedure to verify the authenticity of the transactions of Fulian, the auditors needed to obtain the bank statement physically and directly from the bank.

ii) who are the "directors" mentioned here.

Company's response: The "directors" referred to the executive and non-executive directors in office during the financial year ended 31 December 2015, namely, Tsoi Kin Chit, Zhang Hong Lai and Chen Chaoying.

SGX Query 16:

It was disclosed that "(b)ased 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". Please disclose what the Board of Directors intends to do to ensure it has control over its assets and accounting records.

Company's response: The Board is currently in the midst of seeking a suitable legal firm in the PRC to advise on the aforementioned matters and will update the shareholders in due course.

SGX Query 17:

It was mentioned that the Independent Auditors 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 and that no letter of consent was obtained upon request by the audit team. Please:-

i) Disclose what the Company is going to do to protect its assets and cash; and

Company's response: The Board is currently in the midst of seeking a suitable legal firm in PRC to advise on the aforementioned matters and will update the shareholders in due course.

ii) Disclose why Tsoi Kin Chit did not provide the authorization.

Company's response: Representative of Tsoi Kin Chit indicated that Fulian had the bank statement in their records and did not require his authorisation, notwithstanding the auditor's numerous requests for the same as part of the audit procedure to verify the authenticity of the transactions of Fulian.

SGX Query 18:

For the section on "Limitation of scope – account receivables, account payables, cash and cash equivalents and inventories of Fulian" under the Independent Auditor's Report, if the

Independent Auditors were not allowed to do paragraphs (i) to (iv) in this section, what was the scope of the audit that was eventually carried out?

Company's response:

Limitation of scope on:	Audit procedures adopted in view of the limitation of scope:
Account receivables	For account receivables: - obtained full transactions listing for the selected debtors; - vouched to sales invoices and goods delivery notes for sales made to these debtors; - vouched to bank statement for receipts during the financial year; and - checked to subsequent receipts for the selected debtors. The auditors also performed background checks for the selected debtors.
Account payables	For account payables: - obtained full transactions listing for the selected creditors; - vouched to supplier invoices, goods received notes and purchase contracts for purchases made to these creditors; and - vouched to bank statement for payments made during the financial year. The auditors also performed background checks for the selected creditors.
Cash and cash equivalents	For cash and bank balance: The auditors physically visited the bank - requested for original bank confirmation and witnessed the confirmation reply process; - verified the signatory on the confirmation from the bank; and - obtained the bank officer's name card with address and contact indicated.
Inventories	For inventories: The auditors obtained the detailed purchase listing from the management and computed the weighted average cost of inventories by verifying to the purchase invoices. The auditors also checked to the subsequent sales invoices and inventories were measured at the lower of cost and net realisable value as at 31 December 2015. A reconciliation was performed by the auditors for raw materials, work-in-progress and finished goods to agree the movement to the inventory listing.

By Order of the Board

Yang Meng Yang
Executive Chairman and Executive Director
23 February 2017