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

RESPONSE TO THE QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE UNAUDITED FULL YEAR RESULTS 2015 ANNOUNCEMENT

The Board of Directors of Forise International Limited (the "Company" and together with its subsidiaries the "Group") would like to respond to the following queries raised by SGX-ST on 30 March 2015 in relation to its announcement on its unaudited full year results for the financial year ended 31 December 2016, as follows:

SGX-ST's Query

1. ***In paragraph 8 of the Company's 2015 full year results ("FY2015 Results"), it was mentioned that "(a)s the Chinese textile industry continues to deteriorate, the Board has also made provision of impairments on receivables and inventories of RMB186.58 million". Please :-***

   (a) Provide a breakdown between the various receivables and inventories;

Company's Response

i.	Impairment for receivables	RMB 54.33 million
ii.	Impairment for advances to suppliers	RMB 112.44 million
iii.	Inventories written-off	RMB 19.81 million

SGX-ST's Query

(b) Provide details on the inventories and explain why these inventories have been written off;

Company's Response

Details of Inventories

Raw Materials	RMB 18.14 million
Finished Goods	RMB 12.63 million
Less : inventories written off	
Raw Materials	(RMB 17.93) million
Finished Goods	(RMB 1.89) million
Total	**RMB 10.95 million**

Raw materials aged more than 1 year are mainly raw materials used in low-value products. Following the shift from low-end to higher end products in FY2014, those raw materials catering to lower end products have become more and more obsolete. The Company has tried to sell these to other parties. In the process the resale value of these aged raw material was determined to be relatively low. Our new independent director felt very strongly that we should write off a significant if not all of these aged raw materials.

The Group has also written down raw materials aged less than one year due to cessation of contract manufacturing operations, and the resale value of those raw materials is relatively low as the Group has been seeking buyers to purchase the raw materials.

SGX-ST's Query

(c) Provide the aging schedule of the inventories and the receivables;

Company's Response

Details aging of Inventories

Raw Materials	**RMB '000**
Within 30 days	2,339
31-60 days	919
61-90 days	1,586
91-180 days	762
181-360 days	5,865
More than 1 year	6,667
Total	**18,138**
Finished Goods	
Within 30 days	12,345
31-60 days	35
61-90 days	22
91-180 days	66
181-360 days	104
More than 1 year	57
Total	**12,629**
Grand Total	**30,767**
Less Impairment – Raw Materials	(17,930)
Finished Goods	(1,888)
Net Inventories	**10,949**

Details aging of Account receivables

Trade Receivables	**RMB'000**
Within 30 days	7,031
31-60 days	6,226
61-90 days	1,110
91-180 days	2,862
181-360 days	11,258
More than 1 year	156,503
Total	**184,990**
Less Impairments	(163,362)
Total	**21,628**

SGX-ST's Query

(d) Provide details on what the Company did to assess the net realizable value of the inventories;

Company's Response

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. The Company determined the estimated selling price and the estimated cost of completion as follows:

i. Prior to the Group deciding to cease its manufacturing operations, the raw materials were offered for sale. However, the Company's attempts to sell the raw materials were not successful. One of the Company's independent directors who also sits on the Board of GLG Corp Ltd, part of the Ghim Li group of companies, informed the Board that second hand fabric can be very difficult to sell as the type of fabric to be used is often dictated by the buyer. The prices received were close to or at scrap value.

ii. Management informed the Board that the cost of using the raw material to sell as finished goods could exceed the value of the finished goods, and thus is very likely to be below the scrape price.

iii. Accordingly and in compliance with our accounting policy, the Company wrote the raw material value down to the value it believes it can sell the raw material for.

iv. The finished goods with confirmed sales orders are stated at the actual cost value.

SGX-ST's Query

(e) Explain why the Company is making impairments for the receivables;

Company's Response

85% of the total accounts receivables of the Group have been outstanding for over one year, and collection of such accounts receivables has been slow. After in-depth/detailed consideration, the Board has decided to make the allowance of impairments on the accounts receivables. The management has issued demand letters and negotiated with the customers for settlement and closely monitor the progress on the collection of the outstanding receivables. Certain receivables have been recovered subsequent to financial year ended 31 December 2015 and will be reflected in the Annual Report FY2015.

SGX-ST's Query

(f) Disclose the debtors which resulted in such significant receivables;

Company's Response

Details Listing of Significant Receivables

Customer	**Balance 31.12.2015**	**Provision of Impairment**	**Adjusted Balance**
	RMB'000	**RMB'000**	**RMB'000**
厦门嘉昌工贸有限公司	12,069	12,069	-
厦门永惠和进出口有限公司	5.919	5,919	-
厦门大誉进出口有限公司	3,627	1,955	1,672
厦门泓涛贸易有限公司	2,790		2,790
上海利乾贸易有限公司	2,348		2,348
Kaufland (De)	2,259		2,259
Fumao Sanye Trading Limited	2,039		2,039
Siplec International Ltd	1,465		1,465
ICA Global Sourcing Ltd	1,183		1,183
Coop Genossenschaft Basel	1,052		1,052

SGX-ST's Query

(g) Quantify and set out the nature of such transactions which the debts arose; and

Company's Response

The debts arose from the sales of garments pursuant to the manufacturing operations of the Group, and the debtors were customers of the Group. 85% of the receivables have been outstanding for over one year and collection of such receivables has been slow. Accordingly, the management has decided to impair the receivables.

SGX-ST's Query

(h) Disclose if the Board has questioned the merits of the payments, the actions taken by management to recover the amounts written off and the reasonableness of the methodologies used to determine the value of the impairments.

Company's Response

The Board has on various Board meetings requested for status updates on the collection of outstanding receivables and advances to supplies. The management has used its best effort to recover the payments, such as by following up on payments and negotiating with its suppliers and customers on the repayment of the outstanding receivables and advances and discontinuing the supply of goods to customers whose payments remain outstanding. The Company had engaged lawyers to send letters of demand to them, and have obtained legal opinions from these lawyers on the potential recoverability of the outstanding receivables

through legal actions. Some suppliers have agreed to enter into settlement agreements with the Company, to repay to the Company a certain percentage of the outstanding amounts.

SGX-ST's Query

2. In paragraph 8 of the Company's FY2015 Results, it was disclosed that "In 4Q2015 the Group has disposed all the machineries of its production facilities held under the two main manufacturing subsidiaries to various third parties, retrenched all production workers and leased out its factory premises". Please :-

(a) Explain why this material information was not announced earlier as required by Listing Rule 703;

Company's Response

The completion of the Rights Issue undertaken by the Company saw a change of controlling interests taking effect in August 2015. The refreshed Board of Directors took immediate steps to review and re- rationalize the Group's then business segments which had been loss making for the last 3 consecutive years while at the same time exerting efforts to contain cost.

The Group's cost containment measures included slowing down the contract manufacturing business and this involved the disposal of both machineries and manpower that were either idle or underperforming. These cost containment measures, initially targeted at idle/underperforming machineries and manpower, were implemented gradually over a series of disposals, none of which was significant to the Group's fixed assets. As such, the Company viewed them as steps in the ordinary course to stem the outflow of resources critical to the Group.

When it became apparent to the Company by end 2015 (after numerous discussions between Weng Wenwei, the founder of the Group's contract manufacturing business and the new management) that there was no reasonable prospects in the near term of a revival of the Group's contract manufacturing business, particularly where substantial working capital is required to achieve a breakthrough in profitability, such cost containment efforts were extended to disposal of the remaining machineries and manpower. By then, commercial sense also dictated that the Group leases out its factory premises to earn some passive income.

SGX-ST's Query

(b) As the Company has zero revenue, please be informed that a company with no business will be a cash company. As required by Listing Rule 1018(1), a cash company has to find a new business which is able to satisfy the Exchange's requirements for a new listing within 12 months from the time it becomes a cash company;

Company's Response

The Company's Directors are of the view, respectfully, that the Company is not a cash company as there are ongoing trading businesses for the past years. The Company does not have zero revenue. For FY2015, the trading business comprised approximately 10% of the Group's total revenue, amounting to approximately RMB 32 million. However, the Company did not maintain separate departmental accounts for the trading business. The Company has continued the trading business in FY2016. For the first 2 months of FY2016, the revenue from

the trading business was approximately RMB 7 million. The Company notes that the revenue for the first 2 months has been affected by the lunar new year holidays in China in February 2016. The revenue for the trading business is expected to grow, and the Company intends to continue and grow the trading business further. The Company is therefore not a dormant company not engaged in any business.

SGX-ST's Query

(c) Provide details on whether the disposal of the machineries falls within the ambit of Listing Rule 1014. If so, did the Company comply accordingly? If not, please explain why and provide details under Listing Rule 1010; and

Company Response

As explained under Query 2(a) above, the disposal of the machineries took place in the context of cost containment measures and gradually in phases over a series of transactions to different buyers, none of which in itself is significant compared with the Group's fixed assets. As such, the Company had viewed such cost containment measures as steps in the ordinary course for the preservation of resources and not a Chapter 10 disposal as such.

Moreover, the 3 years of consecutive losses that were incurred by our contract manufacturing business has resulted in the Company being put on the financial watchlist with effect from 4 March 2015. As announced on 2 March 2016, the Company has up to 3 March 2017 to meet all requirements to be removed from the financial watchlist. The need to mitigate, if not arrest, the continuing losses from the contract manufacturing has been the subject-matter of discussion and update in the Company's Q3 2015 and full year 2015 results announcements, in addition to an update announcement on the Company's plans on 12 January 2016. The Company believes that the final halt to the Group's contract manufacturing business pursuant to the concerted slow down and cost cutting measures involving sale of machineries following 3 consecutive years of losses has been foreshadowed by these updates in the Company's announcements.

Purely for illustrative purpose, the disposal of machineries when computed against the bases set out in Rule 1006, is as follows:

Total value of machineries disposed over 5 disposal transactions - RMB9.96 million

a. The net asset value of the asset to be disposed of – As the group's net asset value was negative, this comparison is not meaningful.
b. The net profits attributable to the assets disposed of was RMB5.75 million (the gain was due to prior year's impairment of the machinery provided) – Compared with the group's incurred net losses, this comparison is not meaningful.
c. The aggregate value of the consideration given or received, compared with the Company's market capitalization –
   Market Cap = 2,130,000,000 shares x S$0.018 = S$38.34 million
   Sales Proceeds of disposed machineries = RMB9,960,797 @ exchange rate 0.21722 = S$2.16 million = 5.6%
d. Rule 1006(d) is not applicable.

SGX-ST's Query

(d) Provide details on whether the disposal of the machineries is an interested person transaction.

Company's Response

The disposal of the machineries was to third parties unrelated to the Group and does not constitute an interested person transaction.

SGX-ST's Query

3. In paragraph 8 of the Company's FY2015 Results, it was disclosed that "Management will continue its business activities in the trading of garments". Aside from the Company's discontinued operations, please provide details on how much sales have been made in FY2015 from the trading of garments.

Company's Response

The Group had previously not maintained separate departmental performance in its accounting system on its manufacturing and trading businesses. The trading revenue had been combined with the manufacturing business and reported under the contract manufacturing segment. Based on the management's estimates, the revenue for trading of garments in FY2015 was approximately 10% of the Group's total revenue for FY2015.

SGX-ST's Query

4. For the Company's "Discontinued Operations", "Other Operating Expenses" amounted to RMB106.9 million. Please provide a breakdown and details of material items.

Company's Response

The Group would like to explain that RMB106.9 million of "Other Operating Expenses" under "Discontinued Operations" should be RMB149.57 million as during the audit it was discovered that RMB43.1 million had been inadvertently recorded under "Continued Operations".

Impairment of receivables	RMB 54.33 million
Impairment of Advances to Suppliers	RMB112.44 million
Write back of receivables	(RMB17.20) million
Total	RMB149.57 million

SGX-ST's Query

5. In paragraph 8 of the Company's FY2015 Results, it was announced that the "Company has reclassified impairments on debts and net foreign exchange in other operating expenses. The impairment for receivables and advances to suppliers for FY2015 was RMB107.78 million".

(a) For "impairment on debts", "net foreign exchange" and "advances to suppliers", please quantify the expenses incurred and the nature of the underlying items;

Company's Response

Impairment of receivables	RMB 54.33 million
Impairment on advances to suppliers	RMB 112.44 million
Net exchange gains	RMB 5.68 million

The receivables being impaired are the account receivables derived from the revenue of the Group. 85% of the total accounts receivables have been outstanding for over one year, and collection of such accounts receivables has been slow despite close follow up on the outstanding payments from customers. Accordingly, the management has decided to make allowance for impairment of the accounts receivables.

The advances to suppliers being impaired arose from financing arrangement between the Group and its major suppliers for prompt deliveries of inventories. One of the largest suppliers of the Group, whose advances makes up approximately 70% of the total advances made by the Group, has advances that have been outstanding for over 9 months, the collectivity of which has been further impacted by the cessation of manufacturing operations of the Group. While the management is in negotiations with the supplier to recover these advances, the management has nevertheless decided to impair such advances.

Net exchange gains arises from working capital of the Group.

SGX-ST's Query

(b) Please disclose who the suppliers are, how much have been paid to each of them and why the amounts are so significant;

Company's Response

List of Significant Advances to Suppliers

Suppliers	**Opening Balance**	**Payment**	**Purchase of Raw Materials**	**Advances refund**	**Total**
泉州万晟织造有限公司	**RMB'000** 51,351	**RMB'000** 176,162	**RMB'000** -	**RMB'000** (139,328)	**RMB'000** 88,185
晋江市金山化纤制品有限公司	-	9,400	-	-	9,400
蒙城县福泰纺织有限公司		27,390	(15,574)	-	11,816
晋江市豪友服装织造有限公司	-	9,460		-	9,460
厦门泓健贸易有限公司	7,118	-	(3,084)	-	4,034

In FY2015, the Group had shifted its focus towards higher end products while phasing out the low end products. Accordingly, the Group had to place advances with its suppliers for the purchase of new raw materials for the purposes of manufacturing the higher end products.

SGX-ST's Query

(c) Please disclose if the management has taken any action to recover these amounts that were impaired;

Company's Response

The management has been negotiating with the suppliers to recover the advances in terms of cancellation of orders and refund of advances and/or having other manufacturers taking over the products being ordered for suppliers to return the advances to the Company. Certain suppliers have agreed to enter into settlement agreements with the Company, to repay to the Company a certain percentage of the outstanding balances. In addition, Weng Wenwei (former Executive Director of the Company) has provided an undertaking letter for the largest advances to suppliers.

SGX-ST's Query

(d) Please also disclose whether the Board has verified the veracity of these suppliers, the payments made to them and their subsequent write-offs. Please provide details on the steps taken by the Board to verify the write-offs.

Company's Response

The Board has verified the veracity of these suppliers and the payment made to them and their subsequent write-offs. This was a scheme of financing arranged with the major suppliers of the Group. The Board has verified with the management on the recovery of these advances and has been closely monitoring and requesting for status updates on the recoverability of the advances and refunds received from the suppliers.

SGX-ST's Query

6. In paragraph 8 of the Company's FY2015 Results, it was announced that "Net cash generated in financing activities in FY2015 was RMB56.38 million. This was mainly due to proceeds from rights issue of RMB42.13 million…"

(a) Please explain why the Company utilize the proceeds from the rights issue if it intended to discontinue its business; and

(b) ***How has the Board of Directors considered whether the utilization of the funds was in the best interest of the Company and its minority shareholders***

Company's Response

(a) The Group did not utilize the proceeds from the rights issue on the contract manufacturing business. The proceeds from the rights issue are still being held under the Company's cash and cash equivalent of RMB38.24 million in paragraph 1(b)(i) of Company's FY2015 Results.

(b) The proceeds from the right issue are meant to fund new potential investments and businesses through acquisitions, joint ventures and/or collaborations in business as stated in paragraph 6.3 of the Company's circular dated 29 June 2015 in respect of the

rights issue. The Board's opinion is that the funds will only be utilized in accordance with that intent, and that the Company shall comply with the Listing Rules, if required, prior to the disbursement of the funds. In respect of any new potential investments, the Board will consider and analyze the value and risk profile of the investment, bearing in mind the best interest of the Company and the minority shareholders.

SGX-ST's Query

7. In paragraph 8 of the Company's FY2015 Result, it was announced that "(n)et cash generated from financing activities in Q415 was RMB41.32 million. This was mainly due to proceeds from warrants exercised of RMB0.79 million and decreased in short-term bank deposits pledged of RMB49.73 million and net bank borrowings of RMB5.87 million". Please elaborate on how the amount of RMB49.73 million was utilized in 4Q2015.

Company's Response

The short-term bank deposits pledged for the banking facilities had been utilized to repay the banking facilities and as working capital.

SGX-ST's Query

8. In paragraph 9 of the Company's FY2015 Results, it was disclosed that "(t)here is no variance between the prospect commentary given in our previous results announcement and the actual results for the period reported on". We note that in the Company's third quarter results, it was mentioned that "the Group will continue its efforts to contain costs and increase productivity" and "the Audit Committee in consultation with the recently refreshed Board of Directors, intend to also arrange for a special review to be undertaken on the recoverability on the trade and other receivables (which may or may not be result in an impairment) in conjunction with the strategic review of the existing business segments and the future business direction of the Group".

Please provide an update on the results of the strategic review undertaken and the identity of the independent reviewer.

Company's Response

The Board has not appoint any independent reviewer. The Board decided not to appoint such a reviewer given that one of the new independent directors of the Company has significant knowledge of the textile industry and has significant experience in China.

The business conditions in the garment manufacturing business in China have become increasingly difficult and challenging. The Board had embarked on a strategic review of all businesses; and undertook a special review of receivables. Following the strategic and special review, the Board is of the opinion that it is difficult for the core manufacturing component of its garment business (excluding the trading business) to turn around in the near term. Thus, it has to be disposed off or discontinued to prevent further deterioration and depletion of resources. Therefore, the Group has disposed off the plant and machineries and ceased the production activities in December 2015. The slowing down of the economy has impacted the businesses and with the cessation of the contract manufacturing operations, collection of the receivables will be difficult, and advances to suppliers on orders placed might not be able to be cancelled or placed to other manufacturers and collectivity of advances will be impacted,

resulting in the Board deciding to provide allowances of impairments on accounts receivables, advances to suppliers and inventories.

Notwithstanding the above, the Group will continue its business activities in the trading of garments, and the Company will expend more attention on the trading business. The trading business will be managed by Chen Limei, the sales and marketing manager of the Company. Chen Limei has been in the Group's employment since 2012

Further, as part of the Company's ongoing business strategy to broaden the Group's revenue stream and pursue business opportunities with good prospects for long-term growth, the Company intends, subject to approval of Shareholders at a meeting to be convened, and as announced by the Company on 12 January 2016 to diversify into the business of providing strategic planning, corporate advisory, financial restructuring advisory and management consulting services.

SGX-ST's Query

9. Please provide details and elaborate on the significant trends and competitive conditions of the "trading of garments" business that the Company will be retaining. Please also provide any known factors or events that may affect the group in the next reporting period and the next 12 months for this remaining business.

Company's Response

Five years ago China was essentially an exporter of textiles and garments. However, several significant trends have since occurred:

a. Costs. Costs in China are now significantly higher than it previous was. For instance in an article on 1 May 2015 in the China Daily, the following appeared "Relocation to Africa, in terms of costs and market access is proving attractive for companies. With the average wage of the 23 million textile workers in China reaching $600 a month, garment factory owners are starting to greet each other with a variation of: Have you moved the factory out of China yet?" As a labour-intensive industry, garment-making faces great pressure as labour costs soar in China.

b. Subsidies. The following quote from 2 August 2015 from The New York Times says it all " Once the epitome of cheap mass manufacturing, textile producers from formerly low-cost nations are starting to set up shop in America. It is part of a blurring of once seemingly clear-cut boundaries between high- and low-cost manufacturing nations that few would have predicted a decade ago. Textile production in China is becoming increasingly unprofitable after years of rising wages, higher energy bills and mounting logistical costs, as well as new government quotas on the import of cotton. At the same time, manufacturing costs in the United States are becoming more competitive. In Lancaster County, where Indian Land is located, Keer has found residents desperate for work, even at depressed wages, as well as access to cheap and abundant land and energy and heavily subsidized cotton. Politicians, from the county to the state to the federal government, have raced to ply Keer with grants and tax breaks to bring back manufacturing jobs once thought to be lost forever."

c. Affordability. China can afford better and imported textiles as evidenced by these quotes from the 2015 Top Markets Report: Technical Textiles and Apparel issued by the

US Department of Commerce ITA division. In it the ITA voices the opinion that China should be the third most attractive market for US firms:

"U.S. exports increased by 27 percent between 2009 and 2010 and by 7 percent between 2012 and 2013. At the same time China's textile industry is experiencing declining growth. "

"China attributes this decrease in industry growth and declining overseas orders to labor and other costs rising too fast. Increasing labor costs have to some extent undermined the international competitive advantage of the Chinese textile industry."

"China has initiated programs designed to facilitate the growth of production and applications of technical textiles. U.S. exporters are in a good position to meet these market needs. Major infrastructure projects such as roads, railways, hydroelectric dams, and airports require large amounts of technical textiles beyond the ability of China's domestic industry to meet. Due to high market demand for technical textiles in China, more and more foreign producers have planned to expand their production and to introduce new products in China. The high end technical textile market in China is dominated by foreign producers especially those from the United States and Japan. Thus, there is a great potential market for U.S. producers, especially those with advanced technologies and manufacturing methods."

Given this the Company believes that trading is likely to be far better given that it means the Company can both export from, and import into, China.

There should not be any factors or events that may affect the Group's trading business in the next reporting period and the next 12 months, but the Group may expect a slight decline in revenue due to the slowdown of the China economy.

SGX-ST's Query

10. In paragraph 16 of the FY2015 Results, it was disclosed that S$0.6 million of the proceeds from right issue was utilized for general working capital purposes. Please provide a breakdown to this amount.

Company's response

List of Breakdown of proceeds utilization

Operating Expenses	**S$'000**
Salaries	179
Rental	122
Travelling	24
Office Expenses	15
Office Renovation	50
Professional Fee	212
Listing Expenses	17
Total	**619**