

ENTRY INTO A NON-BINDING TERM SHEET IN RELATION TO A PROPOSED ACQUISITION OF SHARES IN SHINMAX PRODUCTS SDN BHD

1. INTRODUCTION

- 1.1. The Board of Directors of Forise International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 27 June 2024 entered into a term sheet (the “**Term Sheet**”) with Mr. Lum Chee Seng and Mr. Toh Wee Kiong (the “**Vendors**”, and together with the Company, the “**Parties**”) for the proposed acquisition of 571,500 issued and paid-up ordinary shares (the “**Sale Shares**”) in Shinmax Products Sdn Bhd (company registration number: 201401016988) (the “**Target**”), representing approximately 50.13% of the issued and paid-up share capital in the Target as at the date of signing of the Term Sheet (the “**Proposed Acquisition**”).
- 1.2. **The Term Sheet is not intended to be legally binding between the Parties, save for the provisions relating to governing law and jurisdiction and exclusivity period.**
- 1.3. As such, the Proposed Acquisition remains subject to *inter alia*, the Parties entering into definitive agreements on terms to be agreed (the “**Definitive Agreements**”). For the avoidance of doubt, the terms and conditions of the Proposed Acquisition are not limited to that set out in the Term Sheet and the agreed terms of the Proposed Acquisition in the Definitive Agreements (if and when entered into) may or may not differ from that set out in the Term Sheet.
- 1.4. Subject to the final terms to be agreed by the Parties and the execution of the Definitive Agreements, the Proposed Acquisition, if undertaken and completed, is expected to constitute a major acquisition, but not a very substantial acquisition, pursuant to Rule 1014 of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), and in such circumstances, will be subject to the approval of the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting to be convened (“**EGM**”) and the approval of the SGX-ST. Therefore, subject to the execution of the Definitive Agreements, the Company will prepare and despatch to Shareholders a circular seeking approval for the Proposed Acquisition and for the diversification of the business of the Group to include the business of the Target.
- 1.5. The Company will make further announcements, including any disclosures required pursuant to Chapter 10 of the Listing Manual, as and when there are material updates to the Proposed Acquisition, including the entry into the Definitive Agreements. As at the date of this announcement, due diligence on the Target is still underway.
- 1.6. For the purposes of the Term Sheet and this announcement, an exchange rate of S\$1 : RM3.55 is used.

2. INFORMATION ON THE TARGET

The information in this section relating to the Target is based on information provided by and/or representations made by the Target and/or the Vendors. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below. The sole responsibility of the Company and the Directors in this regard has been limited to ensuring that such information has been properly extracted and reproduced in the context that the information has been disclosed in this announcement.

Shareholding and Management

- 2.1. The Target was incorporated in Malaysia on 14 May 2014 as a private limited company. As at the date of the Term Sheet, the Target has an issued and paid-up share capital of RM 1,140,000 comprising 1,140,000 ordinary shares of RM1.00 each, all such shares being fully paid-up. The registered shareholders of the Target, and their respective shareholding in the Target, are as follows:
- (a) Mr. Lum Chee Seng (“**Mr. Lum**”), who is the registered holder of 684,000 issued and paid-up ordinary shares in the Target, representing approximately 60.0% of the issued and paid-up share capital in the Target; and
 - (b) Mr. Toh Wee Kiong (“**Mr. Toh**”), who is the registered holder of 456,000 issued and paid-up ordinary shares in the Target, representing approximately 40.0% of the issued and paid-up share capital in the Target.
- 2.2. Mr. Lum is a passive investor in the Target and is not involved in the day-to-day operations or general oversight of the management of the Target. Mr. Toh is the founder and Managing Director of the Target. He possesses more than 15 years of experience in the industry in which the Target operates. The other director of the Target, Ms. Tan Swee Chen (“**Ms. Tan**”), is Mr. Toh’s wife, and also a founder of the Target. She has been working as the Target’s Finance Controller since 2015. As of the date of this announcement, none of them, nor their associates, are interested in any shares in the Company, directly or indirectly.
- 2.3. As at the date of the Term Sheet, the Target does not have any subsidiary or associated companies.

Business Activities

- 2.4. The Target is based in Malaysia and primarily engaged in the following business segments:
- (a) manufacturing and trading of component parts (including customized component parts), conveyor chains, former holder sets, machinery, and equipment across various industries; and
 - (b) reconditioning, replacing and providing rewashing services for conveyor chains and former holder sets.
- 2.5. Notably, the Target specializes in serving the dipped latex products industry (being the sector involved in the manufacturing of products made by dipping a mold into liquid latex and then curing it to form a solid product), which includes rubber gloves, condoms, balloons, and finger cots. The Target also possesses in-house design capabilities, fostering technical know-how.
- 2.6. The primary markets for the Target’s products are therefore glove manufacturers in the dipped latex industry. Geographically, the Target’s main market is predominantly Malaysia, although it also has clients and customers in Indonesia, Thailand and Sri Lanka.

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1. To build shareholder value, the Group is desirous of injecting new businesses into the Group. The Proposed Acquisition represents a good opportunity for the Group to diversify and enter a new industry which could potentially provide a regular and growing revenue stream. As of 2020, the global rubber gloves market, an industry which the Target services, was valued at US\$34.0 billion, and is anticipated to generate US\$122.5 billion by 2030, being a projected growth at a

compound annual growth rate of 12.2% from 2021 to 2030¹. Malaysia, the key market that the Target serves, is one of the largest producers of rubber gloves in the world².

- 3.2. The Group is therefore of the view that the Proposed Acquisition will place it in a position to expand and diversify into new business sectors and revenue streams, which will allow it an opportunity to achieve a more consistent and sustainable financial growth.
- 3.3. The satisfaction of the Consideration by way of the allotment and issuance of the Consideration Shares (as defined herein) will also reduce the cash outlay to be incurred by the Company in relation to the Proposed Acquisition.

4. PRINCIPAL TERMS OF THE TERM SHEET

4.1. Sale and Purchase of the Sale Shares

The Company intends to purchase the Sale Shares from each of the Vendors in the following proportions:

- (a) From Mr. Lum, 326,500 Sale Shares; and
- (b) From Mr. Toh, 245,000 Sale Shares.

	Before the Proposed Acquisition		After the Proposed Acquisition	
	Number of Shares in the Target	Shareholding Percentage in the Target	Number of Shares in the Target	Shareholding Percentage in the Target
Mr. Lum	684,000	60.00%	357,500	31.36%
Mr. Toh	456,000	40.00%	211,000	18.51%
The Company	0	0.00%	571,500	50.13%
Total	1,140,000	100.00%	1,140,000	100.00%

4.2. Indicative Acquisition Consideration

The consideration for the sale and purchase of the Sale Shares is, indicatively, S\$2,866,589 (the “**Consideration**”), to be satisfied as follows:

- (a) 60.0% of the Consideration, being approximately S\$1,719,953.00, to be satisfied by the issue and allotment of new ordinary shares in the Company priced indicatively at S\$0.10 per share (the “**Consideration Shares**”); and
- (b) the remaining 40.0% of the Consideration, being approximately S\$1,146,636.00, to be satisfied in cash.

As negotiations and due diligence processes are still currently underway as at the date of this announcement, the Consideration and price of the Consideration Shares are indicative only. The basis for valuation, and any changes to the figures, will be announced by the Company when they are confirmed.

The Consideration is intended to be paid in three (3) tranches, as described in further detail in section 4.3 of this announcement.

¹ Allied Market Research, <https://www.alliedmarketresearch.com/>. (n.d.). *Rubber gloves Market Size, Share, Competitive Landscape and Trend Analysis Report by Type, Product, Material and End-user Industry: Global Opportunity Analysis and Industry Forecast, 2021-2030*. Allied Market Research. <https://www.alliedmarketresearch.com/rubber-gloves-market-A11847>. Last accessed 20 June 2024.

² Malaysia: International Labour Office. <https://www.ilo.org/>. (2023). *Decent work challenges and opportunities in Malaysia’s rubber glove supply chain*. International Labour Office. https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_dialogue/@sector/documents/publication/wcms_886336.pdf. Last accessed 20 June 2024.

4.3. Conditions Precedent

Completion of the sale and purchase of the Sale Shares ("**Completion**") is subject to conditions customary for a transaction of this nature, including but not limited to:

- (a) Approval from the SGX-ST for the listing and quotation of the Consideration Shares;
- (b) Approval from the Shareholders for the Proposed Acquisition and the issue and allotment of the Consideration Shares;
- (c) Completion of due diligence with outcome satisfactory to the Company; and
- (d) The negotiation and execution of the Definitive Agreements, such as a Share Purchase Agreement, a Shareholders Agreement, and Service Agreement(s) with key management personnel of the Target, and additionally, if deemed necessary, Management Agreements outlining the terms for the key personnel's involvement for at least the next three (3) years.

First Tranche

It is intended that the Company shall be registered as the holder of the Sale Shares in the Target on Completion, upon which the first tranche of the Consideration (the "**First Tranche Consideration**") – being 45% of the Consideration, amounting to approximately S\$1,289,965.00 – shall be paid in a combination of cash and Consideration Shares to the Vendors, as follows:

Vendor	No. of Consideration Shares	Cash (S\$)	Total Consideration (S\$ equivalent)
Mr. Lum	2,756,855	133,330.00	409,015.50
Mr. Toh	8,709,495	10,000.00	880,949.50
Total	11,466,350	143,330.00	1,289,965.00

As at the date of this announcement, the Company has 42,599,999 existing issued and paid-up ordinary shares (the Company does not have any treasury shares or subsidiary holdings). Assuming that the First Tranche Consideration is paid in full in the amounts indicated above, the number of Consideration Shares to be allotted and issued will represent:

- (A) approximately 26.92% of the existing issued and paid-up share capital of the Company as at the date of this announcement; and
- (B) approximately 21.21% of the enlarged share capital of the Company following the completion of the payment of the First Tranche Consideration,

assuming there are no changes to the number of shares of the Company before the completion of the payment of the First Tranche Consideration.

Second Tranche

The second tranche of the Consideration ("**Second Tranche Consideration**") – being 27.5% of the Consideration – is intended to be payable only upon the Target achieving an audited EBITDA of RM4.2 million for the year ending 31 December 2024 ("**FY2024**") (the "**FY24 EBITDA Target**").

In the event that the audited EBITDA for FY2024 ("**Audited FY24 EBITDA**") is lower than the FY24 EBITDA Target (the difference being the "**FY24 Shortfall**"), the Second Tranche Consideration is intended to be proportionately reduced by the amount of the FY24 Shortfall. For the avoidance of doubt, FY24 Shortfall is defined as FY24 EBITDA Target minus Audited FY24 EBITDA. The reduction amount will be calculated by dividing the FY24 Shortfall by the

FY24 EBITDA Target, then multiplying the result by the Second Tranche Consideration. Expressed as a formula, this would be:

$$\frac{FY24\ Shortfall}{FY24\ EBITDA\ Target} \times Second\ Tranche\ Consideration$$

Any Audited FY24 EBITDA achieved that exceeds the FY24 EBITDA Target (“**Audited FY24 EBITDA Excess**”) shall be carried forward and credited towards or added to the audited FY2025 EBITDA achieved for FY2025, subject to a cap of RM1.00 million.

The Second Tranche Consideration is intended to be paid in cash only, as follows:

Vendor	No. of Consideration Shares	Cash (S\$)	Total Consideration (S\$ Equivalent)
Mr. Lum	0	778,311.00	778,311.00
Mr. Toh	0	10,000.00	10,000.00
Total	0	788,311.00	788,311.00

Third Tranche

The third tranche of the Consideration (“**Third Tranche Consideration**”) – being the remaining 27.5% of the Consideration – will then be payable only upon the Target achieving an aggregate Audited FY24 EBITDA Excess and audited EBITDA for the year ending 31 December 2025 (“**FY2025**”) of RM 4.8 million (the “**FY25 EBITDA Target**”).

In the event that the aggregate of the audited EBITDA for FY2025 (“**Audited FY25 EBITDA**”) and the Audited FY24 EBITDA Excess, is lower than the FY25 EBITDA Target (the difference being the “**FY25 Shortfall**”), the Third Tranche Consideration is intended to be proportionately reduced by the amount of the FY25 Shortfall. For the avoidance of doubt, FY25 Shortfall is defined as FY25 EBITDA Target minus aggregate of Audited FY25 EBITDA and FY24 EBITDA Excess. The reduction amount (the “**Final Reduction Amount**”) will be calculated by dividing the FY25 Shortfall by the FY25 EBITDA Target, then multiplying the result by the Third Tranche Consideration. Expressed as a formula, this would be:

$$\frac{FY25\ Shortfall}{FY25\ EBITDA\ Target} \times Third\ Tranche\ Consideration$$

The Third Tranche Consideration is intended to be paid in a combination of cash and Consideration Shares to the Vendors, as follows:

Vendor	No. of Consideration Shares	Cash (S\$)	Total Consideration (S\$ Equivalent)
Mr. Lum	2,453,710	204,995.00	450,366.00
Mr. Toh	3,279,470	10,000.00	337,947.00
Total	5,733,180	214,995.00	788,313.00

The Final Reduction Amount will then be applied towards reducing Third Tranche Consideration in the following order:

- (1) First, the cash portion of the Third Tranche Consideration shall be reduced by the Final Reduction Amount, until the cash portion is reduced to zero.
- (2) Next, for any leftover Final Reduction Amount in excess of the aforementioned cash portion, it shall be applied towards reducing the number of Consideration Shares originally intended to be issued under this Third Tranche Consideration, by such number equivalent in value to the leftover Final Reduction Amount based on a price of S\$0.10 per Consideration Share. For the purpose of this second step, each Vendor’s Consideration Shares shall be reduced by such number as to maintain, as

between them, the ratio of Consideration Shares they were originally intended to receive under this Third Tranche Consideration had the FY25 EBITDA Target been met. Any fraction of a Consideration Share to be reduced shall be rounded up without compensation for the rounding.

Assuming that the Third Tranche Consideration is paid in full in the amounts indicated above with no reduction made for any leftover Final Reduction Amount, the number of Consideration Shares to be allotted and issued will represent:

- (A) approximately 13.46% of the existing issued and paid-up share capital of the Company as at the date of this announcement;
- (B) approximately 10.60% of the then issued and paid-up share capital of the Company, assuming the First Tranche Consideration was paid in full; and
- (C) approximately 9.59% of the enlarged share capital of the Company following the completion of the payment of the Third Tranche Consideration,

assuming there are no changes to the number of shares of the Company before the completion of the payment of the Third Tranche Consideration, other than pursuant to the payment of the First Tranche Consideration.

Overall, it is envisaged that following each of the allotment and issue of Consideration Shares, the Vendors' shareholding in the Company will be as follows:

	Before the Proposed Acquisition		After the First Tranche		After the Third Tranche	
	Number of Shares in the Company	Shareholding Percentage in the Company	Number of Shares in the Company	Shareholding Percentage in the Company ⁽¹⁾	Cumulative Number of Shares in the Company	Cumulative Shareholding Percentage in the Company ⁽²⁾
Mr. Lum	0	0.00%	2,756,855	5.10%	5,210,565	8.71%
Mr. Toh	0	0.00%	8,709,495	16.11%	11,988,965	20.05%
Total	0	0.00%	11,466,350	21.21%	17,199,530	28.76%

Notes:-

- (1) Based on a then enlarged share capital of the Company of 54,066,349 issued and paid-up ordinary shares, assuming there are no other changes to the number of shares.
- (2) Based on a then enlarged share capital of the Company of 59,799,529 issued and paid-up ordinary shares, assuming there are no other changes to the number of shares.

4.4. Funding of Target

The Vendors are to provide an undertaking in proportion to each of the Vendor's shareholdings for any funding.

4.5. Rights of First Refusal

The Company is to be granted a right of first refusal in the event of any attempt by other shareholders of the Target to transfer or sell their shares.

4.6. Costs Sharing

Costs incurred by the Company in connection with the Proposed Acquisition are to be shared equally between the Company and the Vendors.

4.7. Moratorium

The Vendors are to provide a moratorium of twelve (12) months over the Consideration Shares.

4.8. Exclusivity Period

The Parties have agreed to not, for a period of three (3) months from the date of the Term Sheet or until execution of the Definitive Agreements, whichever is earlier (“**Exclusive Period**”), take any action to consider, solicit, initiate, encourage or discuss any proposal, negotiation or offer from any other person or entity relating to the purpose of the Term Sheet.

Unless the Exclusive Period is extended by agreement among the Parties, if the Definitive Agreements are not executed before the expiry of the Exclusive Period, the Term Sheet shall be deemed terminated and any Party may thereafter provide information, solicit or provide proposals or conduct any discussion or negotiation with any other parties who are not parties to the Term Sheet.

4.9. Governing Law and Jurisdiction

The Term Sheet is governed by the laws of Singapore and Parties have agreed to be subject to the non-exclusive jurisdiction of the Singapore courts.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

- 5.1. None of the Directors and controlling Shareholders of the Company, other than in their respective capacity as Directors or Shareholders of the Company, has any interest, direct or indirect, in the Proposed Acquisition.

6. TERM SHEET AVAILABLE FOR INSPECTION

- 6.1. A copy of the Term Sheet will be available for inspection by Shareholders of the Company during normal business hours at the Company’s registered office at 15 Scotts Road, #04-08, Singapore 228218 for a period of 3 months from the date of this announcement.

7. FURTHER ANNOUNCEMENTS

- 7.1. The Company will make further announcements in compliance with the requirements of the Listing Manual, in particular, any disclosures required pursuant to Chapter 10 of the Listing Manual, upon the execution of the Definitive Agreements and/or when there are material developments in respect of the Proposed Acquisition. As at the date of this announcement, due diligence on the Target is still underway.

8. CAUTION IN TRADING

- 8.1. Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Definitive Agreements will be entered into, the terms and the conditions of the Proposed Acquisition will not differ from that set out in the Term Sheet, or the Proposed Acquisition will be undertaken or completed at all. The Company will make the necessary announcements as and when there are further developments on the Proposed Acquisition.
- 8.2. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, accountants, solicitors or other professional advisers if they have any doubt about the actions that they should take.

BY ORDER OF THE BOARD

Wan Jinn Woei
27 June 2024