FORISE INTERNATIONAL LIMITED
(Company Registration No. 200804077W)
(Incorporated in Singapore)

RESPONSE TO QUERIES FROM THE SINGAPORE STOCK EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON EARLIER ANNOUNCEMENTS

The Board of Directors of Forise International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's earlier announcement dated 27 February 2023 in relation to the condensed interim financial statements for the six months and full year ended 31 December 2022 (the "**Earlier Announcement**").

Unless otherwise defined, all capitalized terms herein shall have the meaning ascribed to them in the Earlier Announcement.

The Board would like to respond to the queries raised by the SGX-ST via RegCo Portal on 6 March 2023 as follows:

SGX-ST'S QUERIES:-

Query 1

The Group recorded Revenue of S$317k and S$1.686 million for FY2022 and FY2021 respectively.

Please disclose how much of the Revenues for FY2022 and FY2021 have been received to date. To provide the quarterly periods in which such revenue had been collected.

Company's Response

Please refer to the breakdown below:

	S$'000	**Remark**
Revenue for FY2021	1,686	
Collections:		
4Q2021	(477)	
2Q2022	(84)	
3Q2022	(175)	
4Q2022	(50)	
Balance of revenue for FY2021	**900**	**The balance uncollected relates to the revenue derived from Prisma Tech***
Revenue for FY2022	317	
Disposed subsidiary – Raffles Neobank Solutions Pte Ltd	(64)	The Group had disposed of Raffles Neobank to a non-related party in November 2022. The sales consideration had been collected in full in November 2022. Please refer to the details of the Company's announcements dated 7 November 2022 and 22 November 2022.
Collections:		
4Q2022	(77)	
1Q2023	(47)	
Balance of the revenue for FY2022	**129**	**The balance uncollected includes the revenue of S$109k recognised in the 1st half of FY2022 in the books of Prisma Tech***

Query 1 (cont'd)

Company's Response

* Out of the total outstanding balances, S$20k from another customer to whom the Group had provided services in FY2022 is still outstanding to-date, and management has been closely monitoring the customer for the payment. The remaining outstanding balances are wholly due from Prisma AI, as disclosed in Query 2 and Query 3 below. There are some differences in the numbers noted due to the exchange rate between the outstanding balances from Prisma AI, which are denominated in USD, and the Group's functional and presentation currency, which is denominated in SGD. The total outstanding balances due from Prisma AI have been provided as an allowance for expected credit loss in full during the financial year ended 31 December 2022.

Query 2

The Group recognized loss allowances from a related party amounting to S$1.044 million and cited "slow collection of trade and other receivables as receivables liquidity and credit access continue to deteriorate due to the uncertain economic situation". We note that Related Party comprises of "companies which are controlled or significantly influenced by the Group's key management personnel and their close family members".

Please disclose

(i) the identity of the related party to which the loss allowance was provided (including its relationship to the Company);

(ii) the nature of the debts and the underlying transactions which resulted in these debts;

(iii) the reasons why these debts were not repaid;

(iv) the financial year in which these sales were reported;

(v) the aging of the trade receivables by the significant debtor;

(vi) the reason(s) why the allowances were not made in FY2021 and what had changed in the financial position and operations of the debtor between FY2021 and FY2022;

(vii) whether there are balances due from the significant debtor which had not yet been provided and if so, to quantify; and

(viii) elaboration on the description of the uncertain economic situation surrounding the debtor.

Company's Response

(i) The loss allowance of S$1.044 million was provided on the trade receivables balances due from Prisma AI. Prisma AI is a related party of the Group by reason of Prisma Tech's director also being a director and shareholder of Prisma AI.

(ii) This relates to the various management and administration services provided to Prisma AI.

(iii) Prisma AI had informed us that it has challenges in collecting the payments from its end customers, and is thus unable to in turn repay the outstanding balances to the Group.

(iv) Except for S$109k of revenue generated for FY2022, the other amounts of revenue generated in FY2021.

(v) The ageing is > 1 year, except for the revenue of S$109k, for which the ageing was > 4 months.

(vi) The Board then had assessed the recoverability of the debts owed by Prisma AI as follows:

  (a) Prisma AI had repaid in full the advance of S$2 million by FY2021

  (b) It had also repaid the trade receivables amounting to S$838k in FY2021 continuously, on a monthly basis.

  (c) The audited financial statements of Prisma AI for the financial year ended 31 March 2021 were healthy and in net assets position.

(d) Business between Prisma Tech and Prisma AI remained normal, with ongoing projects still being carrying out at the time.

In view of the above, no allowance was provided in FY2021.

However, as disclosed in (iii) above, Prisma AI had informed us in November 2022 that it is facing challenges in collecting payments from its end customers, and thus, unable to in turn repay the outstanding balances to the Group. As of January 2023, there have been no receipts of payments from Prisma AI. Hence, the Group had through its legal advisor issued a letter of demand against Prisma AI on 9 February 2023, in respect of claims by Prisma Tech against Prisma AI for unpaid amounts owing to Prisma Tech for various management and administration services provided to Prisma AI.

In view of the above, Management has decided to provide the allowance on trade receivables balances in full (including the abovementioned S$109k revenue recorded in 1st half FY2022) during the financial year FY2022.

(vii) There are no other balances due from the significant debtor Prisma AI except as disclosed above.

(viii) The explanation provided to us by Prisma AI is that its end customers, as well as its own business operations, were affected by and had not recovered from the COVID-19 pandemic and the Russia-Ukraine war.

Query 3

The Group recognized a loss allowance of S$1.102 million on financial assets for the 6-months ended 31 December 2022.

Please provide a breakdown of the loss allowance and the nature and details of the financial assets that led to the significant loss.

Company's Response

	S$'000	Remark
Loss allowance on trade receivables due from Prisma AI	1,044	Prisma AI had defaulted in payment since mid-October 2022 to-date. Management had subsequently followed up with multiple emails and calls chasing for the total outstanding balances of S$1.044 million (equivalent to US$758,132.12). Prisma AI's response was that it was itself facing difficulties in collecting payments from its end customers, and would try to settle the outstanding balances once it received payment from its end customers. However, as of January 2023, there were no receipts of payments from Prisma AI. Thus, the Group had through its legal advisor issued a letter of demand against Prisma AI on 9 February 2023, in respect of claims by Prisma Tech against Prisma AI for unpaid amounts owing to Prisma Tech for various management and administration services provided to Prisma AI. In view of the above, Management has decided to provide the allowance on trade receivables balances in full during the financial year FY2022.
Loss allowance on other receivables due from associated company	58	This relates to the payment made on behalf for the associated company, Le Rong Corporation Management (Shenzhen) Co., Ltd (formerly known as Le Rong Financial Factoring Company Limited) ("**Le Rong**"), in order to

	S$'000	Remark
		sustain the minimal operations of Le Rong. Le Rong was in net liabilities position and incurred net losses during FY2022. It is dormant and focusing on debt collection and minimising any operating expenses. In view of the above, Management has decided to provide the allowance on amounts due from the associated company in full during the financial year FY2022.
Total	1,102	

Query 4

The Group recorded an increase in trade and other payables of 36.2% from S$293k as at 31 Dec 2021 to S$399k as at 31 Dec 2022.

Please disclose a breakdown of trade and other payables/other payables amounting to S$399k, and the reasons for the significant increase in trade and other payables. For other payables, please disclose the identity of the counterparties, whether they are related parties, the aging and nature of these other payables.

Company's Response

The breakdown of trade and other payables is as follows:

Description	**S$'000**
Accruals:	
Accrued audit fees for FY2021	82
Accrued directors fees (Jul – Dec'22)	42
Accrued internal audit fees for FY2021	18
Accrued staff salaries (Oct'22 – Dec'22)	127
Accrued personal tax, defined contribution plan	3
Other payables	
CLA Global TS Public Accounting – audit fees for FY2021 (ageing: 5 months)	12
CLA Global TS Tax Services Pte Ltd – tax fees for FY2021 (ageing: 2 months)	4
Great Holdings Limited – collections on behalf (ageing >1 year)	96
China Tax authority – tax related such as VAT, personal income tax and etc (ageing: 1 month)	12
GTC Harta Sdn Bhd – rental expenses for Nov – Dec'22	3
Total	399

The increase is mainly due to the accrued staff salaries of S$127k, other payables relating to audit fees and tax fees for FY2021, as well as rental expenses totalling S$19k.

Query 5

The Group noted that "During the financial year ended 31 December 2022, loss allowance relating to other receivables amounted to S$4.095 million has been written off".

Please clarify where these loss allowances were recognized within the financial statements for FY2022. To provide a breakdown and disclose the identities of the counterparties from which the other receivables are due, the nature of the debts and the underlying transactions of the other receivables and the reason(s) for the write off.

Company's Response

This loss allowance was recorded as allowance for expected credit loss in FY2021 under Note 7 (*Trade and other receivables*) in the Earlier Announcement dated 27 February 2023, and has been written off during the

financial year ended 31 December 2022.

The loss allowance relating to the loan receivables of S$4.095 million from Le Rong, which has been provided in full in FY2019, relates to Le Rong's default on its payment on agreed repayment dates. For more information, please refer to Company's announcement dated 10 March 2020 and 8 March 2022.

As previously announced on 16 February 2021 and 8 March 2022, Le Rong has been focusing on debt collection and minimising its operating expenses. The Group had discussed with the Chinese law firm engaged for this matter (please refer to the Company's announcement dated 19 August 2022), and concluded that this balance is unlikely to be recovered within the short term; hence, it was proposed to be written off during the financial year FY2022.

Query 6

The Company noted that it had provided a $525 full impairment loss on cost of investment in Prisma Technologies Pte Ltd ("Prisma Technologies").

Please disclose the reasons for the full impairment loss on Prisma Technologies, the basis for the valuation of the Group's total investment into Prisma Technology at only $525, the Board's opinion on the reasonableness of methodologies used to determine the impairment on Prisma Technologies, and whether Prisma Technologies is currently undergoing any bankruptcy, winding up or similar proceedings.

Company's Response

As previously announced by the Company on 3 October 2019, Prisma Technologies was incorporated with a total issued and paid-up share capital of S$1,000 comprising 100,000 shares. The Group holds a 50.1% equity interest in Prisma Technologies. The S$525 was calculated based on the RMB3,000 recognised in FY2019, when the Company's functional currency was in Renminbi. The Company had changed its functional currency from Renminbi to Singapore Dollars as announced on 28 February 2022, thus resulting in the difference in the cost of investment between S$525 and S$501.

The Board had reviewed the financial performance of Prisma Technologies, noted that Prisma Technologies was in the net liabilities position as at 31 December 2022 and incurred losses during the financial year, and therefore concluded that the full impairment loss of S$525 on the cost of investment in Prisma Technologies provided during FY2022 was reasonable.

As announced on 9 February 2023, the Group has through its legal advisor issued a letter of demand against the Prisma AI, in respect of claims by Prisma Technologies against Prisma AI for unpaid amounts owing to Prisma Technologies for various management and administration services provided to Prisma AI. Prisma Technologies is not currently undergoing any insolvency, receivership or other analogous insolvency proceedings. After the letter of demand was issued, the Company has been in discussions with Prisma AI on the settlement of the outstanding receivables; if there is any progress, the Company will make the relevant announcement accordingly. Meanwhile, the Company is also looking for other alternative ways to solve this issue, and trying to recover some or the full amount of the outstanding receivables.

BY ORDER OF THE BOARD

Peng Weile
Executive Director
8 March 2023