

RESPONSE TO QUERIES FROM THE SINGAPORE STOCK EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (“FY2020”)

The Board of Directors of Forise International Limited (the “**Company**”), and together with its subsidiaries, the (“**Group**”) would like to respond to the queries raised by the Singapore Stock Exchange Securities Trading Limited (“**SGX-ST**”) on 22 April 2021 in relation to the Annual Report for the financial year ended 31 December 2020 as follows:

SGX-ST’s Queries

We refer to the Company’s announcement of its Annual Report on 12 April 2021 for the financial period ended 31 December 2020:

Query 1

- 1) We note the following regarding Dr Shreeram Subramaniam Iyer (“Dr Shreeram”):
- a) He is the highest paid key management personnel of the Group;
 - b) He is a director of and is also responsible for the management of Prisma Technologies Pte. Ltd. (“Prisma Tech”). Prisma Tech contributed approximately 90% of the Group’s FY2020 revenue; and
 - c) Almost all the revenue made through Prisma Tech comprise of revenue earned through management contracts with Prisma AI Corporation Pte. Ltd. (“Prisma AI”) of which Dr Shreeram is the Chairman and CEO.
- (i) Please clarify how the remuneration committee determined Dr Shreeram’s remuneration given that he is the highest paid key management personnel despite being only responsible for Prisma Tech, which is 50.1% owned by the Company.

Company’s Response

As disclosed in pages 33 to 34 of the Company’s FY2020 annual report (“**Annual Report**”), the Remuneration Committee (“**RC**”) reviews and recommends to the Board the remuneration framework for Directors as well as key management personnel (“**KMP**”), and approves the specific remuneration packages of each KMP taking into consideration the Group’s performance targets, the individual KMP’s performance and market practices in compensation. For Dr Shreeram’s remuneration in FY2020, the RC accordingly took into consideration the foregoing, and specifically, the Group’s existing businesses and business performance in FY2020, the Group’s targets, the fact that Prisma Tech contributed approximately 90% of the Group’s FY2020 revenue, Dr Shreeram’s own performance and the potential growth of Prisma Tech based on Dr Shreeram’s expertise and business plans. The RC was satisfied that Dr Shreeram was reasonably remunerated for his contributions in FY2020, and in comparison with the entitlement of each of the other KMPs and their performances.

For the aforementioned reasons, the RC and the Board are of the view that the remuneration of Dr Shreeram is commensurate with his roles and responsibility in Prisma Tech.

- (ii) Please provide the audit committee’s opinion with robust justification on:
- (a) whether they are of the view that Dr Shreeram is able to influence Prisma Tech to enter into transactions with Prisma AI that may adversely affect the interests of the Company or its shareholders; and

Company’s Response

Notwithstanding Dr Shreeram is a Director of Prisma Tech and also the Chairman and CEO of Prisma AI, the transactions enter into between Prisma Tech and Prisma AI are safeguarded by the other director of Prisma Tech, who represents the Company. The transactions entered into or to be entered into are at the mutual agreements and consensus between Dr Shreeram and the other director of Prisma Tech.

In the event of significant transactions to be undertaken, the approval from the BOD of the Company is to be sought prior to execution. For the above reasons, the Audit Committee (“**AC**”) is of the view that Dr Shreeram is not able to influence Prisma Tech to enter into transactions with Prisma AI that may adversely affect the interests of the Company or its shareholders.

- (b) whether the economic and commercial substance of Prisma Tech's transactions with Prisma AI should be considered an interested person transaction notwithstanding that Dr Shreeram is not a director, CEO or controlling shareholder of the Company.

Company's Response

Dr Shreeram is not an interested person as defined under Chapter 9 of Listing Rules as he is not a director, CEO or controlling shareholder; or an associate of any such director, CEO, or controlling shareholder of the Company.

Given Dr Shreeram is not involved in the management of nor has any shareholding in the Company, Dr Shreeram is not, in substance, an interested person. The authorities and powers of Dr Shreeram in the Group is limited and constrained by the factors set out below, and he does not have the same authorities and powers or ability to influence as a director, CEO or controlling shareholder of the Company. The factors are:

- The Company has an executive director who oversees the performance by Dr Shreeram of his duties.
- While Dr Shreeram is a director of Prisma Tech, he is one of two directors and resolutions of Prisma Tech will require the signature of the other director, who represents the interests of the Company,
- Under the terms of his service agreement with Prisma Tech, Dr Shreeram is required to take instructions from the board of directors of Prisma Tech.
- Under current reporting lines, Dr Shreeram is required to obtain the Company's board of directors' approval for significant transactions of Prisma Tech.

In view of the above, Dr Shreeram's role, authorities and powers are substantially limited as compared to that of a director or CEO of the Company.

Query 2

We note that the Financial Controller and Executive Director had not provided assurance to the Board regarding the adequacy of the Company's risk management and internal controls system. Please clarify whether such assurances were provided to the Board by the Financial Controller and Executive Director in accordance with Provision 9.2 of the Code of Corporate Governance 2018.

Company's Response

As disclosed in the Annual Report 2020, page 37:

For FY2020, the Board also received assurance from the Financial Controller and Executive Director that the financial records were properly maintained, the financial statements gave a true and fair view of the Company and the Group's operations and finances, and regarding the effectiveness of the Company's risk management and internal controls system.

Further to the above disclosure, the Board confirms that it has received assurance from the Financial Controller and Executive director that the Company and the Group have put in place and will continue to maintain an effective and adequate system of risk management and internal controls.

Query 3

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. We note that the Audit Committee did not comment on the effectiveness and adequacy of the Internal Auditors. Please provide the Audit Committee's comments on the Internal Auditor's effectiveness and adequacy, and also provide relevant information on the experience of the engagement team from BDO.

Company's Response

The AC has reviewed the effectiveness of the Internal Auditors (IA) and is satisfied that the IA is independent and adequately resourced to perform its function effectively and has the appropriate standing within the industry. The AC is also satisfied that the internal audit function is effective and staffed by suitably qualified and experienced professionals with the relevant experience. The Company has engaged BDO Advisory Pte Ltd as the internal auditors, an established international auditing firm. The outsourced internal audit team is headed by Mr. Koh Chin Beng ("**Mr. Koh**"), who has more than 25 years of experience in audit and advisory services. Mr. Koh holds Bachelor of Accountancy Degree (Honours) from Nanyang Technological University, Singapore and is a Chartered Accountant of Institute of Singapore Chartered Accountants ("**ISCA**") and Certified Internal Auditor of the Institute of Internal Auditors ("**IIA**").

BY ORDER OF THE BOARD

Peng Weile
Executive Director
26 April 2021