



FORELAND FABRICTECH HOLDINGS LIMITED

(Incorporated in Bermuda with Company Registration No. 39151)

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- (1) **PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LIANCHENG LIANXIANGYUAN CO., LTD**
 - (2) **PROPOSED DIVERSIFICATION OF THE GROUP'S CORE BUSINESS TO INCLUDE THE FOOD PROCESSING BUSINESS**
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1. INTRODUCTION

The Board of Directors (the **"Board"**) of Foreland Fabrictech Holdings Limited (the **"Company"**, together with its subsidiaries, the **"Group"**) wishes to inform shareholders of the Company (**"Shareholders"**) that the Company has on 4 May 2017 entered into an equity transfer agreement and confirmation agreement (the **"Agreement"**) with Lin Yungong and Lin Wuqun (collectively, the **"Vendors"**) in relation to the acquisition by the Company from the Vendors of entire issued and paid-up share capital of Liancheng Lianxiangyuan Co., Ltd. (连城县联香园食品有限公司) (the **"Target"** or **"LLCL"**), based on the terms and conditions set out in the Agreement (the **"Proposed Acquisition"**).

In connection with the Proposed Acquisition, the Group intends to diversify its existing scope of core business to include the Food Processing Business (as defined below) (the **"Proposed Diversification"**).

The Company will be seeking specific approval from Shareholders for the Proposed Acquisition and Proposed Diversification at a special general meeting of the Company (**"SGM"**) to be convened. Further information on the Proposed Acquisition and the Proposed Diversification will be provided in a circular to be issued by the Company in due course for the purpose of convening the SGM (**"Circular"**).

2. INFORMATION ON LLCL AND THE VENDORS

2.1 Information on LLCL

LLCL was founded in 2007 and incorporated in People's Republic of China (**"PRC"**). It is principally engaged in manufacturing, sales and distribution of food products, with a focus on sweet potato related food products. The business is based in the Fujian province. The products are marketed through brands owned by LLCL and sold through its flagship and retail stores, e-commerce platforms, major supermarket chains and speciality channels focusing on festivals and tourist groups.

LLCL currently manufactures all its products at a factory located at 58, Guanlin Road, Linfang Town, Liancheng County, Fujian Province (福建省连城县林坊乡冠林路 58 号) (the **"Property"**). The Property is currently registered in the name of Mr Lin Yungong, who holds the Property on trust for and on behalf of LLCL. The Company is informed that the Property is subject to mortgage granted by LLCL in favour of Liancheng Medium and Small Enterprise Guarantee Center (连城县中小企业信用担保中心) (**"LMSEGC"**) as a counter guarantee (反担保) for the latter to provide guarantee for the loans extended to LLCL by various financial institutions.

LMSEGC is a guarantee institution that was established in May 2009 and subordinate to Liancheng County Economic and Trade Bureau (连城县经济贸易局). It specialises in providing

small and medium enterprises with financial assistance, and to further the development of small and medium enterprises in the county.

The Target has a secured short-term loan of RMB15.0 million as at 31 December 2016 (“**Loan**”). RMB9.0 million of the Loan was secured with a mortgage on the Property and a personal guarantee provided by the Vendors.

As the Property is currently subject to a mortgage, the legal title and ownership of the Property can only be changed upon settlement of the Loan which is due at the end of January 2018. The Vendors and the Company are currently in discussions in relation to the transfer of ownership of the Property prior to the due date of the Loan. Assuming that Shareholders' approval is obtained at the SGM to be convened, following completion of the Proposed Acquisition, it is envisaged that the parties will take steps to effect a transfer of legal title and ownership of the Property from Mr Lin Yungong to LLCL as soon as it is practicable.

Information on the Property is as follows:

i) Land use rights

	Location	Area (m ²)	Expiry date	Usage
1.	Qiao Tou Shan of Gangwei Village, Linfang Town (林坊乡岗尾村桥头山)	3,255.0	26 December 2056	Industrial use
2.	Gangwei Village, Linfang Town (林坊乡岗尾村)	1,048.2	15 February 2054	Industrial use
3.	Gangwei Village, Linfang Town (林坊乡岗尾村)	1,951.8	14 February 2054	Industrial use
	Total	6,255.0		

ii) Building

LLCL has utilised approximately 5,095.8 m² or 81% of the land area for various purposes such as the construction of its factory, office building, warehouse and staff dormitory.

2.2 Information on the Vendors

Mr Lin Yungong and Ms Lin Wuqun are individuals who own 90% and 10% of the issued shares capital of LLCL, respectively. They are the founders of LLCL, and oversee the business and management of LLCL. Ms Lin Wuqun is the spouse of Mr Lin Yungong.

Upon Completion, it is contemplated that Mr Lin Yungong shall hold the position of executive director of the Company, subject to him entering into a service agreement with the Company on such terms to be mutually agreed. Based on his relevant experience and expertise, the Board is of the opinion that he is a suitable candidate to manage the Food Processing Business on behalf of the Group.

None of the Vendors is related to any of the Company's directors, controlling Shareholders or their respective associates. As at the date of this announcement, none of the Vendors hold shares in the Company.

3. VALUE OF THE TARGET

3.1 Valuation

A valuation of the Target has been conducted by Xiamen Junhe Appraisals & Consultants Co., Ltd. (厦门均和资产评估咨询有限公司) (the “**Valuer**”). The Valuer is jointly commissioned by the Company and the Target. The Valuer carried out its valuation on an asset-based approach, which is defined as the current estimate of the revalued net asset value of the Target.

Accordingly, the Valuer is of the opinion that the net asset value of a 100% equity interest in the Target is RMB12,022,100 as at the date of valuation of 31 October 2016.

3.2 Financial Information of the Target

The unaudited financial statements of the Target for the latest two (2) financial years ended 31 December 2015 (“FY2015”) and 31 December 2016 (“FY2016”) provided by the Vendors are as follows:

Income Statement

	Unaudited FY2015 RMB'000	Unaudited FY2016 RMB'000
Revenue	38,486	49,682
Gross profit	12,529	16,555
Profit before tax	7,821	9,563
Income tax expenses	1,956	2,391
Net profit for the financial year	5,865	7,172

Balance Sheet

	Unaudited FY2015 RMB'000	Unaudited FY2016 RMB'000
Current assets	31,583	17,430
Non-current assets	419	25,949
Total assets	32,002	43,379
Current liabilities	20,894	30,099
Non-current liabilities	-	2,100
Total liabilities	20,894	32,199
Shareholder's equity	11,108	11,180
Total shareholder's equity and liabilities	32,002	43,379

4. PRINCIPAL TERMS OF THE AGREEMENT

4.1 Consideration

The purchase consideration for the Proposed Acquisition is RMB11,100,000 (“**Purchase Consideration**”). The Purchase Consideration is to be paid within three months after the Completion (as defined below) of the acquisition of the Target. If the Company intends to extend the payment term, it shall get approval from the Department of Foreign Investment Administration of Ministry of Commerce of PRC (“**Ministry of Commerce of PRC**”).

The Purchase Consideration was agreed upon after arm's length negotiations between the Company and the Vendors on a willing-buyer, willing-seller basis, and was arrived at after taking into account, *inter alia*, the valuation report rendered by an independent valuer (“**Valuation Report**”).

The Proposed Acquisition will be funded through a combination of internal sources of funds, bank or other external borrowings, or further fund raising exercises, depending on the opportunities available and the then financial condition of the Group. Should suitable opportunities arise, the Group may enter into joint ventures or collaborations with other parties to reduce risk and/or share the burden of the required funding.

4.2 Conditions

Completion of the Proposed Acquisition (“**Completion**”) is conditional upon, *inter alia*:

- (a) the approval of the relevant Industry and Commerce Bureau having been obtained in respect of the Proposed Acquisition;
- (b) approvals having been granted by Shareholders in respect of the Proposed Acquisition at the SGM; and
- (c) Lin Yungong transfers the legal title of property to the Target in accordance with all applicable laws and regulations.

(collectively, the “**Conditions**”).

4.3 Vendors’ Undertaking and Warranty

Pursuant to the Agreement, the Vendors had represented and warranted to the Company that:

- (a) the Vendors are the legal owners of equity of the Target before the Completion. The equity in the Target is clean and is not subject to any pledge, injunction, seizure, or dispute. The equity in the Target can be legally transferred;
- (b) the Target does not have any undisclosed indebtedness (including any potential and contingent liabilities) nor any security measures in any form for the benefit of any third party. Otherwise, all the liabilities arising from such indebtedness and security measures shall be borne by the Vendors;
- (c) the Target has made full disclosure of the actual status of assets, business development, usage and saving of fund, co-operative mode and income sharing development mode with other corporate entities, and status of assets ownership;
- (d) the Vendors shall provide relevant documents in accordance with the request of relevant government authorities so that the Company can purchase the equity in the Target in accordance with the terms and conditions within Agreement; and
- (e) the Vendors shall not transfer all or part of equity of the Target to any third party or such securities measures as pledge on the equity of the Target.

4.4 Undertaking by Mr Lin Yungong

Pursuant to the Agreement, Mr Lin Yungong had warranted and undertaken that, during the period that he is holding the Property on trust for the Company:

- (a) the Property shall be occupied and used by the Target free of charge;
- (b) he shall not make any disposal, transfer, lease or mortgage without prior written consent of the Target;
- (c) he shall transfer the real estate to the Target upon request of the Target and register the real estate under the name of the Target free of charge; and
- (d) any income from any disposal of the real estate upon prior written consent of the Target shall be owned by the Target.

5. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group's corporate strategy to realign the Group's business strategies and improve profits, provide Shareholders with diversified returns and long term growth.

The Proposed Acquisition will give the Group a strategic exposure and entry into the Food Processing Business and enable the Group to leverage on the Target's track record, expertise, existing business contacts and licenses to enter into the Food Processing Business.

With net profits of RMB5,865,000 and RMB7,172,000 for FY2015 and FY2016 respectively, the Target is an attractive investment for the Group. The acquisition of the Target will be accretive to the Group, which will allow it to achieve a more consistent and sustainable financial growth.

In view of the foregoing, the Board believes that the Proposed Acquisition will contribute positively to the future earnings of the Group and enhance Shareholders' value in the long term.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 Assumptions

The financial effects of the Proposed Acquisition on the Group set out below is for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion.

The proforma financial effects of the Proposed Acquisition on the Group are prepared based on the unaudited consolidated financial statements of the Group and unaudited financial statements of LLCL for FY2016, disregarding all goodwill impairment and expenses in connection with the Proposed Acquisition.

6.2 Net Tangible Asset ("NTA")

For illustrative purposes and assuming the Proposed Acquisition had been completed on 31 December 2016, the proforma financial effects on the consolidated NTA for FY2016 are as follows:

	Before the Proposed Acquisition	<i>Add NTA attributable to the Target as at 31 December 2016</i>	<i>Less Purchase consideration</i>	After Completion
NTA (RMB'000)	57,481	(9,024) ⁽¹⁾	(11,100)	37,357
Number of shares ('000)	544,395	544,395	544,395	544,395
NTA per share (RMB cents)	0.11			0.07

Note:

(1) Based on the unaudited net assets of the Target of RMB11,180,000 deducted against its net carrying value of intangible assets - land use rights of RMB20,204,000 as at 31 December 2016.

6.3 Earnings / (Loss) per Share

For illustrative purposes and assuming the Proposed Acquisition had been completed on 1 January 2016, the proforma financial effects on the earnings per share of the Group for FY2016 are as follows:

	Before the Proposed Acquisition	<i>Add Net profit attributable to the Target for FY2016</i>	After Completion
Net profit / (loss) attributable to Shareholders after tax (RMB'000)	(16,621)	7,180	(9,441)
Number of weighted average shares ('000)	544,395	544,395	544,395
Earnings / (Loss) per share (RMB cents)	(3.05)		(1.73)

7. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("Listing Manual") sets out the continuing obligations of a listed company in respect of acquisitions and realisations.

Based on the unaudited financial statements of the Company for FY2016, the relative figures in respect of the proposed Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Rule 1006	Bases of Calculation	Relative Figure
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profits / (loss) attributable to the assets acquired, compared with the Group's net profits	(43.20%) ⁽¹⁾
(c)	The aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	45.81% ⁽²⁾
(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount or proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:

- (1) "Net profits" is defined as profit or loss before income tax, minority interests and extraordinary items. Based on the unaudited profit before income tax of the Target and the unaudited loss before income tax of the Group for the financial year ended 31 December 2016 of approximately RMB7.18 million and RMB16.62 million respectively. In view of the foregoing the relative figure will not be meaningful and further details of this will be set out in the Circular.
- (2) Based on the Purchase Consideration of RMB11.10 million and the Company's market capitalisation of RMB24.23 million (or S\$4.90 million based on the exchange rate of RMB1.00 : S\$0.2022) (exchange rate is extracted from Monetary Authority of Singapore's website on 3 May 2017) based

on its issued share capital of 544,395,199 shares as at the date of this announcement and the weighted average price of S\$0.009 transacted on the Mainboard of the SGX-ST on 23 December 2016 (being the last market day the shares of the Company were traded on the SGX-ST immediately preceding the date of the suspension of trading of its shares on 27 December 2016).

As the relative figures computed on the bases set out in Rule 1006(c) of the Listing Manual exceed 20% but is less than 100%, the Proposed Acquisition constitutes a major transaction under Chapter 10 of the Listing Manual and is accordingly conditional upon, *inter alia*, the approval of the Shareholders.

8. THE PROPOSED DIVERSIFICATION

8.1 The Food Processing Business

The Group is a vertically integrated manufacturer principally engaged in producing functional and normal fabrics, including weaving, dyeing, coating and finishing of fabrics. The Group's products are mainly sold to apparel manufacturers and textile traders (the "**Existing Business**").

In connection with the Proposed Acquisition, the Company proposes to diversify the Group's core business to include the Food Processing Business.

The Company also proposes, as part of the Food Processing Business, to invest in, purchase or otherwise acquire or dispose of, from time to time any such assets, investments and shares or interests in any entity that is in line with the Food Processing Business. Any business activities as aforesaid (including those listed in (a) to (b) above) shall upon approval of the Proposed Diversification by the Shareholders at the SGM, constitute part of the ordinary course of business of the Group.

Currently, the Group intends to carry on and operate the Food Processing Business in PRC.

8.2 Rationale for the Proposed Diversification

The Group proposes to diversify its Existing Business to include the Food Processing Business for the following reasons:

(a) Reduce reliance on its existing business

As the Group's existing business and operations in textile industry continue to face headwind in an increasingly challenging and competitive environment, the Proposed Diversification will reduce the Group's reliance on its existing business and the impact of its existing business performance on its profitability.

(b) Enhance Shareholders' value

The Proposed Diversification is part of the corporate strategy of the Company to realign the Group's business strategies and improve profits, provide Shareholders with diversified returns and long term growth. The Board believes that the Proposed Diversification will offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value for the Company.

(c) Approval required from Shareholders for Major Transactions

Pursuant to Rule 1014 of the Listing Manual, a major transaction is a transaction where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20% (a "**Major Transaction**"). A Major Transaction must be made conditional upon approval by shareholders in general meeting.

A Major Transaction does not include an acquisition or disposal which is, or in

connection with, the ordinary course of an issuer's business or of a revenue nature. In addition, pursuant to Practice Note 10.1 of the Listing Manual, save where the acquisition changes the risk profile of the issuer, shareholders' approval is not required for a Major Transaction if the acquisition will result in an expansion of the issuer's existing core business. Practice Note 10.1 of the Listing Manual further states that the SGX-ST takes the view that it should not in normal circumstances require an issuer to seek shareholders' approval if the expansion is by way of an acquisition of a similar business, when other means to expand its business that are open to the issuer would not require shareholders' approval.

With the proposed change of core business of the Company to include the Food Processing Business, acquisitions which are in the same nature as the Company's core business and which will not change the risk profile of the Company, will not require the approval of the Shareholders and need not be made conditional upon the approval of the Shareholders. However, should an acquisition change the risk profile of the Company, shareholders' approval would need to be sought and this would be notwithstanding that there is no change to the core business of the Company. The change in core business of the Company will allow the Company, in its normal course of business, to enter into Major Transactions relating to the Food Processing Business and which will not change the risk profile of the Company in an efficient and timely manner, without the need for Shareholders' approval. As such, the Company will not need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions which are Major Transactions relating to the Food Processing Business arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company.

For the avoidance of doubt, notwithstanding the Proposed Diversification, in respect of transactions:

- (i) where the Group enters into the first major transaction involving acquisition of a Food Processing Business where the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20% ("**First Major Transaction**"), such First Major Transaction will be made conditional upon approval by Shareholders in general meeting unless waived by the SGX-ST;
- (ii) in respect of a transaction where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 100% or results in a change in control of the Company, the transaction would be classified as a very substantial acquisition or reverse takeover respectively. Rule 1015 of the Listing Manual would apply and such transaction must be, among others, made conditional upon approval by Shareholders in general meeting; and
- (iii) in respect of a transaction which constitutes an "interested person transaction" as defined under the Listing Manual, Chapter 9 of the Listing Manual would apply to such transaction.

Based on the above, the Board is of the view that the Proposed Diversification is in the best interest of the Company and Shareholders.

8.3 Shareholders' Approval

The Proposed Diversification will involve a new business which is substantially different from the Existing Business. It is envisaged that the Proposed Diversification will change the existing risk profile of the Group. Pursuant to the Listing Manual, Shareholders' approval is required for the Proposed Diversification. Accordingly, the Company will be seeking Shareholders' approval for the Proposed Diversification.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors and controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition and Proposed Diversification, other than through their respective shareholdings in the Company (if any).

10. SERVICE CONTRACTS

As mentioned above, it is contemplated that upon Completion, Lin Yungong shall enter into a service agreement with the Company, subject to him entering into a service agreement with the Company on such terms to be mutually agreed. The appointment under the service agreement will commence on the completion date of the Proposed Acquisition ("**Commencement Date**") and shall continue (subject to earlier termination to be provided in the service agreement) for a minimum period of three (3) years from the Commencement Date.

Save as disclosed above, no person is proposed to be appointed a Director of the Company in connection with the Proposed Acquisition and Proposed Diversification. Accordingly, no service contract for such appointment is proposed to be entered into between the Company and any such person.

11. DOCUMENTS FOR INSPECTION

Copies of the Agreement and the Valuation Report will be made available for inspection during normal business hours at the Company's Singapore office at 577A Balestier Road Singapore 329892 for a period commencing three (3) months from the date of this announcement.

12. CIRCULAR

A circular containing, *inter alia*, further details on the Proposed Acquisition and the Proposed Diversification, together with a notice of SGM will be despatched by the Company to Shareholders in due course.

13. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution in dealing or trading in the shares of the Company as there is no certainty or assurance as at the date of this announcement that the Proposed Acquisition and Proposed Diversification will be completed. The Company will make further announcements as and when there are material developments on the Proposed Acquisition and Proposed Diversification. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. Shareholders should note that there is no certainty or assurance that the shares of the Company will eventually resume trading on the SGX-ST. Shareholders and potential investors are advised to read all further announcements by the Company carefully and to consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Yang Meng Yang
Executive Chairman and Executive Director

4 May 2017