
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 Company’s earlier announcement dated 14 August 2024 in relation to the HY2024 Results Announcement (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 August 2024 as follows:

SGX-ST’S QUERIES: -

Query 1

We refer to the half yearly results announced by the Company on 14 August 2024. We note the significant increase in professional fees from \$88,000 in 1H2023 to \$303,000 in 1H2024. The Company explained that it was primarily due to the “engagement of professional services, including legal, financial, tax and valuation expertise, to support the strategic proposed acquisition activities and ensure compliance with acquisition requirements”. Please tabulate and provide a breakdown of all the professional services engaged in 1H2024, including details of the nature of the services provided, the identities of the vendors, the amounts paid to each vendor, and whether they are related to any of the Company’s directors, controlling shareholders, or their associates.

Company’s Response

<u>SERVICE PROVIDER</u>	<u>DESCRIPTION</u>	<u>S\$’000</u>
SGX-ST	Listing Fee	19
CDP	Retainer fee	3
Share Registrar	Retainer fee	2
Company Secretary	Retainer fee; Filing updates with the regulators	12
Auditors	External and Internal audit fee	57
AGM	Sustainability Reporting; Annual Report 2023 printing and mailing; on-site event hosting expenses	23
GENERAL - OPERATIONAL EXPENSES		116
Legal due diligence		64
Financial and Tax due diligence		22
Independent Financial Adviser and Valuer		33
Advisory services on International Business expansion		68
ONE OFF - CORPORATE EXERCISE		187 *
TOTAL PROFESSIONAL FEES		303

The Company confirms that none of the service providers or vendors engaged for the corporate exercise are related to its directors, controlling shareholders, or their associates.

* The one-off corporate exercise expenses incurred were strategically invested to acquire new businesses for future revenue generation. As part of our 2024 merger and acquisition plan, we initially

shortlisted two target companies. The first target acquisition was selected following a comprehensive evaluation against our strategic criteria, which included international market position, growth potential, and alignment with our long-term objectives. However, during the due diligence process, it became clear that the transaction did not meet our stringent requirements. Consequently, we decided to discontinue the due diligence process and focus on alternative opportunities that better align with our strategic goals. In the absence of the one-off expenses, the general operational expenses of the Group will be substantially lower.

Query 2

In Note 6 to the Financial Statements, the Company recorded other receivables of \$804,000 as of 30 Jun 2024. Provide a breakdown of these other receivables, providing details including the nature of the receivables, the identities of the debtors, the amounts owed by each debtor, and management's assessment of the collectability of these receivables by the Company. To also include the comparative amounts as of 31 Dec 2023 for each item and explain any material variances. It was also disclosed that this amount excludes prepayments. To disclose whether the Company or Group has any prepayments, the amounts, where these prepayments are recorded in the financial statements, who these prepayments are made to, and for what purpose.

Company's Response

The detailed breakdown for the "Note 6 - Other Receivables" is tabulated as below.

NOTE 6 - OTHER RECEIVABLES		Company	
		30-06-2024 S\$'000	31-12-2023 S\$'000
Subsidiary	Description		
Forise Management Limited ("FML")	Payment made by the Company on behalf of the subsidiary	586	586
Forise Malaysia ("FIMSB")	Re-allocation of the Company's expenses to subsidiary on sales and marketing support; Payment made and receipt by subsidiary on behalf of the Company.	218 (Note b)	162
		804	748
	Less: Allowance for expected credit loss (Note a)	(586)	(586)
		218	162

Note a:

In the financial year ended 31 December 2022, the Company has evaluated the collectability of these inter-company receivables and determined that their recoverability is uncertain. Consequently, an allowance for expected credit loss (ECL) has been recorded. We note that these accounts receivable arose in FY2022, when the Group was under different executive management, and was not in relation to the business of FIMSB, details of which are set out below.

Note b:

As at the date of this announcement, the Company has collected S\$130,000 from FIMSB. Hence the amount due from FIMSB has been reduced from S\$218,000 to S\$88,000. Management has assessed the collectability of these inter-company receivables and remains confident in their recoverability. We expect payment to be received in the near future.

Prepayments and deposits are reflected on the Balance Sheet under "Other Current Assets". The detailed breakdown for the "Prepayment and Deposit" is tabulated as below.

Other Current Assets - Prepayment and Deposit

<u>DESCRIPTION</u>	<u>S\$'000</u>
Prepayment: Insurance and retainer fees, allocated to Profit and Loss on monthly basis.	15
Deposits: (*i) Professional Fees related to due diligence, allocated to Profit and Loss statement based on milestone achievement.	83
(*ii) Professional Fees for drafting & reviewing the circular for business diversification, allocated to Profit and Loss statement based on milestone achievement.	8
Total prepayment and deposits	<u>106</u>

(*i) This one-off corporate exercise expense incurred is in relation to the proposed acquisition of the second identified target, in which the Company has entered into a non-binding term sheet in a proposed acquisition of 50.13% of Shinmax Products Sdn Bhd on 27 June 2024.

We are currently undertaking legal and financial due diligence and anticipate entering the Sales and Purchase Agreement (“SPA”) in the next two months, subject to the results of due diligence being satisfactory and barring any unforeseen circumstances.

(*ii) We are in the process of business diversification to expand our scope of operations. Currently, we are working closely with professionals to draft the circular and ensure compliance with the Listing Rules.

Query 3

We note that the Group recorded minimal revenue of S\$74,000 in 1H2024, of which it has only received S\$9,000 to-date. In addition, Directors’ fees and employee compensation of S\$238,000 incurred by the Group in 1H2024 far exceeds its revenue of S\$74,000. The Group had also reported negative cashflows from its operating activities and reported cash outflows from its operations of \$462,000 and \$537,000 in 1H2024 and 1H2023 respectively. The Company has also demonstrated a track record of difficulties in collecting its trade and other receivables, which amounted to \$304,000 as of 30 June 2024 which significantly exceeds its revenue of \$74,000 of which only \$9,000 has been collected to-date. This indicates that the Company does not have minimal standards of quality and operations as required under Listing Rule 103(1). Thus, in accordance with the notification to the Company in Query 7 of the response announced by the Company on 13 August 2024, the Company has been designated as a cash company under Listing Rule 1018 with effect from 12 August 2024 and the Company must comply with the requirements accordingly.

Company’s Response

Revenue

In response to the company’s business performance, the management has been actively carrying out sales and marketing activities for the provision of advisory services. The nature of our business in the Malaysian subsidiary, which involves advisory on automation and related solutions, inherently leads to contracts being awarded on a project basis and revenue being recognized in lump sums rather than evenly throughout the year. Typically, the lifecycle of our projects follows a specific pattern:

1. **Understanding Requirements:** The process starts with engaging the client to deeply understand their business needs, challenges, and objectives, leading to a well-defined project scope that identifies specific goals and deliverables.

2. **Proposal Development:** A comprehensive proposal is crafted, including the advisory on clients' solution design, project scope, cost estimates, and timelines, and is then reviewed and adjusted based on client feedback before final submission.
3. **Budgetary Allocation:** Clients review the proposals and allocate budgets accordingly, determining the financial feasibility of the project.
4. **Contract Award and Revenue Recognition:** The client makes the final decision to award the contract, determining whether to engage with the advisory services, leading to revenue recognition upon contract approval and delivery of advisory and management consulting service.

Our team has been carrying out the following sales and marketing activities in the first half of the year, including designing and provide prototypes in order to ascertain the feasibility of the solution, certain of which are in the final stages of customer approval. To provide a clearer picture of our efforts, we have compiled a list of potential customers and projects currently under negotiation or consideration –

Sales and Marketing Activities for the business strategic planning advisory/ management consulting – Potential Order Book as of 21 August 2024:

No.	Potential customer business nature	Product name/ Solution name/ Industry name	Estimated sales price range S\$('000)	Status
1.	Manufacturing Company	To advise on a glass primer application robot similar to customer's Japanese plant design	< 50	Awaiting final approval
2.	Manufacturing Company	To advise on a robotic metal hoop polishing solution for music instruments components	< 100	KIV to FY2025
3.	Manufacturing Company	To advise on a fully automatic jumbo roll transfer process utilizing high payload robotics and autonomous mobile robot	< 100	Under Negotiations
4.	Manufacturing Company	To advise on a fully automatic primer dispensing and spraying robot	< 50	Awaiting final approval
5.	Manufacturing Company	To advise on logistic transfer solution utilizing AMR for rubber coated plates transfer	< 150	Proposal submitted
6.	Manufacturing Company	To advise on a software solution to digitalize the OEE (Overall equipment effectiveness) process with Internet Of Things (IOT), Data analytics , and Industry 4.0 implementation	< 50	Contract awarded on 16 August 2024
7.	Manufacturing Company	To advise on a semi-automatic sachet packing machine for health supplements	< 50	Under Negotiations
8.	Trading Company	To advise on a semi-automatic solution for dishwashing liquid bottle labelling process	< 50	Under Negotiations
9.	Manufacturing Company	To provide R&D as a service for developing a fully automatic silicone rubber dispensing robot	< 50	Awaiting final approval

No.	Potential customer business nature	Product name/ Solution name/ Industry name	Estimated sales price range S\$('000)	Status
10.	Manufacturing Company	To advise on a torch flaming robotic solution for the surface treatment of vehicle front and back bumpers	< 50	Proposal submitted
11.	Manufacturing Company	To advise on a fully automatic feeding solution for latex products printing machine	< 50	Awaiting final approval
12.	Cleaning Services Provider	To provide "One-Stop" cleaning solution market research advisory	< 50	Contract awarded on 15 August 2024
13.	Government Linked Research Institute	To advise on an automatic inventory scanning process to allow for early error detection, and improve efficiency for outbound distribution	< 100	Preliminary discussions
14.	Government Linked Research Institute	To advise on an enquiry management system to assess and segment customers to support sales decision-making, improve customer retention, and streamline internal operations	< 100	Preliminary discussions
15.	Trading company	To advise on an AI inspection solution for the palm oil kernel and shell segregation	<100	Awaiting final approval
16.	Trading company	To provide a 3 years market research report for the palm oil milling automation industry	< 100	Proposal submitted
17.	Manufacturing Company	Retaining Contract from existing customer – To advise on robotic solution for new production model	< 50	Proposal submitted
18.	Manufacturing Company	To provide a market research report for manufacturing workflow	< 100	Under Negotiations
19.	Manufacturing Company	To provide a market research report for business expansion	< 50	Awaiting final approval
20.	Manufacturing Company	Retaining Contract from existing customer – To advise on laundry operation expansion	< 50	Proposal submitted
21.	Trading Company	To provide advisory services for aging care business expansion	< 50	Awaiting final approval

We anticipate that certain projects will be awarded to us in 2H2024. In this respect, we note that we have received a sales orders on 15 August 2024 and 16 August 2024. We also anticipate that we will be awarded in the near term another contract from a supplier of the palm oil milling industry machinery and components to design an inspection solution for the palm oil kernel and shell segregation, for which we are expecting to receive a Purchase Order, and to be publicly announced by end of August 2024. Furthermore, the Group is expecting more converted contracts to be recognized in the remaining half of the year, with some of the project discussions being in the final approval stage. Based on the foregoing, it is likely that the Group will achieve a more significant revenue performance in 2H2024.

Based on the above, it would be more meaningful to review and assess the Company's or Group's performance on a full year basis, in view of the project-based nature of our revenue reporting.

We wish to emphasize that the Group is not a dormant company nor a company with limited level of business activities. It is however inherent in the nature of the business that there will not necessarily

be revenue in every financial quarter of the Group. That does not detract from the Group nonetheless continuing to have business activities.

From the responses from customers to the Group's sales and marketing efforts, the Group recognises the potential in this market from customer's request for the Group to provide additional related services and to this end, the Group is considering seeking approval to diversify its business to meet this market demand.

While our business generally experiences a concentration of marketing and proposal activities during the first half of the year, followed by contract awards and sales in the second half, we wish to emphasize that there may be occasions where purchase orders and sales are realized in the first half of the year as well. Additionally, we are actively pursuing recurring advisory contracts with existing customers, which may further contribute to revenue stability and growth throughout the year.

For the reasons set out above, the Group reiterates that it is not a "cash company" with limited or no business activities.

Trade Receivables

Our credit terms with customers are set at 120 days. This extended credit period is designed to provide customers with greater flexibility in managing their cash flow and financial planning throughout their full project rollout. By offering these terms, we enhance our competitive position and strengthen our relationships with customers. This approach aligns with industry standards and fosters a mutually beneficial arrangement, ensuring a continuous and productive business relationship.

As at the date of this announcement, all trade receivables for FY2023's revenue have been fully collected. As for the trade receivables related to 1H2024's revenue, S\$65,000 remains outstanding, with S\$51,000 overdue and S\$14,000 due by September. The Group is actively pursuing collection and anticipates receiving these amounts between end of August and September 2024.

Management has assessed the collectability of these trade receivables and remains confident in their recoverability. We wish to emphasize that the customers that FIMSB deal with are reputable customers and to date have demonstrated minimal difficulties in collections of accounts receivables.

Cashflow

The reported negative cashflows from our operating activities and reported cash outflows from our operations of S\$462,000 is mainly due to the one-off corporate exercise expenses incurred to-date of S\$270,000 for our 2024 merger and acquisition plan. The investment may potentially generate future revenue through increased revenue streams, including expanded product and service offerings, as well as through strategic collaborations and synergies that may enhance operational efficiency and broaden market reach.

BY ORDER OF THE BOARD

Tan Wai Hong
Executive Director
22 August 2024