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

RESPONSE TO QUERIES FROM THE SINGAPORE 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 Company's earlier announcement on the proposed acquisition of 7.09% of the issued and paid-up share capital of Prisma Technologies Pte. Ltd. (the "**Proposed Acquisition**") dated 20 May 2020 (the "**20 May 2020 Announcement**"), the response to queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") dated 24 May 2020 (the "**24 May 2020 Announcement**") and the response to queries raised by the SGX-ST announced on 5 June 2020 (the "**5 June 2020 Announcement**").

Unless otherwise defined, all capitalised terms herein shall have the meaning ascribed to them in the 20 May 2020 Announcement, the 24 May 2020 Announcement and the 5 June 2020 Announcement.

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

SGX-ST's Query 1

We refer to the Company's response to SGX queries announced on 5 June 2020. In the Company's response to Query 1(a), we noted that the Proof of Concepts' "cost has to be borne by Prisma Tech". Please clarify why the cost of the Proof of Concepts have to be borne by Prisma Tech when Prisma Tech is merely acting as a management consultant and has no expertise in the technology platform provided by Prisma AI.

Company's Response

In the Company's announcement on 3 October 2019, it was set out that the JVC will be engaged in the business of providing corporate and financial solutions, advisory services and management consulting services in the area of information technology specifically in visual security, which falls into the existing core business of the Group which comprises the provision of strategic planning, corporate advisory, financial restructuring advisory and management consultancy services. The funding of Proof of Concepts is part of the provision of corporate and financial solutions, and is a commercial decision between Prisma AI and Prisma Tech.

SGX-ST's Query 2

In the Company's response to Query 1(b) on the potential sources of funding, the Company listed that these "potential sources of funding are investors, mezzanine capital providers, project finance providers, leasing companies, banks and other providers of debt." Please confirm that the Company is referring to all of these potential sources of funding as those that have provided feedback and spoken to the Company. Please elaborate on the identities of these "other providers" and what is their principal activities.

Company's Response

For the avoidance of doubt, the Company wishes to clarify that potential sources of funding have been approached only for future funding purposes and not to meet any immediate requirements for funding.

The Company confirms that it is referring to all of these potential sources of funding as those that have provided feedback and spoken to the Group. "Other providers" include insurance companies which could provide performance guarantees.

The Company wishes to clarify that the Group has only held preliminary discussions with such potential sources of funding and accordingly, as a matter of commercial sensitivity, the Company is unable to disclose their identities.

SGX-ST's Query 3

In the Company's response to Query 1(e), the Company did not respond whether the valuation by the other potential sources of funding will be based on the same valuation in of S$24 million that the Company is investing in Prisma Tech. Please disclose accordingly.

Company's Response

The potential sources of funding are likely to be equity investors and debt providers.

Based on preliminary discussions, potential equity investors are unlikely to invest directly into Prisma Tech and are likely to seek to invest in the Company, by way of subscriptions for new shares in the Company. In this regard, the Company's response to Query 1(e) in the 5 June 2020 Announcement set out that all things being equal, the Company expects the placement issue price per share to be at least the same price as the issue price per Consideration Share (i.e. S$0.004), or higher. As such, in respect of any placement, the Company does not intend to value the Group at any less than its current value.

The Company is unable to confirm how potential new investors will attribute this overall valuation between Prisma Tech and the rest of the Company. The valuation of S$24 million was determined by the factors stated in the response to Query 2 in the 5 June 2020 Announcement, and was used for the purposes of the Proposed Acquisition and has only been used as a starting point in discussions with potential equity investors.

Based on preliminary discussions, no debt providers have requested for any valuation of Prima Tech but would require a better understanding of its accounts and order-book to evaluate (i) repayment capability and (ii) potential collateral.

To date, no potential equity investors have conducted any valuation on the Company, or Prisma Tech.

Given that Prisma Tech is a subsidiary of the Company, and the Company has disclosed the intent to acquire more shares in Prisma Tech in the 24 May 2020 Announcement and the 5 June 2020 Announcement, the Company expects prospective equity investors to consider Prisma Tech's earnings contribution to the Company.

SGX-ST's Query 4

In the Company's response to Query 2(a)(iii), the Company disclosed that "pipeline contracts" contributed to the S$24 million valuation. Please disclose the current orderbook of Prisma Tech which resulted in the increase in valuation of Prima Tech to S$24 million.

Company's Response

Besides the aggregate revenue of S$0.58 million from the recently announced contracts, the aggregated projected revenue from the current pipeline projects comprises another S$4.2 million for visual recognition across 5 countries in transport, medical, and security (segregated into smart city, e-commerce/banking and warehouse projects). Due to the commercial sensitivity of the projects, save for the above, the Company is not able to disclose further details on the pipeline contracts.

The Company believes that the revenue of Prisma Tech will increase over time for the next 12 months as Prisma Tech continuously builds up its customer base.

SGX-ST's Query 5

In the Company's response to Query 2(a)(iv), the Board has listed "comparable published PER multiples of publicly listed companies" in a "similar industry" with market caps of US$8 billion to US$404.7 million as comparative for the PE ratio that the Board has assigned to Prisma Tech.

a. Why is the Company using a software and programming industry average PER to value Prisma Tech when it is a management consulting company?

Company's Response

There are no directly comparable companies which provide corporate and financial solutions, advisory services and management consulting services in the area of information technology specifically in visual security.

Prisma Tech's services are provided in the area of artificial intelligence which is part of the wider software and programming industries. In view of the above, the Group believes that it is appropriate and commercially sound that a software and programming industry average PER was used to value Prisma Tech.

b. Please provide the track record, reputation and size of the operations of the list of "comparable… companies" to justify the Board believing that these PE ratios can be used as a benchmark to be applied.

Company's Response

Please refer to the following table for the track record, reputation and size of the operations of the list of comparable companies.

	Company name and website	Stock Exchange	Year of incorporation	Year of listing	No. of employees	Business activities
1)	PTC Inc. http://www.ptc.com	Nasdaq-GS	1985[b]	1989[b]	6,099[a]	American computer software and services[b]
2)	Verint Systems Inc. https://www.verint.com/	Nasdaq-GS	1994[b]	2002[b]	6,500[a]	Sale of software and hardware products for customer engagement management, security, surveillance, and business intelligence[b]
3)	Akamai Technologies, Inc. http://www.akamai.com/	Nasdaq-GS	1998[b]	1999[b]	7,579[a]	Global content delivery network, cybersecurity, and cloud service company, providing web and Internet security services[b]
4)	Napco Security Technologies, Inc. http://www.napcosecurity.com	Nasdaq-GS	1969[b]	1982[d]	1,076[a]	Security products, such as electronic locking devices, alarm systems, and building access control systems[b]
5)	Hangzhou Hikvision Digital Technology Co., Ltd. http://www.hikvision.com	Shenzhen (SZSE)	2001[c]	2010[c]	26,330 (2017)[b]	Provision of video-centred intelligent Internet of Things solutions and big data services worldwide[a]

Sources

(a) *sg.finance.yahoo.com*

(b) *www.wikipedia.com*

(c) *www.szse.cn/English/*

(d) *http://www.crunchbase.com*

The above companies are in artificial intelligence-related businesses and their PERs range widely from 22.41x to 215.45x. The Company also notes the average PE of the software and programming industry is at 38.45x. Whilst reference was made to these companies, which are significantly larger than Prisma Tech, in view of the fact that Prisma Tech is recently incorporated, a substantially lower PER was used in arriving at the valuation, at more than a 70% discount to the average PER of the software and programming industry.

c. In addition, shares of Prisma Tech are unlisted, illiquid and not freely tradeable. Please provide comparable companies of similar size of operations, track record and order book instead.

Company's Response

Given that unlisted, illiquid and not freely tradeable companies do not have a readily observable market value and are generally not required to publicly disclose their size of operations, track record and order book, it is not possible in practice to generate reliable PER multiple data for these companies.

As non-public and unlisted companies are not compelled to disclose their size of operations, track record and order book, the Company is not aware of any reliable comparable companies of similar size of operations, track record and order book.

SGX-ST's Query 6

In the Company's response to Query 2(b)(ii), based on the Board attributing a valuation of S$24 million to Prisma Tech and using a 70% discount to the industry's PER of 38.45, the Board is expecting the NPAT of Prisma Tech to be approximately S$2 million for FY2020. Based on the estimated revenue of S$2.5 million from the "pipeline projects on hand", it represents a profit margin of approximately 80%. Please elaborate whether the profit margin estimated by the Board for its payment of S$1.7 million to be paid to vendors of Prisma Tech shares in the Company's acquisition of the 7.09% interest in Prisma Tech is reasonableness and realistic and whether the profit margins of the list of comparable companies amount to 80%.

Company's Response

As disclosed in the 24 May 2020 Announcement and the 5 June 2020 Announcement, the projected NPAT used is based on the pipeline projects on hand (which comprise a revenue of more than S$2.5 million for the next 12 months) and it is expected to increase over time as there are strong prospects for growth in the artificial intelligence industry. The Company wishes to clarify that the expected NPAT of S$2.1 million is for the next 12 months, and not for FY2020.

The Company wishes to clarify that estimated revenue from the pipeline projects on hand is approximately S$4.8 million, inclusive of the aggregated revenue of S$0.58 million from the recently announced contracts, namely the Capverto Contract and UAE Contract. With the estimated revenue of S$4.8 million and estimated NPAT of S$2.1 million, this represents a profit margin of approximately 44%.

The profit margins were not a basis for the valuation for Prisma Tech. As disclosed in the 5 June 2020 Announcement, the valuation was based, *inter alia*, on PER multiples which is the accepted benchmark methodology adopted by other companies listed on the SGX-ST in their valuations for proposed acquisitions. The Company is not aware if the profit margins of the list of comparable companies amount to 80%.

SGX-ST's Query 7

In the Company's response to Query 4(d) and 5(e), it was disclosed that both the Capverto Contract and the UAE Contract "commenced in February/March 2020 but owing to the COVID-19 situation", the

contracts were "only duly entered into in end-April 2020" and "mid-May 2020" respectively. Please explain why the Company started the works without signing a formal contract.

Company's Response

Prisma AI liaised with the respective clientele and it was a commercial decision to commence work without signing a formal contract, in view of the COVID-19 pandemic lockdown in Europe, the Middle East and India in the first half of FY2020 and the challenge in collating necessary documentation from the various signatories of the clients and vendors. Prisma Tech conducted a cost-benefit analysis and considered the following factors before the commencement of works which include, *inter alia*, i) the inevitable obstacles in securing the signed documents due to COVID-19, ii) verbal confirmation from Prisma AI on the certainty of such secured contacts, and iii) the expected completion timeline of the projects.

SGX-ST's Query 8

In the Company's response to Query 6, it was disclosed that Prisma AI "completed a distribution in specie, pursuant to which all the shares in Prisma Tech were distributed to the shareholders of Prisma AI". Please disclose the identities of the shareholders of Prisma AI as well as the current shareholders of Prisma Tech and their respective % held.

Company's Response

Please refer to the following table for the list of current shareholders of Prisma AI and Prisma Tech, and their respective % held.

Name	Equity interest held in Prisma AI (%)	Equity interest held in Prisma Tech (%)
The Company	Not applicable	50.10
Tierra International Pte Ltd	4.23	2.11
Lee Soek Shen	12.58	6.28
Anurita Emmanuel	8.00	3.99
Shreeram Subramaniam Iyer	33.11	16.52
Amitabh Roy Chowdhury	5.48	2.74
Maryann Shreeram Iyer	3.65	1.82
Amita Roy Chowdhury	0.45	0.22
Sanjay Sharma	0.61	0.30
Prabhu Sathyamoorthy	0.45	0.23
Shen & Co. Pte. Ltd.	0.59	0.29
AUH20 Limited	4.00	2.00
Hitesh Jeram Bharkhda	1.15	0.57
Vinod Dhavade	10.00	4.99
Ganpat Singh Rathore	8.50	4.24
Sunil Shyam Bhalerao	7.00	3.49
Vaibhav Mahadev Dhavade	0.10	0.05
Simran Kashiram More	0.10	0.05

SGX-ST's Query 9

In the Company's response to Query 7, it was disclosed that "Prisma Tech only provides corporate and financial solutions, advisory services and management consulting services under the relevant contracts, and does not use such proprietary software". As announced in the JV Agreement on 3 October 2019 as well as repeated in our previous Query 7 announced on 5 June 2020, "after the incorporation of the JVC (Prisma Tech), the JV Partner (Prisma AI) shall assign the management of its visual-based contracts for airport, metro railways, highways and infrastructure projects to the Company". Notwithstanding that Prisma Tech does not use such proprietary software, this proprietary software is fundamental to the success of Prisma Tech. Accordingly, please disclose:

a. Details of the patent and the patent owner;

b. The patent number of the proprietary software and details of the type of patent (e.g. is it a utility patent and the type of proprietary knowledge filed) constituted;

c. The start date and expiry date of the patent; and

d. Whether Prisma Tech has been extended any rights to use this patent.

Company's Response

In response to the SGX-ST's Query 9 above, Prisma AI has informed the Company that:

i. in the software industry, proprietary software is seldom patented, as the Patent Cooperation Treaty is only effective if it is an invention that has unique characteristics or an invention composed of software with unique functional characteristics. Patent law cannot be used for ideas even if they are technical in nature. In most countries, including Singapore, proprietary software uses copyright laws and reliance on the Paris Convention and the Berne Convention for protection; and

ii. notwithstanding the above, Prisma AI has three patent pending products, as follows:

   A. Recognition by phone: 307 75 190.2/38 filed in 2008, Germany;

   B. Search Crawler: 30 2011 002 090.6/42 filed in 2011, Germany; and

   C. 2 Finger Snap: WO 2013/020943 A1 filed in 2013, Germany.

   A German patent has a term of 20 years.

Presently, Prisma Tech only provides corporate and financial solutions, advisory services and management consulting services under the relevant contracts, and does not use such proprietary software, which is owned by Prisma AI. In this regard, no licences have been granted to Prisma Tech to use Prisma AI's proprietary software.

SGX-ST's Query 10

In the Company's response to Query 8, the Company responded that they are "of the view that the 4 transactions should be regarded as in, or in connection with, the ordinary course of the Group's Existing Business, and are not subject to the requirements under Chapter 10." As disclosed in our previous Query 8 announced on 5 June 2020, SGX RegCo has informed the Company that the relative figure computed under Listing Rule 1006(c) for the acquisition of Prisma Tech has exceeded 100% and therefore VSA rules apply. Please comply accordingly.

Company's Response

Whilst the Company notes the SGX-ST's view, the Company wishes to highlight that the Group's Existing Business, which comprises the provision of strategic planning, corporate advisory, financial restructuring advisory and management consultancy services, is not limited to the provision of such services in any specific industry, and accordingly Prisma Tech's business of providing corporate and financial solutions, advisory services and management consulting services in the area of information technology, specifically in visual security, would fall under the Group's Existing Business. It is for this reason, *inter alia*, that the Company took the view that the 4 transactions should be regarded as in, or in connection with, the ordinary course of the Group's Existing Business.

However, in light of time constraints for the Proposed Acquisition, the Company and the Vendors are now considering their options and the Company will make the necessary announcements to inform shareholders of any further developments.

BY ORDER OF THE BOARD
Peng Weile
Executive Director
9 June 2020