

RESPONSE TO QUERIES FROM THE SINGAPORE STOCK EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON EARLIER ANNOUNCEMENT

The Board of Directors of Forise International Limited (the “**Company**”), and together with its subsidiaries, the “**Group**”) refers to the earlier announcement dated 26 January 2021 (“**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 29 January 2021 as follows:

SGX-ST’s Query

We refer to the Company’s announcement on 26 January 2021 on the change in name of Le Rong Financial Factoring Company to Le Rong Corporation Management (Shenzhen) Co., Ltd (“**Le Rong**”).

The Company had previously advanced an amount of RMB 18.24 million to Le Rong for them to conduct their financial factoring business to purchase receivables from a privately-owned manufacturing company in China. The Company subsequently wrote off RMB 19.29 million which comprise the full loan amount including the interest receivable from that loan. Please disclose:

- (1) the rationale for the change of name Le Rong Financial Factoring Company to Le Rong Corporation Management (Shenzhen) Co., Ltd;

Company’s Response

The change of name of Le Rong was driven by the major shareholder, Ms. Li Ying (“**Ms Li**”).

The rationale of change of name was due to the following reasons:

- i) Chinese government has been tightening requirements for share capital of commercial factoring companies in China (i.e. share capital of no less than RMB50million). Commercial factoring entities which were formerly governed by Ministry of Commerce (商务部) has been changed to Shenzhen Municipal Financial Service Office (金融办). In addition, China central government has tightened its financial regulatory controls and continuous supervision system for financial related entities. (For instance, the recent IPO of Ant Financial had been abruptly halted by the Chinese regulators).
- ii) Ms. Li has requested for additional share capital to meet the requirements of having a share capital of no less than RMB50 million. In addition, Ms. Li also requested for additional funding for the commercial factoring business of Le Rong. The Company disagreed to the proposal of Ms. Li on the ground that the long overdue receivables of Le Rong remained uncollected. Le Rong has been advised by lawyers that the collection of overdue receivables from the end customers will be a lengthy process and the legal fees would be enormous and yet with no certainty of success. Therefore, Le Rong is still exploring alternative means in its debt recovery.

As the requirements of minimum share capital of Le Rong is unlikely to be met, Ms. Li decided to change to the name and business activities of Le Rong so that it will not be facing mandatory closure in view of unable to meet the requirements of share capital. Subsequent to the change, Le Rong will not continue the business of commercial factoring in future.

- (2) whether there has there been any other changes to Le Rong (e.g. business activities, shareholders, directors, KMP, etc.)? Please provide specific details in your response; and

Company's Response

In conjunction with the change of name of Le Rong, the business activities of Le Rong has also been changed from commercial factoring to business of management consultancy and corporate advisory services.

As of today, Ms. Li has just updated Tianjin WFOE that she had transferred her shareholdings since the Company did not agree with her proposal of additional share capital. The details of changes made with effect from 2 February 2021 are as follow:

1) Shareholders

Ms. Li Ying has transferred her 60% interests in Le Rong to Mr. Zou Zhi Bing.

2) Legal Representative (法人)

There has been a change of legal representative from Mr. Li Hong Fang to Mr. Zou Zhi Bing

Notwithstanding of the above changes, Le Rong remains fully entitled to the receivables which are subject to debt collection.

- (3) provide an update on the collection of the purchased receivables of Le Rong. What is the total amount of purchased receivables to-date, the total amount collected and the total amount outstanding. Does Le Rong expect to recover these receivables given the change in business.

Company's Response

As at 31 December 2020, the total amount of purchased receivables (inclusive of interests) of Le Rong was RMB21.3 million. There was no collection received by Le Rong in FY2020. The Company understood that the financial and operational conditions of the end customer of Le Rong are severely impacted by: i) the COVID-19 pandemic; ii) stringent controls over the real estate industry by Chinese Authorities; and iii) tightened financial regulatory controls for financial related entities imposed by the Chinese Authorities.

The change in business as explained in our response to query 1 above does not preclude Le Rong from recovering its debts. Based on advice given by a Chinese law firm to Tianjin WFOE regarding possible ways for debt recovery, Le Rong has issued letters of reminder to the end customers to chase for payment. While the change in Le Rong's business does not affect the possibility of recovery, the chances of recovery remain low due to the other factors mentioned above. In any case, these debts have already been fully provided for as bad debts and accordingly disclosed in the Company's prior financial results announcements.

BY ORDER OF THE BOARD

Peng Weile

Executive Director

2 February 2021