

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 announcements in relation to the condensed interim financial statements for the six months and full year ended 31 December 2021 and the Group’s change in functional and presentation currency, dated 28 February 2022 (the “**Earlier Announcements**”).

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

The Board would like to respond to the queries raised by the SGX-ST via RegCo Portal on 4 March 2022 as follows:

SGX-ST’S QUERIES:-

Query 1

We refer to the Company’s full year financial results for the year ended 31 December 2021. We note a significantly higher revenue recorded in the second half of 2021 (“**2H 2021**”) of S\$1.420 million as compared to the first half (“**1H 2021**”) of S\$0.266 million. We further note that the S\$1.420 million is broken down into corporate and financial advisory services revenue of S\$0.348 million and management consultancy services revenue of S\$1.072 million.

a) In relation to the corporate and financial advisory services revenue of S\$0.348 million, please disclose the identity of the customers as well as the specific type of services that were rendered to them.

b) In relation to the management consultancy services revenue of S\$1.072 million, please disclose the identities of the customers as well as the breakdown and details of each individual contract, including information on when the contract was signed, the duration of the contract, the percentage of completion, the total contract sum, revenue recognised to date and amount collected to date.

c) Please clarify why the management consultancy services revenue significantly increased in 2H 2021 when the Company disclosed that its businesses are not affected significantly by seasonal or cyclical factors.

d) Out of the \$1.686 million revenue recognised by the Group in FY2021, how much has been collected to date?

Company's Response:

a) As the Group is bound by contractual obligations of confidentiality to the customers, the Group sets out a brief narration of the contracts instead, as follows:

Customers	Services	S\$'000
Manufacturing company in Singapore	Provision of consulting services for capital market and fund raising	80
Asset management company in China	Provision of advisory services on setting up private equity fund, relevant documents preparation and potential investor referral	89
Asset management company in China	Provision of due diligence work on investment target, advisory services on deal structuring and negotiation, market analysis	179
Total		348

b) In view of commercial sensitivity and its confidentiality obligations owed to its customers, the Group is of the view that full detailed disclosure of the identity of its end customers would be prejudicial to the Group's interests. Instead, a brief narration of the end customers is provided.

The breakdown of revenue for 2H 2021 is as follows:

Customers	Contract date	Contract sum USD	Revenue recognised USD	SGD	Collection to date USD	SGD	Completion date	End customers
Prisma AI Corporation Pte Ltd								
Project 2	12/5/2020	194,075	116,445	157,731	77,630	105,154	7/9/2021	UAE Logistic Company
Project 5	3/7/2020	159,375	95,625	129,529	63,750	86,353	23/9/2021	Security Systems Company in India
Project 6	6/7/2020	270,250	162,150	219,641	108,100	146,427	21/10/2021	IT Company in India
Project 7	6/7/2020	159,120	95,472	129,322	63,648	86,215	28/10/2021	Russian Company - project 1
Project 13	7/8/2020	297,000	178,200	241,382	118,800	160,921	23/11/2021	Financial Services Company in Columbia
Project 14	11/8/2020	122,090	73,254	99,227	48,836	66,151	3/12/2021	Russian Company - project 2
Project 15	21/9/2021	186,500	70,000	94,819	-	-	20/12/2021	UAE Logistic Company
		1,388,410	791,146	1,071,651	480,764	651,221		

Except for Project 15, the rest of the above projects have been completed during the financial year.

c) Due to the on-going COVID-19 pandemic and strict measures in place to combat the COVID-19 pandemic in India and the rest of the world, there have been delays in the progression of the projects, and consequently, lower revenue was recognised for 1H 2021. Most of the projects' completion had been delayed to 2H 2021. Hence, revenue was mainly recognised in 2H 2021.

d) To-date, S\$476,000 has been collected out of the S\$1.686 million.

Query 2

We note consultancy charges for 2H 2021 was reported as an income of \$16k compared to an expense of \$83k in 2H 2020 due to a recharge to associated companies.

a) Please quantify the full amount that was recharged in 2H 2021 and disclose what is the nature of the consultancy services.

b) Which associated company was the consultancy services recharge to and why did the Group pay on behalf of that associated company? Has the amount recharged to the associated company been repaid to the Group in cash?

c) Why were there no similar recharges for prior periods?

Company's Response:

a) The full amount that was recharged was S\$16,000 (equivalent to RMB80,000) in 2H 2021. This relates to the legal advisory fees recharge paid by Tianjin WFOE in relation to exploring possible cost-efficient ways for debt recovery from the end customers of Le Rong Corporation Management (Shenzhen) Co., Ltd. ("**Le Rong**"), as announced by the Company on 16 February 2021.

b) Tianjin WFOE engaged a Chinese law firm to provide both legal advice in relation to Tianjin WFOE's current business and to explore possible cost-efficient ways for debt recovery from end customers of Le Rong. Hence, only partial expenses were recharged back to the associated company – Le Rong. To-date, no recharges expenses has been collected by the Group.

c) The aforementioned services were only engaged during the financial year reported on, and hence, no recharges were made for prior periods.

Query 3

We note that employee compensation has decreased by 59% from \$779k in 2H 2020 to \$321k in 2H 2021.

a) Provide a breakdown of employee compensation of S\$321k as well as its comparative period which includes the director's salary as well as staff salaries recorded in each entity within the Group.

b) Provide a breakdown of the headcount in each entity within the Group as at 31 December 2020 and 31 December 2021. Disclose the dates of each resignation during 2H 2021.

Company's Response:

a) The breakdown of employee compensation is as follows:

	2H2021	2H2020
	S\$'000	S\$'000
Forise International Limited (" FIL ")	87	268
Prisma Technologies Pte Ltd	160	381
Tianjin Forise Corporation Management Consultancy Limited	74	130
	321	779

b) The breakdown of the headcount in each entity within the Group is as follows:

	31 December 2021	31 December 2020
Forise International Limited (" FIL ")	3	4
Prisma Technologies Pte Ltd	11	11
Tianjin Forise Corporation Management Consultancy Limited	4	5
	18	20

Two staff under FIL resigned on 16 July 2021, with the number subsequently offset by one new staff who joined on 16 August 2021.

Query 4

With reference to the trade and other receivables of \$1.559 million which is higher than the Group's 2H 2021 revenue, provide the aging in bands of 3 months with the upper band disclosed for the longest debt outstanding and provide the Board's assessment of the recoverability of long outstanding receivables.

Company's Response:

The breakdown is as follows:

	31.12.21	08.03.22
Ageing category	S\$'000	S\$'000
Current	487	53
1 to 30 days	347	95
31 to 60 days	287	694
61 to 90 days	-	289
>90 days	438	140
Total	1,559	1,271

Based on the past trend of payments, the receivables are likely to be collected in monthly payment intervals. Hence, the Board has assessed that recoverability issues are unlikely. In addition, we have received S\$1.5 million in regards to the advance to related party, which was our major receivable during the financial year. We have received S\$251,150 from trade receivables as at 8 March 2022.

While this amount received differs from the difference in the balance as of 31.12.21 and 08.03.22 reflected in the table above, this is due to the foreign exchange rates applied on these dates.

Query 5

Please elaborate on why there was a reversal of \$3.944 million from currency translation reserve into accumulated losses and explain how the amount was computed.

Company's Response:

As disclosed in the Earlier Announcements, the Company has changed its functional currency from RMB to SGD with effect from 1 January 2021. In conjunction with the change in functional currency, the Company and the Group had also changed its presentation currency to SGD.

The amount of S\$3.944 million was derived from the different exchange rates used for the assets and liabilities (translated at closing rate), equity (translated at historical rates) and all items of profit or loss (translated at the average rate). The reversal of S\$3.944 million was due to the effect of the change of the functional currency from RMB to SGD, and there is no impact to the Group's profit or loss.

Query 6

We note that the Group measured ECL over advances to a related party and loans to an associated company. The ECL allowance disclosed in Note 6 as at 31 December 2021 was S\$4.095 million.

a) Please quantify the full amount owed by each related party and associated company (i.e. the breakdown between amount owed and provisions recognised) and where all the amounts outstanding with these entities are disclosed in the balance sheet.

b) Please also identify who these entities are, the FY in which these receivables were recorded by the Group, why such a significant impairment was needed, whether any revenue in FY2021 was attributable to these entities, and whether the Group continues to transact with these entities or if they are still in operation.

Company's Response:

a) The balance of S\$4,095,000 relates to the loan receivables from an associated company – Le Rong – and full allowance was provided in FY2019.

b) The balance of S\$4,095,000 relates to the loan receivables from an associated company – Le Rong. These receivables were recorded by the Group in FY2017 and FY2018. The allowance was provided in FY2019 due to the default payment on agreed repayment dates. (For more information, please refer to Company's announcement dated 10 March 2020.) No revenue was derived from Le Rong and it is dormant. As announced by the Company on 16 February 2021, Le Rong is currently only focusing on debt collection and minimising its operating expenses.

Query 7

Please clarify which jurisdictions the Group's tax expense of \$72k and \$82k in 2H 2021 and 2H 2020 respectively is payable in.

Company's Response:

The tax payable for 2H 2021 and 2H 2020 was in Singapore.

BY ORDER OF THE BOARD

Peng Weile
Executive Director
8 March 2022