

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 earlier 4Q 2019 Results Announcement dated 28 February 2020 (the "**Earlier Announcement**").

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

The Board would like to respond to the further queries raised by the SGX-ST on 5 March 2020 as follows:

SGX-ST's Query 1

We refer to the Full Yearly Results announced on 5 Mar 2020. With reference to the consolidated statement of financial position, we noted that "Trade and other receivables" of RMB 11,890k comprises of "Trade receivables" of RMB 1,346k, "Other receivables" of RMB 29,837k and "Expected credit loss" of RMB (19,293)k

- a. It was disclosed that "Other receivables" increased by 47.5% to RMB 29,837k was mainly due to a short-term, recoverable on demand advance of RMB 10.6mil from a subsidiary to a related company.
 - i. Please disclose the terms of the advance, the identity of the related company, who are the ultimate beneficial shareholders and directors of the related company, what is the purpose of the advance, and when the Company intends to recover the advance. Please also disclose if the related party is an interested person under Chapter 9 of the Listing Rules and why the Company has not sought shareholders' approval.

Company's Response

The short-term advance of RMB10.6 million was made from Prisma Technologies Pte. Ltd. ("Prisma Tech") to a related company, Prisma AI Corporation Pte. Ltd. ("Prisma AI"). Both Prisma Tech and Prisma AI are related via a common director, Mr. Shreeram Subramaniam Iyer.

The ultimate beneficial shareholder of Prisma AI is Shreeram Subramaniam Iyer. The directors of Prisma AI are Siva Prakasham Manivannan, Modest Gabriel Rodrigues, Amitabh Roy Chowdhury and Shreeram Subramaniam Iyer

The purpose of the advance was to provide the working capital of the contract that Prisma Tech managed for Prisma AI and pursuant to which Prisma Tech earned management fee revenue. The advance is recoverable on demand by Prisma Tech and Prisma Tech intends to recover the advance within 12 months from the disbursement.

The Company wishes to note that the transaction is not an interested person transaction as the related company, being Prisma AI, is not an interested person under Chapter 9 of the Listing Rules. The Company wishes to clarify that while Prisma Tech is an "entity at risk" under Chapter 9 of the Listing Rules for being a subsidiary of the Company that is not listed on the SGX-ST or an approved exchange, Prisma AI is not an "interested person" under Chapter 9 of the Listing Rules as it is neither a director, chief executive officer or controlling shareholder of the Company, nor an associate of the aforementioned parties. Accordingly, no shareholders' approval has been sought for the transaction.

- ii. Please disclose the financial statements for FY2018 and FY2019 of the related company.

Company's Response

As mentioned above, Prisma AI is related through a common director of Prisma Tech. As Prisma AI is not a subsidiary or associated company of the Group, the Group has no access to their financial statements. Hence, the Company is unable to disclose the financial statements of Prisma AI.

- iii. Please disclose why this advance was not disclosed as a loan to a related party in the cash flow statement.

Company's Response

As explained in our response to query 1(a)(i) above, the purpose of the advance is to facilitate the working capital of the contract that Prisma Tech managed for Prisma AI and pursuant to which Prisma Tech earns management fee revenue. Hence, the advance was included in the other receivables and has been shown in the line item of trade and other receivables in the cash flow statement.

- b. It was disclosed that "Expected credit loss" of RMB (19,293)k was for the impairment of loans receivable from Le Rong Financial Factoring Company ("Le Rong"), representing the full loan amount.

- i. Please disclose and describe what is the principle business of Le Rong and when it was incorporated.

Company's Response

As explained in our earlier announcements dated 4 January 2019 and 1 June 2017, the principal activity of Le Rong is in the business operation of commercial factoring. Le Rong was incorporated in Shenzhen, People's Republic of China ("PRC") on 17 October 2016 and it has obtained the necessary permits in the PRC to carry on factoring business.

- ii. Please disclose the financial statements for FY2018 and FY2019 of Le Rong and disclose the breakdown of how the proceeds of the loan from the Company was used.

Company's Response

The financial statements of Le Rong for FY2018 and FY2019 are as follow:

Le Rong Financial Factoring Company		
Extract of Income Statements for the year ended 31 December 2019		
	2019	2018
	RMB'000	RMB'000
Revenue	7	1,778
Consultancy charges	-	(525)
Marketing expenses	-	(2)
Professional	(13)	(154)
Finance cost	(3)	(1,054)
Net (losses)/profit	(9)	43
Le Rong Financial Factoring Company		
Extract of Balance Sheet as at 31 December 2019		
	2019	2018
	RMB'000	RMB'000
Total assets	21,302	22,897
Total liabilities	(19,332)	(20,918)
Net assets	1,970	1,979

Note: As explained in 1(b)(iii), the end customers of Le Rong, which are the small and medium sized developers, are affected by the deleveraging policy introduced by the Chinese Government. The recoverability of Le Rong's receivables of RMB21.3 million is uncertain and consequently, Le Rong is having difficulties to repay Tianjin WFOE within the stipulated timeframe.

The proceeds of loan of RMB18.24 million from the Group were solely used by Le Rong in its commercial factoring businesses.

- iii. Disclose the identity of Le Rong's customer who is facing financial difficulties as well as the customer's ultimate beneficial shareholders and directors. Disclose the specific details of the factoring arrangement between Le Rong and this customer. In the explanation, include how much the customer owes to Le Rong, how much has the customer paid till date and when was the last payment made to Le Rong.

Company's Response

In view of commercial sensitivity, the Group is of the view that full detailed disclosure of the identity of customer of the associated company would be prejudicial to the Group's interest. Instead, a general description of the customer of the associated company is provided as follows:

The customer of Le Rong is a privately-owned manufacturing company in China which manufactures and supplies glass windows for building construction to small and medium sized property developers. In the business operations of commercial factoring, Le Rong provided the funds which were loaned from Tianjin WFOE to its customer upon the customer's presentment of its debtors' invoices and relevant supporting documents, and the commercial factoring agreements were duly executed.

In 2019, the end customers of Le Rong faced financial difficulties due to the deleveraging policy introduced by the Chinese Government which limits the credit access for businesses. As the end customers of Le Rong were those small and medium sized real estate developers, the cooling down measure had made them difficult to access to funding, which has resulted in the end customers unable to pay their debts to Le Rong. Consequently, Le Rong faces collectability issues and unable to repay Tianjin WFOE in accordance with the stipulated timeframe.

As at 31 December 2019, Le Rong had RMB21.3 million of receivables from its end customers. Le Rong had collected total of RMB1.6 million from its end customers to date and the last collection was received in 3Q2019.

- iv. How much did the other shareholders of Le Rong loan to Le Rong?

Company's Response

The major shareholder of Le Rong did not provide loan to Le Rong. As part of the arrangement between Tianjin WFOE and Le Rong, it is the commercial intention that the major shareholder of Le Rong responsible for providing commercial factoring license platform, sourcing and recommending clients to Le Rong and executing the commercial factoring business while Tianjin WFOE provides corporate advisory services to Le Rong as well as provide required working capital to Le Rong on terms to be agreed mutually. Tianjin WFOE charges Le Rong interest on shareholder's loan and corporate advisory fee, this business model is beneficial to Tianjin Forise as Tianjin Forise also has the 40% shares of the profit margin earned by Le Rong in the business of commercial factoring.

- c. It was disclosed that "Trade receivables" of RMB 1,346k was due from Prisma Technologies Pte. Ltd., the newly incorporated JV in which the Company holds 50.1% interest. Please disclose the duration of the contract, the payment terms, the amount collected and if there have been any collectability issues with the revenue earned till date.

It was also noted in the Company's 3 October 2019 announcement titled "Entry into Joint Venture Agreement" that S\$4 million will be paid to the JV partner, Prisma AI Corporation Pte. Ltd. Please disclose if any such payment has been made till date and disclose who are the ultimate beneficial shareholders and directors of the JV Partner.

Company's Response

The Company wishes to clarify that it was disclosed in the sub-header of "trade and other receivables" in page 12 of the results announcement, the receivable balance of RMB1.346 million was the service revenue generated from Prisma Tech for 4Q2019. This receivable was derived from the management and administrative services (which include strategic planning, corporate advisory, financial structuring and management consulting services) provided by Prisma Tech to Prisma AI in relation to management of a contract for the provision of solutions for visual-based security for aviation and highway automation systems in the regions of Africa and Asia.

The contract was completed in December 2019. The amount has yet to be collected to date and the customer is in the process of making payment.

With respect to the announcement titled "Entry into Joint Venture Agreement" dated 3 October 2019, it was mentioned that after the incorporation of Prisma Tech, the JV Partner, being Prisma AI, shall assign the management of its visual-based contracts for airport, metro railways, highways and infrastructure projects to Prisma Tech and, in compensation of the working capital incurred by the JV Partner and the loss of profit, S\$4 million will be paid to the JV Partner. This payment has not been made to the JV Partner to date.

The ultimate beneficial shareholder and directors of the JV Partner are disclosed in the response to query 1(a)(i) above.

SGX-ST's Query 2

We refer to the consolidated statement of comprehensive income.

- a. We noted a significant decrease in revenues of 63.8% to RMB3,553k. Please disclose the identities of all customers for both FY2018 and FY2019 that contributed to the revenues earned and if there are any new contracts entered into during the year 2020.

Company's Response

In view of commercial sensitivity, the Group is of the view that full detailed disclosure of the identity of the client would be prejudicial to the Group's interest. Instead, a general description of the clients is provided as follow:

	2019	2018
	RMB'000	RMB'000
Customer A - Asset management company in Beijing	1,085	1,134
Customer B - Private equity investment company in Wuhan	448	448
Customer C - Asset management company in Guangxi	630	2,142
Customer D - Management consultancy company in Beijing	47	-
Customer E - Le Rong (associated company)	-	495
Customer F - Investment management company in Jiangxi	-	2,179
Customer G - Fund management company in Shenzhen	-	3,424
Customer H - IT company in Singapore	1,343	-
	3,553	9,822

Given the fact that the lunar new year holidays in January 2020 coupled with the disruptions caused by the outbreak of COVID-19, stringent restrictions on mobility and population were imposed by the Chinese government, the business operations of China in general have taken a hit. No new contract was secured by the Group to date. Notwithstanding, the Group will continue to reach out to the prospective new clients for the potential new contracts.

- b. We noted other income decreased by 47.4% to RMB 1,035k mainly due to lower sublease rental income. Please disclose the identities of the former related company in FY2019 and the 2 related companies in FY2018. Who are the directors of each of these entities and why are they no longer sub leasing from the Company. For the rental income earned, has the Company fully collected the amounts owed?

Company's Response

In FY2019, the Company subleased its office premises to a former related company, ACH Investments Pte Ltd (was previously related through a common director, Mr. Christopher Chong Meng Tak ("Mr. Chong")). As Mr. Chong had resigned as the Independent Director of the Company effective from 15 August 2019, ACH Investments Pte Ltd is no longer related to the Company.

In FY2018, the Company subleased its office premises to the following related companies:

- i) ACH Investments Pte Ltd – was related through a common director as explained above
- ii) SMJ International Holdings Limited (now known as HealthBank Holdings Limited) – related through the common directors, Mr. Peng Fei and Mr. Peng Weile

The sublessee no longer subleases office premises from the Company as they no longer require the office premises from the Company.

All sub-lease rental income had been fully collected and there was no outstanding balance which remained uncollected.

- c. We noted the company recognised other loss of RMB1.0mil in 2018 due to a discount given to a fund management client. Disclose the identity of the client. How much was the total contract amount and how was the RMB 0.9mil discount determined? Did the Company continue to trade with this client in FY2019 and FY2020?

Company's Response

As disclosed in our results announcement dated 28 February 2020, 27 February 2019 and profit guidance announcement dated 22 February 2019, a one-off discount was given to an investment management company in Beijing. By way of background, the Group completed and recognised a corporate advisory revenue of RMB1.89 million in September 2018. The nature of such corporate advisory service was related to pre-IPO investment consulting for M&A fund in educational sector for an investment management company in Beijing. However, in mid-November 2018, a new PRC ruling governing private kindergartens promulgated that no private kindergartens were allowed to be packaged for IPO. The new promulgation rendered the corporate advisory deliverables no longer applicable to the client. Accordingly, the Group and the client held various discussions pursuant to which both agreed to a one-off discount of RMB0.9 million.

In view of commercial sensitivity, the Group in of the view that full detailed disclosure of the identity of the client would be prejudicial to the Group's interest. The total contract amount was RMB1.89 million and the discount of RMB0.9 million was derived after various discussions pursuant to which both the Group and the client agreed. There was no new contract signed with this client in FY2019 and FY2020.

- d. We noted an "Allowance for impairment of investment in associated company and joint venture" of RMB 3,765k due to Le Rong and TNT Global Capital Pte Ltd ("TNT") of RMB 1,200k and RMB 2,565k.
- i. Please provide the financial statements for TNT for FY2018 and FY2019. Disclose if the group is confident of recovering its share of net assets from both Le Rong and TNT and why.

Company's Response

The financial statements for TNT for FY2018 and FY2019 are as follow:

TNT Global Capital Pte Ltd			
Extract of Income Statement for the year ended 31 December 2019			
	2019		2018
	RMB'000		RMB'000
Professional fee	(51)		(5)
Salaries	-		(157)
Director fees	-		(15)
Other operating fees	(16)		(19)
	(67)		(196)
Share of losses @ 40 %	(27)		(78)
TNT Global Capital Pte Ltd			
Extract of balance sheet as at 31 December 2019			
	2019		2018
	RMB'000		RMB'000
Total assets	1,539		1,552
Total Liabilities	(8)		-
Net assets	1,531		1,552

For the recoverability of investment costs in both TNT and Le Rong, the Group has considered various options including the current financial position and performance of the investments as well as the forward looking impact of the respective investments in view of the current outbreak of COVID-19 which is spreading rapidly to many countries in the world. In prudence view, the group shall be able to recover its investment costs which is equivalents to the share of net assets.

- ii. We noted that TNT remained inactive since July 2017. Please explain, with reference to specific figures of TNT, how an impairment of RMB 2.56mil was recognised.

Company's Response

The Company wishes to clarify that TNT has actively sought investors in the past 2 years but due to global uncertainty and challenging market conditions, TNT did not raise the funds. Therefore, an allowance for impairment of RMB2.56 million was made in FY2019.

As disclosed in our results announcement dated 28 February 2020, the allowance for impairment of RMB2.56 million is made for the investment costs in TNT, which represents the difference between the Group's share of net assets of TNT as at 31 December 2019 and the carrying amount of the investment costs reported on.

Please refer to the breakdown of how the amount of RMB2.56 million was derived:

<u>Investment in TNT Global Capital Pte Ltd</u>		
	RMB'000	
Balance as at 1 January 2019	3,204	a
Share of loss of joint venture for FY2019	(27)	b
Impairment	(2,565)	
Balance as at 31 December 2019	612	
<u>Net assets of TNT Global Capital Pte Ltd</u>		
	RMB'000	
Net assets as at 31 December 2019	1,531	
Share of 40% by Forise	612	
<u>Impairment computation:</u>		
	RMB'000	
Net investment costs (before impairment)	3,177	a+b
Less: 40% share of net assets	612	
Impairment amount	2,565	

- e. We noted consultancy charges of RMB 596k in FY2019.
- i. Disclose the identities of the consultants, the amounts incurred for each consultant, what projects were each consultant hired for, and who the clients of the projects were.

Company's Response

Majority of consultancy works outsourced to external consultants are meant for a few clients depending on the scope and nature of consultancy works engaged and deliverables agreed with the respective clients. Hence, it is meaningless for the Group to bifurcate the consultancy charges to the respective projects of the clients.

In view of commercial sensitivity, the Group in of the view that full detailed disclosure of the identity of the outsourced consultants would be prejudicial to the Group's interest. Instead, a general description of the outsourced consultants is provided as follow:

	RMB'000
External consultant	
Consultant A- Consultancy company in Beijing (Financial & legal consultancy)	4
Consultant B - Asset and investment consultancy company in Beijing	33
Consultant C - Financial consultancy company in Beijing	16
Consultant D - Asset and investment consultancy company in Tianjin	54
Consultant E - CPA firm in Hainan (Due Diligence works)	39
Consultant F - Investment strategy proposal, post investment management, due diligence and restructuring proposals for various clients	450
	596

- ii. Please explain why were there no such consultancy charges incurred in FY2018 and why the Company had to engage consultants to provide the service. How much has since been paid out by the Company in relation to these consultancy charges.

Company's Response

No such engagement of external consultants in FY2018 was due to the following reasons:

- i) There was no requirement for Tianjin WFOE to engage external consultant as the scope and nature of the works and deliverables can be completed by in-house employees.
- ii) As a number of employees of Tianjin WFOE have resigned during FY2019, the Group decided to engage external consultants to assist in certain parts of the deliverable works in view of decrease in revenue as well as cost containment exercise.

All the consultancy charges of RMB596k had been paid to the external consultants.

SGX-ST's Query 3

We refer to the right-of-use asset of RMB 890k in the consolidated statement of financial position. We noted that the entire amount is classified as current. Please disclose if management has other lease arrangements for its office.

Company's Response

The right-of-use asset of RMB890k has been presented as current asset as the lease of Singapore office premises is effectively lesser than 12 months as at 31 December 2019. The management is in the process of identifying new lease arrangement for Singapore office and has neither signed any letter of intent nor lease agreement with landlord to date.

SGX-ST's Query 4

We refer to the "Lease liability – Reversal of rental expense" of RMB(1,419)k in the consolidated statement of cash flows. Please explain why there is a reversal of rental expense. Please reconcile this figure with the rental expense of RMB 441k noted in the consolidated statement of comprehensive income.

Company's Response

The rental expenses of RMB1,419k was in relation to lease of Singapore office premises which had been recognised as rental expenses in previous quarters. As the adoption of SFRS(I)16 requires to recognize all leases on its statement of financial position to reflect its rights to use the leased assets ("ROU asset") and a corresponding lease liability except for short-term leases (less than 12 months) and leases of low value assets.

As the lease of Singapore office premises met the criteria of the new SFRS(I) 16, hence reversal of rental expenses which was previously recognised in earlier quarters is required.

The remaining amount of rental expense of RMB441k, as shown in the consolidated statement of comprehensive income, represents the leases of: i) Tianjin WFOE office premises which is lesser than 12 months and ii) lease of photocopier which is categorized as low value assets. These leases are out-of-the scope of the SFRS(I) 16.

SGX-ST's Query 5

We noted that the Company's confirmation in Paragraph 18 is incomplete. Please provide a negative confirmation as follows: "There are no persons occupying a managerial position in the issuer or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13)"

Company's Response

The Company confirms that there are no persons occupying a managerial position in the issuer or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13).

BY ORDER OF THE BOARD

Peng Weile
Executive Director
10 March 2020