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

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 Company's earlier announcement dated 12 April 2023 in relation to the Annual Report for the financial year ended 31 December 2022 (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 queries raised by the SGX-ST via RegCo Portal on 20 April 2023 as follows:

SGX-ST'S QUERIES:-

Query 1

It is disclosed on page 32 of AR2022 that "there were no interested person transactions for the year ended 31 December 2022".

Please reconcile the statement mentioned above with the details disclosed in Note 20 of the Notes to the Accounts on page 101 of the Annual Report, which pertains to related party transactions and disclose the identity of the related party and provide an explanation as to why these amounts do not fall under the interested person transactions

Company's Response

The transactions are not "interested person transactions" as defined by the Listing Manual. However, they are "related party transactions" as defined by the SFRS(I) 1-24 – Related Party Disclosures. The explanation is as follows.

Chapter 9 of the Listing Manual defines an interested person transaction as a transaction between an "entity at risk" and an "interested person".

The Company, being the listed issuer, is considered to be the "entity at risk" pursuant to Listing Rule 904(2)(a).

However, the counterparties to the transactions, being Prisma AI Corporation Pte Ltd ("**Prisma AI**") and HealthBank Holdings Limited ("**HealthBank**"), do not fulfil the definitions for "interested person" under Listing Rule 904(4)(a), which must be either (i) a director, chief executive officer, or controlling shareholder of the Company; or (ii) an associate of any such director, chief executive officer or controlling shareholder. An "associate" of such director, chief executive officer or controlling shareholder means his immediate family, trustees of trusts of which he or his immediate family is a beneficiary (or, in the case of a discretionary trust, is a discretionary object), and companies in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

As disclosed on page 101 of the Annual Report, the breakdown of related party transactions is as follows:

	SGD'000	**Explanation**
Sales	109	This relates to the sales to Prisma AI. This transaction is not an interested person transaction under Chapter 9 of the Listing Rules as Prisma AI is neither (i) a director, chief executive officer or controlling shareholder of the Company, nor (ii) an associate of the aforementioned parties.

Sublease	14	This relates to the sublease to HealthBank. This transaction is not an interested person transaction under Chapter 9 of the Listing Rules as HealthBank is neither (i) a director, chief executive officer or controlling shareholder of the Company, nor (ii) an associate of the aforementioned parties. Although a Director of the Company holds shares in HealthBank, his shareholding in HealthBank is less than 30%, and none of his immediate family members directly or indirectly hold shares in HealthBank.

Therefore, neither of these transactions are considered "interested person transactions" for the purposes of Chapter 9 of the Listing Manual.

In contrast, the definition of "related party transactions" under the SFRS(I) 1-24 (Related Party Disclosures) refers to transactions between the reporting entity and a related party, which includes, amongst others, (i) entities which are controlled or jointly controlled by a person who is himself a related party (being a party who has control or joint control of the reporting entity, or significant influence over the reporting entity, or is a member of the key management personnel of the reporting entity) and (ii) entities where a person who has control or joint control of the reporting entity, also has significant influence over the entity, or is a member of the key management personnel of the entity.

Under the SFRS(I) 1-24 definition, Prisma AI and HealthBank would be considered related parties as Dr Shree is a key management personnel in the Group and also the Director of Prisma AI, while Mr Peng Weile is an Executive Director of the Company and also HealthBank.

Accordingly, for the reasons set out above, the transactions are classified as related party transactions under SFRS(I) 1-24 but not interested party transactions under the Listing Manual.

Query 2

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provisions 2.2 and 2.3 of the Code as the Company does not have an Independent Chairman but is instead led and managed by 2 executive directors and Non-executive directors do not make up a majority of your Board. There were no explanations provided for in your AR FY2022 on how the board composition is consistent with the intent of Principle 2 of the Code.

Please clarify with specific details on how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response

Thorough explanations for how the Board had achieved an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company were provided on pages 29 to 31 of the Annual Report.

For ease of reference, we extract and reproduce the salient points below:-

On having an appropriate level of independence:

- (Page 29) *"As two out of four members of the Board are Independent Directors, there is a strong independent element on the Board and no individual or group of individuals dominate the Board's decision-making process."*

- (Page 31) "*[H]alf the Board members compris[e] Independent Directors who discuss matters robustly and present a strongly independent judgment in the best interests of the Company's stakeholders. In*

this way, there is no person who can dominate the Board's decision-making process, and objectivity on matters under deliberation is assured."

- (Page 30) "*The two Independent Directors have confirmed their independence and that they do not have any interest in and any business or other relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to, interfere with the exercise of their independent judgment with a view to the best interests of the Group. Neither of them has been on the Board for an aggregate period of more than nine years. Following its annual review, the Board and the NC are of the view that Mr Siow Chee Keong and Mr Lee Ah Too have, at all times, discharged their duties with professionalism and objectivity, and exercised strong independent judgement in the best interests of the Company."*

- (Page 31) "*The Independent Directors also provide oversight on Management's performance by constructively challenging and helping to develop proposals on strategy. They regularly meet without the presence of Management to review the effectiveness and performance of Management in meeting agreed goals and objectives, after which feedback is provided to Management.*"

On having diversity of thought and background in its composition:

- (Page 31) "*The current Board composition reflects the Company's commitment to Board diversity. […] Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business. In addition, the Board consist of directors with ages ranging from early 40s to late 60s, who has served on the Board for different tenures. The Board members with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction.*"

- (Page 33*) "*As the Company is managed objectively on a transparent basis, with all major decisions subject to a majority approval of the Board (and currently, half the Board is made up of Independent Directors), there is no concentration of power in any one or a few select individuals on the Board. Given the foregoing and taking into account the size, corporate structure, nature and scope of the Group's operations, amongst others, the NC and the Board are of the view that notwithstanding the Company not having a Chairman or CEO, the process of decision-making by the Board is based on collective decisions without any one individual or group having unfettered or concentrated powers of influence.*"

  * As both Principle 2 and Principle 3 are closely interrelated, in the interest of avoiding repetitiveness, this was only disclosed under Principle 3. However, the explanation is relevant for both Principles.

It should be additionally noted that the departure from Provisions 2.2 and 2.3 of the Code was not throughout the whole of FY2022, but occurred in FY2023, following the resignation of an Independent Director on 2 February 2023. The Company had therefore identified a suitable candidate to be elected at the forthcoming annual general meeting, and disclosed his details as required by Appendix 7.4.1 of the Listing Manual in the Annual Report. Therefore, if elected, the departure will merely be temporary.

Based on the above, the Board believes that it has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Query 3

In the Company's response on 8 March 2023 to SGX's query 1, that the revenue generated by Prisma AI were all generated from contracts rendered to its interested person Prisma Tech and the Company recorded $900,000 of revenue from these contracts which were written off in FY2022. In FY2021, the Group made pre-tax losses of $194,000 including the recognition of the revenue of $900,000 by Prisma AI from services provided to its related party, Prisma Tech. If these uncollectable related party income were not recognized in FY2021 or the doubtful debts impaired matched to FY2021, the Company would have made an adjusted pre-tax loss of $706,000 in FY2021. Arising from this, the Company would have reported 3 years of pre-tax

losses. In this respect, we draw your attention to Listing Rule 1311 and kindly make the necessary announcement pursuant to Listing Rule 1312 accordingly.

Company's Response

In FY2021, Management had assessed the revenue recognition in accordance with SFRS(I) 15 – Revenue and assessment of expected credit losses on trade receivables in accordance with SFRS(I) 9 Financial Instruments. The loss allowances on trade receivables and expected credit loss model were determined and recognised in accordance with the applicable accounting standards. Revenue and its related trade receivables recognised in FY2021 amounted to approximately S$1.21 million and S$1.21 million respectively. Receipts in relation to revenue recognised in FY2021 amounting to approximately S$0.31 million were received during the financial year. Trade receivables had a credit term of 60 days and approximately S$1.07 million were aged <60 days as at FY2021 and approximately S$0.15 million were aged >90 days (was collected in 1Q2022). Therefore, Management had assessed that the probability of defaults and credit loss rate remained low.

However, as announced by the Company on 8 March 2023, Prisma AI had defaulted in payments since mid-October 2022 till to-date. Management had subsequently followed up with multiple emails and calls chasing for the total outstanding balances of approximately S$1.044 million (equivalent to approximately US$758,132.12). While Prisma AI did not outrightly deny the claim, they had responded that they were facing difficulties in collecting payments from its end customers which impacted their cash flows and ability to repay these outstanding balances.

Due to these further developments and changes in circumstances, Management has had to revise its assessment to increase the probability of defaults and credit loss rate, and accordingly, recognised loss allowances on trade receivables in full during the financial year FY2022.

The accounting treatment applied on the assessment of expected credit losses was applied consistently and in compliance with the applicable accounting standards. The Company's independent auditors had issued an unqualified opinion on the financial statements of the Group for FY2021 and FY2022.

Hence, Management is of the opinion that it would not be appropriate to adjust the pre-tax loss in FY2021.

Despite having the loss allowances on trade receivables being provided in full, the Company has engaged legal advisors to send out letters of demand in February 2023 and March 2023 to demand for the outstanding balances of approximately S$1.044 million, and is still persistently following up with Prisma AI.

BY ORDER OF THE BOARD

Peng Weile
Executive Director
24 April 2023