

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

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The Board of Directors of Forise International Limited (the "**Company**"), and together with its subsidiaries, the "**Group**") refers to the earlier Announcements dated 26 January 2021, 2 February 2021 and 8 February 2021 (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 10 February 2021 as follows:

**SGX-ST's Query**

We refer to the Company's response to SGX queries on 8 February 2021 regarding Le Rong Corporation Management (Shenzhen) Co., Ltd ("**Le Rong**").

- 1) We note that the Company responded that Tianjin WFOE paid RMB 40,000 for the 40% stake in Le Rong.
- (a) This is inconsistent with the Company's response to SGX queries on 10 January 2018 where it was disclosed that the Company had inadvertently omitted the fact that they had injected an additional RMB 2.0 million into Le Rong for their 40% stake (total of RMB 2.04 million). Please clarify why this has been omitted again and clarify exactly how much was paid for the 40% stake in Le Rong.

**Company's Response**

The Company wishes to clarify that Tianjin WFOE had paid RMB40,000 to Ms. Li for the acquisition of a 40% stake in Le Rong from her (as announced on 1 June 2017). Subsequent to the acquisition, Tianjin WFOE had, on 1 August 2017, injected RMB2.0 million (representing 40% of the registered share capital of Le Rong) into Le Rong.

It was misunderstood that the query in the announcement dated 8 February 2021 was referring to only the amount paid to Ms. Li for the 40% stake in Le Rong. The Company confirms that the total amount paid for the acquisition of the 40% stake in Le Rong amounts to RMB2.04 million (inclusive of the RMB2.0 million injection for the registered share capital which was paid to Le Rong).

- (b) Please also clarify if Tianjin WFOE had paid the RMB 2.04 million to Le Rong as a capital injection, or to Ms Li Ying directly for a 40% stake in Le Rong.

**Company's Response**

As clarified in the response to Query 1(a) above, RMB40,000 was paid to Ms. Li for the acquisition of 40% stake in Le Rong from her. Subsequent to the acquisition, Tianjin WFOE injected RMB2.0 million into Le Rong as the share capital of the 40% stake.

- 2) Given that the financial factoring license of Le Rong has been terminated, is Le Rong still legally entitled to the receivables from their financial factoring business? How is Le Rong intending to recover such receivables?

**Company's Response**

The Company has consulted a Chinese law firm and understood that Le Rong is still legally entitled to the receivables from their commercial factoring business despite the commercial factoring license of Le Rong having been terminated. The rationale is that Le Rong was a licensed commercial factoring company when Le Rong conducted its commercial factoring business. As disclosed in our announcement dated 2 February 2021, the change in business activities did not preclude Le Rong from recovering its debts. Le Rong remains fully entitled to the receivables which are subject to debt collection.

Tianjin WFOE and Le Rong have indeed continuously chased for the repayments via emails, calls and letters of reminder, as well as engaged Chinese law firms to advise on recovery. As the end customer of Le Rong is severely impacted by i) the COVID-19 pandemic; ii) stringent controls over the real estate industry by Chinese Authorities; and iii) tightened financial regulatory controls for financial related entities imposed by the Chinese Authorities, the end customer of Le Rong is facing severe cash flow problems. PRC counsel had advised Tianjin WFOE that the prospect of recovery against the end customer was low, taking into account that Le Rong was not the only creditor of the end customer and that the end customer was facing several other claims. Tianjin WFOE had also obtained quotes from PRC counsel on the cost of recovery. Taking into account the low prospect of recovery and the relatively high cost of any litigation in the event that the claim is protracted, Tianjin WFOE decided that it would not at present be justified to commence court proceedings. Tianjin WFOE will nonetheless continue to monitor to status of the end customer and obtain the advice of PRC counsel on the availability of other avenues of recovery available. Concurrently, Le Rong will seek to rationalize its operations by minimizing operating expenses, and focus on recovery of accounts receivables.

- 3) Given the sequence of events from the payment of the RMB 2.04 million for 40% interest of Le Rong even though Ms Li Ying had not paid up her portion of share capital, to the loans of RMB 19.8 million made to Le Rong for the financial factoring business which was eventually unrecoverable and impaired, eventually leading to the sudden sale of Ms Li Ying's 60% interest to Mr Zou Zhi Bing whom the Company has no information on, is the Company of the opinion that Ms Li Ying had mismanaged Le Rong? Is the Company considering any course of legal action to recover the amounts owed by Le Rong to the Company? Please explain and justify robustly.

**Company's Response**

As disclosed in our announcement dated 10 March 2020 in responding to SGX query 1.b)iv), it has been the agreed commercial decision that the co-operation arrangement with Ms. Li was that Ms. Li would provide a commercial factoring platform and business contacts, Tianjin WFOE would provide funds for the business operations and development. At that time, the factoring business was oversight by a dedicated team of Tianjin WFOE. Upon the factoring business proposal presented by Ms. Li, due diligence and background checks on the end customer were conducted by Tianjin WFOE prior to lending. Moreover, the Chinese economy, particularly the real estate industry, was smooth and prosperous before the Central Government tightened its regulations. As disclosed in the annual report 2019, Tianjin WFOE collected RMB876,000 and RMB700,000 for financial years 2019 and 2018 respectively.

In 2019, the end customer of Le Rong defaulted on payment and the repayment of debts not in accordance with the contracts, mainly due to the financial and operational conditions of the end customer which were severely affected by various reasons as explained in our earlier announcements dated 2 February 2021 and 8 February 2021. The Company believes the main cause of the current situation of Le Rong is due to the macro environmental factors and no direct connection to mismanagement by Ms. Li.

Notably, the developments above took several years and faced several major turbulences, such as the Sino-US trade war, implementation of financial deleveraging and real estate industry regulation by Chinese central government, and the COVID-19 pandemic.

With respect to the receivables from the end customer, both Le Rong and Tianjin WFOE engaged Chinese law firms to provide opinions and recovery plans. Le Rong had considered suing the end customer who defaulted on payments, but decided against it as the legal costs to be incurred would be relatively enormous and yet with low chances of recovery. Hence, Le Rong decided not to take legal action against the end customer for the time being but explore other alternatives for recovery. Tianjin WFOE has also engaged a Chinese law firm to advise on feasible and cost-efficient ways of debts recovery.

- 4) Given that Le Rong has no ongoing business, what is the Company's future plans for Le Rong?

**Company's Response**

The Company's fundamental plan for Le Rong is debt collection and minimising the operating expenses of Le Rong.

- 5) Apart from Mr Zou Zhi Bing, who else is involved in the day-to-day affairs of Le Rong? How does the Company ensure that Mr Zou Zhi Bing is reputable as the current controlling shareholder and legal representative of Le Rong given that the Company was not given any information on Mr Zou Zhi Bing.

**Company's Response**

The finance personnel of Tianjin WFOE have been participating in the day-to-day financial matters including operation of the bank account and maintenance of accounting records, in order to safeguard compliance with financial regulations and the security of the share capital injected by Tianjin WFOE. As the Company has no plans to continue the business operations of commercial factoring and only focus on the collection of debts from Le Rong, the Company therefore believes that the current controlling shareholder and legal representative of Le Rong will not have much impact to the Company at this moment.

- 6) How does the Company obtain assurance over the accounting records of Le Rong? What is the current cash position of Le Rong and how does the Company intend to recover cash from Le Rong?

**Company's Response**

As explained in our response to Query 5 above, the finance personnel of Tianjin WFOE have been participating in the day-to-day financial matters including operation of the bank account and maintenance of accounting records, in order to safeguard compliance with financial regulations and the security of the share capital injected by Tianjin WFOE.

The cash position of Le Rong as at 31 December 2020 was RMB28,182.

Tianjin WFOE has engaged a Chinese law firm to provide a legal opinion and explore possible cost-efficient ways for debt recovery.

**BY ORDER OF THE BOARD**

Peng Weile  
Executive Director  
16 February 2021