

**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 and 2 February 2021.

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 February 2021 as follows:

**SGX-ST's Query**

We refer to the Company's response to SGX queries on 2 February 2021 regarding Le Rong Corporation Management (Shenzhen) Co., Ltd ("Le Rong").

- 1) What is the current registered and the paid up share capital of Le Rong and is this subject to any share capital requirement prior to the change to share capital of no less than RMB 50 million.

**Company's Response**

The current share capital of Le Rong is as follows:

- Registered share capital – RMB5 million
- Paid up share capital – RMB2 million

As disclosed in our announcement dated 2 February 2021, commercial factoring entities were formerly governed by the Ministry of Commerce (商务部) from 2012<sup>(1)</sup>. Since 2012, there had been no mandatory requirement for registered capital to be fully paid up as the Shenzhen authorities were encouraging private capital to embark into the commercial factoring industry.

Additionally, there was also no mandatory requirement regarding paid-up capital for setting up a commercial factoring company in Shenzhen at that time. Therefore, when Le Rong was incorporated in Shenzhen in October 2016, it was not required to hold a minimum of RMB50 million in share capital.

**Note:-**

(1) Source: <http://www.mofcom.gov.cn/article/ae/ai/201309/20130900278950.shtml>

- 2) When was the change to RMB 50 million effected? Please provide the link to the relevant website announcing the changes.

**Company's Response**

From 2018, the Chinese Central Government decided to classify commercial factoring entities as financial related entities and transfer the supervisory and governing powers from the Ministry of Commerce (商务部) to the China Banking and Insurance Regulatory Commission – local

territorial supervision (金融办). In the case of Le Rong, it was then governed by the Shenzhen Municipal Financial Service Office (深圳市人民政府金融工作办公室).

Thereafter, each local territorial Financial Service Office began to review the commercial factoring entities within their territories, and gradually tightened the requirements for setting up new commercial factoring entities as well as other requirements including the required share capital of commercial factoring entities.

Please refer to this link for an announcement by the Shenzhen Factors Association (深圳市商业保理协会) announcing that commercial factoring entities are governed by Shenzhen Municipal Financial Service Office: [http://www.szsyblxh.org.cn/nd.jsp?id=763#\\_np=111\\_465](http://www.szsyblxh.org.cn/nd.jsp?id=763#_np=111_465)

Please note that different Local Municipal Financial Service Offices impose different requirements regarding share capital. For instance, it is no less than RMB50 million for Shenzhen<sup>(1)</sup>, no less than RMB100 million for Beijing<sup>(2)</sup>, and no less than RMB200 million for Zhejiang<sup>(3)</sup>, among others.

**Notes:-**

(1) Source: [https://www.0755dljz.com/show\\_services-4118.html](https://www.0755dljz.com/show_services-4118.html)

(2) Source: [http://www.szsyblxh.org.cn/nd.jsp?id=1044#fai\\_12\\_top&\\_np=164\\_478](http://www.szsyblxh.org.cn/nd.jsp?id=1044#fai_12_top&_np=164_478)

(3) Source: [http://zjcmspublic.oss-cn-hangzhou-zwynet-d01-a.internet.cloud.zj.gov.cn/jcms\\_files/jcms1/web2787/site/attach/0/5a2c222736b04ea5b68378c8bc1e5293.pdf](http://zjcmspublic.oss-cn-hangzhou-zwynet-d01-a.internet.cloud.zj.gov.cn/jcms_files/jcms1/web2787/site/attach/0/5a2c222736b04ea5b68378c8bc1e5293.pdf)

- 3) How much did the Company pay for their 40% stake in Le Rong?

**Company's Response**

Tianjin WFOE paid RMB40,000 for the 40% stake in Le Rong.

- 4) Please provide details on why additional funding was required for the commercial factoring business of Le Rong.

**Company's Response**

As Ms. Li did not draw any salary from Le Rong, it has been the mutual agreement between Tianjin WFOE and Ms. Li that Ms. Li is entitled to profit distribution via shareholder dividends should Le Rong be profitable. This arrangement was to motivate and encourage Ms. Li to maximise her enthusiasm in achieving profitability in Le Rong and simultaneously minimise the operating cost of Le Rong.

As the Chinese government has tightened its regulations of the real estate industry in 2018 and regulations of the financial system (deleveraging)<sup>(1)</sup>, these had greatly affected the customers of Le Rong in terms of business and capital flow; coupled with the Sino-US trade war that began in 2018, China's economy had worsened and this mostly affected private enterprises. The abovementioned factors have impacted the customer of Le Rong which is a privately-owned manufacturing company in China which manufactures and supplies glass windows for building constructions to small and medium sized property developers.

In view of this, Tianjin WFOE decided to suspend the commercial factoring business and actively request for the repayment. Tianjin WFOE did not provide more funds to Le Rong to develop new factoring business. Therefore, Le Rong did not launch any new business of commercial factoring and hence Ms. Li had no short-term foreseeable source of income (via shareholder dividends).

In early 2020, the outbreak of the Covid-19 pandemic had severely impacted the global economy. Ms. Li may have also been under financial pressure due to not drawing income from Le Rong for several years. In the second half of 2020, she had requested Tianjin WFOE to continue providing new funds to Le Rong to develop new factoring business. Ms. Li's proposals were rejected by Tianjin WFOE.

Ms. Li then suggested to sell her 60% stake in Le Rong to Tianjin WFOE, but Tianjin WFOE did not agree because the Company wished to recover the loan amounts as much as possible. The management of the Company believes that the limited resources of listed companies should be deployed in businesses with development prospects.

In addition, the Company is aware that the Chinese government will clean up the commercial factoring industry and increase the entry threshold and requirements for commercial factoring entities. The Chinese government has been persuading commercial factoring companies which do not meet the requirements to withdraw from the industry<sup>(2)</sup>. Thus, the Company decided not to extend more funds to Le Rong.

**Notes:-**

(1) Source: [https://www.sohu.com/a/233444159\\_100102451](https://www.sohu.com/a/233444159_100102451)

(2) Source: [http://www.gov.cn/xinwen/2019-10/31/content\\_5447282.htm](http://www.gov.cn/xinwen/2019-10/31/content_5447282.htm)

- 5) How much revenue and profits did Le Rong generate in FY2019 and FY2020.

**Company's Response**

The revenue and profits/(losses) of Le Rong are as follows:

	FY2019	FY2020
Revenue (RMB)	-	4,850
Losses (RMB)	(9,356)	(21,273,572)*

*\*represents mainly the impairment of accounts receivable*

- 6) Please provide more details on the factoring license that was granted to Le Rong and whether such license has been renewed or if the license was terminated.

**Company's Response**

To operate a commercial factoring business in China, the company's name must include the words "commercial factoring". In addition, the business license of the commercial factoring company must include the scope of operation in developing commercial factoring business. The business license of Le Rong had all the above.

A renewal of business licence is done annually. Le Rong has had such a license up to the date of the change of business activities.

As explained in the Company's response to query 2 above, the Chinese Central government has gradually tightened the requirements for setting up new commercial factoring entities as well as other requirements including the required share capital of commercial factoring entities<sup>(1)</sup>. Subsequently, each local territorial Financial Service Office implemented its own local policies for the entities registered in the respective territory to adopt. The timing and requirements for each local territorial Financial Service Office is different. For instance, Beijing's territorial policy was proposed in 7 April 2020<sup>(2)</sup>. All commercial factoring entities registered in Beijing must meet the relevant requirements, otherwise it will not be allowed to continue its operations of commercial factoring. As for Zhejiang's territorial policy, it was expressly proposed on 5 November 2020<sup>(3)</sup>.

Please note that Shenzhen's territorial policy is yet to be announced, but Le Rong anticipated that it will be announced soon. This is the reason why Ms. Li wanted to transform Le Rong prior to the official announcement of the policy change in order to pre-empt otherwise avoidable problems to the business. Starting from 2018, industry rectification, industry investigation, policy formulation, and policy promulgation by the Chinese central government had also given many commercial factoring entities a window period for exiting the industry.

**Notes:-**

(1) Source: [http://www.gov.cn/xinwen/2019-10/31/content\\_5447282.htm](http://www.gov.cn/xinwen/2019-10/31/content_5447282.htm)

(2) Source: [http://www.szsyblxh.org.cn/nd.jsp?id=1044#fai\\_12\\_top&np=164\\_478](http://www.szsyblxh.org.cn/nd.jsp?id=1044#fai_12_top&np=164_478)

(3) Source: [http://zjcmspublic.oss-cn-hangzhou-zwynet-d01-a.internet.cloud.zj.gov.cn/jcms\\_files/jcms1/web2787/site/attach/0/5a2c222736b04ea5b68378c8bc1e5293.pdf](http://zjcmspublic.oss-cn-hangzhou-zwynet-d01-a.internet.cloud.zj.gov.cn/jcms_files/jcms1/web2787/site/attach/0/5a2c222736b04ea5b68378c8bc1e5293.pdf)

- 7) When did Ms Li Ying transfer her shares to Mr Zou Zhi Bing and under the terms of the investment agreement with Company, does she need to inform the Company of the transfer of shares and does the Company have the first rights to acquire the shares?

**Company's Response**

Ms. Li transferred her shares to Mr Zou Zhi Bing in late January 2021 and informed Tianjin WFOE thereafter.

Ms. Li had previously proposed to sell her 60% stake in Le Rong to Tianjin WFOE in October 2020, but the management of Tianjin WFOE did not agree. Thereafter, Ms. Li did not discuss further on the matter. Moreover, the investment agreement between Tianjin WFOE and Ms. Li did not stipulate the terms of the right of first refusal for the equity transfer of both parties.

- 8) Was the Company's approval required for Le Rong to change its principal business activities? If no, please explain why not.

**Company's Response**

Ms. Li had communicated the change to Tianjin WFOE and Tianjin WFOE, in furtherance of the Company's position as set out in the Response to Q4 above, agreed to the change after considering the following:

- i) Development of the new regulations and new policies in the industry of commercial factoring business (verified to business agencies in Shenzhen)
  - ii) No intention to continue the investment of additional funding for registered capital requirements and other related requirements which may be announced by Shenzhen authorities in due course.
- 9) Does Le Rong have any ongoing contracts in their new management consultancy and corporate advisory business?

**Company's Response**

Le Rong does not have any ongoing contracts in their new management consultancy and corporate advisory business at the moment.

- 10) Please provide the background information and CV of Mr Zou Zhi Bing.

**Company's Response**

No background information and CV of Mr. Zou Zhi Bing were provided to the Company.

- 11) Does Mr Zou Zhi Bing have any previous or existing relationships with Ms Li Ying, the Company, the Company's directors, KMPs or controlling shareholders?

**Company's Response**

The Company understands from Ms. Li that she has no previous or existing relationships with Mr. Zou Zhi Bing.

The Company's directors, KMPs or controlling shareholders do not have previous or existing relationship with Mr. Zou Zhi Bing.

- 12) Who introduced Mr Zou Zhi Bing to Ms Li Ying for the sale of the shares of Le Rong and how much did Mr Zou Zhi Bing pay for his shares of Le Rong.

**Company's Response**

According to Ms. Li, Mr. Zou Zhi Bing was introduced to her by her friend. No further information was disclosed by Ms. Li, including any information about the introducer of Mr. Zou Zhi Bing or the amount of sale proceeds for the transfer of shares.

**BY ORDER OF THE BOARD**

Peng Weile

Executive Director

8 February 2021