

FORELAND FABRICTECH HOLDINGS LIMITED

(Incorporated in Bermuda with Company Registration No. 39151)

ENTRY INTO CONVERTIBLE LOAN AGREEMENT

1. INTRODUCTION

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 has, on 15 February 2019, entered into a convertible loan agreement (the “**Convertible Loan Agreement**”) with Zhang Shenghua (the “**Investor**”), pursuant to which, the Investor has agreed to extend to the Company a convertible loan of an aggregate amount of S\$1,400,000.00 (the “**Loan**”).

Pursuant to the Convertible Loan Agreement, the Investor has been granted the right to convert the Loan into fully paid ordinary share in the capital the Company (the “**Conversion**”), such Conversion to be conditional upon, *inter alia*, prior approvals being obtained from the Securities Industry Council (“**SIC**”), the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the Company’s shareholders.

2. INFORMATION ON THE INVESTOR

The Investor is a citizen of the People’s Republic of China as well as a current shareholder of the Company. As at the date of this announcement, the Investor holds 20,272,500 shares representing 3.72% of the issued and paid-up existing share capital of the Company. Assuming the Conversion is approved and completed, the Investor will become the controlling shareholder of the Company and will hold 1,120,272,500 shares representing 68.13% of the enlarged issued and paid-up share capital of the Company.

3. SALIENT TERMS AND CONDITIONS OF THE CONVERTIBLE LOAN AGREEMENT

The salient terms and conditions of the Convertible Loan Agreement are set out below:

Principal Amount : S\$1,400,000.00.

Disbursement & Utilisation of the Loan : On the terms and subject to the conditions set out in the Convertible Loan Agreement, the sum of S\$1,400,000.00, disbursable in two (2) tranches of S\$700,000.00 each.

(a) The Investor agrees to disburse the first tranche of the Loan of S\$700,000.00 (the “**First Tranche Loan**”) to the Company to be utilised in the following order:

- (i) all expenses for convening the Company's Annual General Meetings (including but not limited to the preparation of annual reports, printing and meetings) ;
 - (ii) all expenses for convening the Company's Extraordinary General Meeting to approve:
 - (A) a capital reorganisation involving the reduction in par value of shares of the Company;
 - (B) the proposed amendments to the bye-laws of the Company; and
 - (C) the proposed diversification of the core business of the Company and its subsidiaries to include the food processing business (including but not limited to the preparation for the circular, printing and meetings);
 - (iii) any outstanding statutory audit fees;
 - (iv) all costs and expenses for resolution of issues faced by the Company (including but not limited to litigation against its former executive chairman);
 - (v) all expenses and professional fees relating to the liquidation of Fulian Knitting Co. Ltd., a wholly-owned subsidiary of the Company;
 - (vi) all costs and expenses incurred by the Company on or after the date of the Convertible Loan Agreement in relation to, in respect of, or in connection with any operational costs; and
 - (vii) the repayment of any other urgent expenses.
- (b) The second tranche of the Loan of S\$700,000.00 (the "**Second Tranche Loan**") shall be disbursed to the Company upon obtaining the approval by SGX-ST for lifting of the Company's trading suspension status, after the disbursement of the First Tranche Loan. The Second Tranche Loan shall be utilised as follows:
- (i) all expenses and costs of developing the business of the Company and its subsidiaries;

(ii) repayment of any outstanding balance owing to the creditors as determined by the Company from time to time; and

(iii) all costs and expenses incurred by the Company on or after the date of the Convertible Loan Agreement in relation to, in respect of, or in connection with any operational costs.

(c) The dates on which the First Tranche Loan and the Second Tranche Loan are disbursed shall be known as the “**Disbursement Dates**”.

- Term of the Loan : The term of the Loan shall be for a period of two (2) years commencing from the Disbursement Dates.
- Interest : The Loan shall bear an interest from and including the Disbursement Dates up to the date of full repayment of the Loan at the rate of 10.0% per annum. Interest shall be payable two years after the Disbursement Dates in arrears.
- Conversion : The Loan shall be converted into fully paid ordinary shares (the “**Conversion Shares**”) in the Company within 5 Business Days from the issuance of the written notice (the “**Conversion Notice**”) by the Investor to the Company, provided that the Conversion shall be subject to compliance with applicable law and the obtaining of all necessary consents and approvals (including without limitation the approval of the SIC, the SGX-ST and the shareholders of the Company).
- Conversion Right : The Investor may exercise its right of Conversion by issuing the Conversion Notice to the Company. A Conversion Notice once given shall be irrevocable and may not be withdrawn, unless otherwise agreed between the parties.
- Conversion Shares : First Tranche Loan shall be converted into 550,000,000 Conversion Shares in the issued and paid up share capital of the Company at the agreed conversion price of S\$0.0013 per share (the “**Conversion Price**”), and Second Tranche Loan shall be converted into 550,000,000 Conversion Shares in the issued and paid up share capital of the Company at the Conversion Price.

The Company shall not prepay any part of the Loan unless agreed otherwise in writing between the parties.

Repayment : Unless previously converted in accordance with the terms and conditions of the Convertible Loan Agreement, the Company shall repay the Loan together with all interest accrued thereon, on the date falling two (2) years from the Disbursement Dates, or on demand by the Investor, at the Investor's discretion.

4. CONDITIONS PRECEDENT FOR THE CONVERSION

The Conversion shall be subject to compliance with applicable law and the obtaining of all necessary consents and approvals (including without limitation the approval of the SIC, the SGX-ST and the shareholders of the Company). In the event any of the necessary consents and approvals for the Conversion is not obtained, no Conversion Shares shall be issued to the Investor and the Loan shall remain as a debt owing by the Company in accordance with its terms.

5. CONTROLLING INTEREST

Upon the Conversion, the Investor will become the controlling shareholder holding 1,120,272,500 shares representing 68.13% of the enlarged issued and paid-up share capital of the Company. The transfer of a controlling interest in the Company within the meaning of Rule 803 of the Listing Manual of the SGX-ST will arise from the allotment and issue of the Conversion Shares by the Company to the Investor. Thus, in this connection, the Company will be seeking the approval of the SIC for whitewash waiver and the shareholders of the Company in general meeting.

6. FINANCIAL EFFECTS OF THE LOAN AND THE CONVERSION SHARES

Unless otherwise stated, all conversion in this announcement shall be based on the exchange rates of US\$1:00 : S\$1.3584 and S\$1:00 : RMB 0.2005 as at 15 February 2019.

Bases and Assumptions

For the purposes of illustration only, the *pro forma* financial effects of the Loan and the Conversion Shares taken as a whole are set out below. The *pro forma* financial effects have been prepared on the assumption that the Conversion Price is S\$0.0013 and the total number of Conversion Shares to be issued is 1,100,000,000 and based on the unaudited financial statements of the Group for the financial year ended 31 December 2017 (“FY2017”) and do not necessarily reflect the actual future financial position and performance of the Group in the event that the Loan is fully disbursed and fully converted.

Share Capital

In the event that the Loan is fully disbursed and fully converted, the *pro forma* financial effects on the share capital of the Company for FY2017 are as follows:

	Before conversion of the Loan and issue of the Conversion Shares	After conversion of the Loan and issue of the Conversion Shares
Number of issued Shares	544,395,199	1,644,395,199
Amount of share capital (US\$'000)	27,220.00	28,249.49

Net Asset Value (“NAV”)

Assuming that the Loan is fully disbursed and fully converted on 31 December 2017 and based on the Group’s unaudited financial statements for FY2017, the *pro forma* financial effects of the Loan on the consolidated NAV of the Group are as follows:

	Before conversion of the Loan and issue of the Conversion Shares	After conversion of the Loan and issue of the Conversion Shares
NTA of the Group (RMB'000)	(8,959)	(8,959)
Number of Shares ('000)	544,395	1,644,395
NTA per share (RMB)	(0.02)	(0.01)

Earnings Per Share (“EPS”)

Assuming that the Loan is fully disbursed and fully converted on 1 January 2017 and based on the Group’s unaudited financial statements for FY2017, the *pro forma* financial effects of the Loan on the consolidated EPS of the Group are as follows:

	Before conversion of the Loan and issue of the Conversion Shares	After conversion of the Loan and issue of the Conversion Shares
Loss after tax (RMB'000)	(87,566)	(87,566)
Weighted average number of Shares ('000)	544,395	1,644,395
Earnings per share (RMB)	(0.16)	(0.05)

7. RATIONALE AND USE OF THE LOAN

The Board is of the view that the entry into the Convertible Loan Agreement will provide the Company with the necessary financial resources to carry out the various corporate actions (as described under the Disbursement and Utilisation of the Loan under paragraph 3 above) and hopefully enable the Company’s shares to resume trading.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, none of the Directors or substantial shareholders of the Company or their respective associates has any interest, direct or indirect in the Convertible Loan Agreement.

BY ORDER OF THE BOARD

Huang Min
Executive Chairman and Executive Director

15 February 2019