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

RESPONSE TO THE QUERIES FROM THE SINGAPORE STOCK EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE UNAUDITED FULL YEAR RESULTS 2015 ANNOUNCEMENT

The Board of Directors of Forise International Limited (the "Company" and together with its subsidiaries the "Group") would like to respond to the following queries raised by SGX-ST on 12 April 2016 in relation to its announcement response on 4 April 2016 to the queries on its unaudited full year results for the financial year ended 31 December 2015, as follows :

SGX-ST's Query

1. It is mentioned in the Announcement that "the Company did not maintain separate departmental accounts for the trading business". Please explain why the Company did not maintain separate departmental accounts for the trading business.

Company's Response

As the core business of the Group over the years was contract manufacturing, the Group had reported on the contract manufacturing as the operating segment. The trading business was not significant in terms of the revenue generated. Moreover it shared the same resources and manpower as management of orders of the trading business was under the same contract manufacturing team. Accordingly, the management view that it is not significant to segregate the accounts into different departments. The trading business activities represent approximately 10% of the total Group business activities in FY2015.

SGX-ST's Query

2. It was disclosed that "Total value of machineries disposed over 5 disposal transactions – RMB9.96 million".

   (a) Did the 5 disposal transactions take place over a period of 12 months?

Company's Response

The 5 disposal transactions took place in Q4 2015.

SGX-ST's Query

   (b) Please note that Listing Rule 1005 states that the Exchange may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction;
   (c) Please also note that Listing Rule 1007 states that if any of the relative figures computed pursuant to Rule 1006 is a negative figure, this Chapter may still be applicable to the transaction at the discretion of the Exchange, and issuers should consult the Exchange; and
   (d) Please disclose the relative figures computed on the bases of Listing Rule 1006(a) and 1006 (b).

Company's Response

As explained in the Company's announcement dated 4 April 2016, the disposal of the machineries took place in the context of cost containment measures and in phases over a series of transactions to different buyers, none of which in itself is significant compared with the Group's fixed assets. As such, the Company had viewed such cost containment measures as steps in the ordinary costs for the preservation of resources and not a disposal under Chapter 10 of the Listing Manual.

Purely for illustrative purposes, based on the audited consolidated financial statements of the Group for FY2015, the relative figures in respect of the disposal of machineries, as computed on the bases set out in Rule 1006(a) and (b) of the Listing Manual, are as follows:

	Disposed Assets (RMB)	**Group (RMB)**	**Relative Figures (%)**
Rule 1006 (a) The net asset value of the assets to be disposed of, compared with the group's net asset value as at 31 December 2015	4,215,228	(132,696,714)	(3.18%)
Rule 1006 (b) The net profits attributable to the assets disposed of compared with the Group's net losses as of 31 December 2015	5,745,569	(188,882,675)	(3.04%)

SGX-ST Query

3. It was disclosed that "advances to suppliers being impaired arose from financing arrangement between the Group and its major suppliers for prompt deliveries of inventories".

   (a) Please provide details and elaborate on the "financing arrangements";

Company's Response

The financing arrangements referred to the manner in which the Group sourced and placed orders for raw materials, in particular where the Group placed advances with its suppliers for the following circumstances: (i) when ordering from new suppliers; (ii) when ordering customized raw materials with existing suppliers; and (iii) to secure better pricing for large orders.

For new suppliers or when placing orders for raw materials with customized specifications from our existing suppliers, we are typically required to make an advance payment of 30 to 100% upon placing our orders with the remaining balance to be paid depending on the credit terms offered to us by the suppliers. To the best of the Company's information, knowledge and belief, such rate of advance payment is consistent with market practice in the PRC. In addition, for certain existing suppliers, we may also make an advance payment for large orders in order to secure better pricing. The amount of advances which we will be required to place with individual suppliers will vary in accordance with the nature of the order in relation to the type of materials ordered and quantum of such order.

The advances to suppliers are funded by the financing arrangement from our trade facilities provided by our bankers.

SGX-ST Query

(b) Please explain why is the Company in the business of lending and financing. Please also provide details on the terms of such financing.

Company's response

The Company is not in the business of lending and financing, hence there are no terms of such financing.

SGX-ST Query

4. It was also disclosed that "the management is in negotiations with the supplier to recover these advances". We note that the Group has financing arrangements with its major suppliers. Please clarify if the negotiations is only with one supplier.

Company's Response

The Group is negotiating with all the suppliers to recover these advances. As of current date, the management had signed settlement agreements with certain suppliers and will continue to negotiate to recover the advances from all suppliers.

SGX-ST Query

5. It was mentioned that the Board "has verified with the management on the recovery of these advances". If so, please elaborate on why the Board is of the view that the advances should be impaired.

Company's Response

In view that the Group had disposed its plant and machineries and the cessation of its production activities, it is inevitable that those advances made to suppliers on orders placed might not be able to be cancelled or placed to other manufacturers, and therefore collection of advances will be impacted. Furthermore, refund from suppliers had also not been forthcoming during the year mainly affected by the slowdown in the textile industry in China.

Accordingly, the board is of the view that the advances should be impaired.