



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

LOSS OF CONTROL IN SUBSIDIARY

INTRODUCTION & INFORMATION ON SUBSIDIARY

1. The board of Directors (the “Board”) of Foreland Fabrictech Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to announce that the Company may have lost control over its wholly-owned subsidiary, Fulian Knitting Co., Ltd. (“Fulian”) in the People’s Republic of China (“PRC”).
2. Fulian was incorporated on 15 October 1988 and its principally activities are manufacturing and selling of functional and normal fabrics and provision of fabric processing services. The net carrying amount of the investment in Fulian as at to date is RMB61,103,057.

EVENTS LEADING UP TO THE LOSS OF CONTROL OF SUBSIDIARY IN MAY 2018

3. Since Tsoi Kin Chit (“Tsoi”, former Chairman of the Company) resigned in August 2016, and his public reprimand by SGX in November 2016, Tsoi had become increasingly reluctant to co-operate in many matters relating to Fulian which he was effectively controlling. At the earliest opportunity, the Directors of the Company commenced investigations into Fulian and Tsoi. The Directors were compelled to investigate because of their suspicions when Tsoi refused to grant the Directors full access to Fulian’s funds and the public reprimand by SGX made against Tsoi.
4. Although the Company had commenced investigations against Tsoi, the Directors continued to engage Tsoi to try and secure his cooperation so that the Company could comply with regulatory requirements. Tsoi led the Directors to believe that he would cooperate, because Tsoi was willing to sign negative assurance confirmation on financial results on several occasions (on 14 May 2017, 1 March 2017, 13 January 2017, 13 November 2016, 12 August 2016). With that, the Directors had reason to believe that there was still some control over the subsidiary, Fulian.
5. At all material times, the Directors of the Company was committed to complying with provisions in the Listing Manual and needed to complete the audit so that the Company could hold the Annual General Meeting for FY2016 and FY2017 and issue the Company’s Annual Reports for FY2016 and FY2017. To do so, the Company sought Tsoi’s co-operation to complete the audit. To that end, an email was sent on 5 May 2018 to propose an urgent meeting so as to discuss the outstanding matters to complete the audit.

6. Regrettably, Tsoi wrote to the Company on 6 May 2018 to refuse to cooperate with the Directors, for the first time. Notably, he stated that he would definitely not cooperate to allow the Company to Fulian's funds and also declined to change the legal representative of Fulian from himself to Mr. Yang Meng Yang. The Company immediately sought legal advice on this matter.
7. Further to the Company's request for advice, on 9 May 2018, the Company's lawyers in PRC issued a due diligence report on Fulian, which disclosed a total of 26 court proceedings against the subsidiary, contrary to Tsoi's negative assurance confirmations and records in Fulian. Tsoi's staff in Fulian had omitted the said 26 court proceedings in their financial records. As a result of the omission by Tsoi's staff, these court proceedings were not included in the auditor's reports.
8. The Company will continue to vigorously pursue the legal proceedings against Tsoi and update shareholders if there are further material information.

By Order of the Board

Yang Meng Yang
Executive Chairman and Executive Director
9 May 2018