Forise International Limited

UNAUDITED RESULT FOR THE PERIOD ENDED 31 MARCH 2017

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS.

1(a)(i) A consolidated income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	Q1 2017 RMB'000	**Q1 2016 RMB'000**	%Change +/(-)
Continuing operations			
Revenue	**7,472**	14,475	(48.38)
Cost of sales	**(4,667)**	(11,843)	(60.59)
Gross profit	**2,805**	2,632	6.57
Other gains- net	**27**	115	(76.52)
Expenses			
-Selling and distribution	**(56)**	(48)	16.67
-Administrative	**(2,437)**	(1,694)	43.86
-Other operating expenses	**574**	454	26.43
-Finance	**(6)**	(3)	100.00
Profit before income tax	**907**	1,456	(37.71)
Income tax expenses	**(380)**	-	100.00
Net profit	**527**	1,456	(63.80)
Discontinued operation			
Loss from discontinued operation, net of tax	-	(2,592)	n.m.
Total comprehensive income/(loss) representing net loss	**527**	(1,136)	n.m.
Total comprehensive income/(loss)	**527**	(1,136)	n.m.
Profit/(loss) attributable to			
-Equity holders of the Company	**527**	(1,136)	n.m.
-Non-controlling interests	**-**	-	
	527	(1,136)	n.m.
Total comprehensive income/(loss) attributable to			
-Equity holders of the Company	**527**	(1,136)	n.m.
-Non-controlling interests	**-**	-	
	527	(1,136)	n.m.

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial period:-

	Group		
	Q1 2017 RMB'000	Q1 2016 RMB'000	%Change +/(-)
(Expense)/Income			
Depreciation of property, plant and equipment	**(48)**	(21)	n.m.
Interest income	**27**	113	(76.11)
Foreign exchange gains/(losses), net	**574**	454	26.43

"n.m." denotes "not meaningful"

1(b)(i) A balance sheet (for the issuer and the Group), together with a comparative statement as at the end of the immediately preceding financial period

	Group		Company	
	As at 31 Mar 2017 RMB'000	As at 31 Dec 2016 RMB'000	**As at 31 Mar 2017 RMB'000**	As at 31 Dec 2016 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	**43,324**	38,857	**23,434**	25,146
Trade and other receivables	**11,110**	20,797	**9,790**	9,061
Inventories	**6**	12	**-**	-
Other current assets	**641**	589	**637**	582
	55,081	60,255	**33,861**	34,789
Non-current assets				
Investments in subsidiaries	**-**	-	**923**	923
Property, plant and equipment	**257**	305	**40**	51
	257	305	**963**	974
Total assets	**55,338**	60,560	**34,824**	35,763
LIABILITIES				
Current liabilities				
Trade and other payables	**10,418**	16,284	**1,653**	1,705
Current income tax liabilities	**1,504**	1,387	**-**	-
	11,922	17,671	**1,653**	1,705
Total Liabilities	**11,922**	17,671	**1,653**	1,705
NET ASSETS	**43,416**	42,889	**33,171**	34,058
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	**145,320**	145,320	**145,320**	145,320
Currency translation reserve	**9**	9	**-**	-
Accumulated losses	**(101,913)**	(102,440)	**(112,149)**	(111,262)
	43,416	42,889	**33,171**	34,058
Non-controlling interests	**-**	-	**-**	-
TOTAL EQUITY	**43,416**	42,889	**33,171**	34,058

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities

The Group has no borrowings and debt securities as at 31 March 2017 and 31 December 2016.

1(b)(iii) Details of any collaterals

Nil.

1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial period

	Group	
	Q1 2017	Q1 2016
	RMB'000	RMB'000
Cash flows from operating activities		
Total profit/(loss)	**527**	(1,136)
Adjustments for:		
-Income tax expense	**380**	-
-Amortisation and depreciation	**48**	623
-Interest expense	**-**	1,966
-Interest income	**(27)**	(240)
-Unrealised currency translation losses	**6**	55
Operating profit before changes in working capital	**934**	1,268
Changes in working capital:		
-Trade and other receivables	**9,687**	(42,836)
-Inventories	**-**	17,141
-Other current assets	**(52)**	(1,208)
-Trade and other payables	**(5,866)**	39,004
Cash generated from operations	**4,703**	13,369
Interest received	**27**	240
Income tax paid	**(263)**	6,279
Net cash generated from operating activities	**4,467**	19,888
Cash flows from investing activities		
Net cash generated used in investing activities	**-**	-
Cash flows from financing activities		
Proceeds from borrowings	**-**	114,027
Repayment of borrowings	**-**	(138,989)
Interest paid	**-**	(1,966)
Net cash used in financing activities	**-**	(26,928)
Net increase/(decrease) in cash and cash equivalents	**4,467**	(7,040)
Cash and cash equivalents at beginning of financial period	**38,857**	79,581
Effects on currency translation on cash and cash equivalents	**-**	(2)
Cash and cash equivalents at end of financial period	**43,324**	72,539

Note: For the purpose of consolidated cash flow statement, cash and cash equivalents comprise the following :-

	Group	
	Q1 2017	Q1 2016
	RMB'000	RMB'000
Cash and bank balances	**43,324**	72,539
Less: Cash and cash equivalents for disposed group	**-**	(34,887)
	43,324	37,652

1(d)(i) A statement (for the issuer and the Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial period

(RMB'000)	Attributable to equity holders of the Company						Non-controlling interest	Total Equity
	Share Capital	Restructuring Reserve	Warrant Reserve	Currency Translation Reserve	(Accumulated Losses)	Total		
Group								
At 1 January 2017	145,320	-	-	9	(102,440)	42,889	-	42,889
Total comprehensive income for the financial period	-	-	-	-	527	527	-	527
At 31 March 2017	145,320	-	-	9	(101,913)	43,416	-	43,416
At 1 January 2016	145,320	114,040	674	(109)	(392,613)	(132,688)	(8)	(132,696)
Exchange translation reserve	-	-	-	-	-	54	-	54
Total comprehensive loss for the financial period	-	-	-	-	(1,136)	(1,136)	-	(1,136)
At 31 March 2016	145,320	114,040	674	(55)	(393,749)	(133,770)	(8)	(133,778)
Company								
At 1 January 2017	145,320	-	-	-	(111,262)	34,058	-	34,058
Total comprehensive loss for the financial period	-	-	-	-	(887)	(887)	-	(887)
At 31 March 2017	145,320	-	-	-	(112,149)	33,171	-	33,171
At 1 January 2016	145,320	114,040	674	-	(243,702)	16,332	-	16,332
Total comprehensive loss for the financial period	-	-	-	-	(890)	(890)	-	(890)
At 31 March 2016	145,320	114,040	674	-	(244.592)	15,442	-	15,442

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital

	Group and Company	
	As at 31 March 2017	As at 31 December 2016
	(No. of shares)	
Ordinary shares issued and fully paid		
Beginning and end of financial period/year	**2,130,000,000**	2,130,000,000

There was no change in the Company's share capital since the end of the previous period/year reported on and save as disclosed above there were no outstanding convertibles or treasury shares held as at 31 March 2017.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Group and Company	
	As at 31 March 2017	As at 31 December 2016
Number of issued shares excluding treasury shares		
Beginning and end of financial period/year	**2,130,000,000**	2,130,000,000

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period report on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period report on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which standard and practice.

The figures in this announcement have not been audited or reviewed by the Group's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group had applied the same accounting policies and methods of computation in the Group's financial statements consistent with those applied for the most recently audited consolidated financial statements for the financial year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

In the current financial period, the Group adopted all the new/revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual period beginning on or after 1 January 2017. The adoption of the new / revised FRS did not result in any substantial change to the Group's accounting policies nor significant impact on the financial statements.

6. Earnings per ordinary share of the Group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	First Quarter ended 31 March	
	2017	2016
	RMB Cents	RMB Cents
Earnings/(losses) per Share (Basic)		
- Continuing operations	**0.02**	(0.07)
- Discontinued operations	**-**	(0.12)
Number of shares		
Weighted average number of issued ordinary shares	**2,130,000,000**	2,130,000,000

	Group	
	First Quarter ended 31 March	
	2017	2016
	RMB Cents	RMB Cents
Earnings/(losses) per Share (Diluted)		
- Continuing operations	**0.02**	0.06
- Discontinued operations	**-**	(0.11)
Number of shares		
Weighted average number of issued ordinary shares	**2,130,000,000**	2,2480,000

Basic loss per share is computed by dividing the loss attributable to the equity holders of the Company in each financial period by the weighted average number of ordinary shares outstanding at the end of the respective financial period.

7. Net assets value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial period

	Group		Company	
	As at 31 Mar 2017	As at 31 Dec 2016	**As at 31 Mar 2017**	As at 31 Dec 2016
	RMB Cents	RMB Cents	**RMB Cents**	RMB Cents
Net assets value per ordinary share	**2.04**	2.01	**1.56**	1.60
Number of issued ordinary shares as at end of the financial period/year	**2,130,000,000**	2,130,000,000	**2,130,000,000**	2,130,000,000

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must include a discussion of the following:-

a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period/year reported on, including (where applicable) seasonal or cyclical factors; and

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period/year reported on.

Commentary on Financial Results

The Group disposed of its garment manufacturing subsidiaries in 2016.

The Group's Q1 2017 earnings arise from its traditional garment trading busines and its new business of providing strategic planning, corporate advisory, financial restructuring advisory and management consultancy services.

	Revenue		
	Q1 2017 RMB'000	Q1 2016 RMB'000	% Change +/(-)
Trading	**2,717**	12,675	(78.56)
Corporate advisory	**4,755**	1,800	n.m.
Total	**7,472**	14,475	(48.38)

Revenue analysed by the geographical areas is as follows:

	Revenue		
	Q1 2017 RMB'000	Q1 2016 RMB'00	%Change +/(-)
Asia	**7,472**	9,103	(17.91)
Europe	**-**	1,875	(100.00)
America	**-**	3,497	(100.00)
Total	**7,472**	14,475	(48.38)

In the first quarter ended 31 March 2017 ("Q1 2017"), garment trading revenue decreased by RMB9.95 million or 78.56%, from RMB12.67 million in the first quarter ended 31 March 2016 ("Q1 2016") to RMB2.72 million in Q1 2017. The sharp fall in earnings was due to:

a) weak European sales despite a 2.3% rise in March retail sales in the Eurozone. Our trading business was affected by the continued switch away from China to lower duty and more cost competitive countries such as Cambodia and Bangledash;

b) weak US sales despite a consumer income rising (down 0.2% in March). However, a shift away from mall sales towards e-commerce (as evidenced by a further rise in Amazon's numbers and talk about Chapter 11 for well known brands such as Gap). Our clients tend to service malls stores more than e-commerce; and

c) continued strong competition from Vietnam.

Revenue from corporate advisory business, on the other hand, increased by RMB2.95 million or 164.17%, from RMB1.80 million in Q1 2016 to RMB4.75 million, in Q1 2017. Our corporate advisory services comprise two categories: advice to SMEs (and a few ultra high net worth individuals) with respect to better deployment of idle capital; and advice to fund and investment managers with respect to corporate actions such as pre-IPO, mezzanine financing, private equity etc. The increase in corporate advisory service revenue was mainly due to the second type of advisory services and more service contracts completed by the Group in Q1 2017 as opposed with Q1 2016, when the corporate advisory services was newly launched.

Overall, the Group's total revenue for Q1 2017 decreased by RMB7.00 million or 48.38%, from RMB14.47 million in Q1 2016 to RMB7.47 million.

Gross Profit

Gross profit, however, increased by RMB0.17 million or 6.57%, from RMB2.63 million in Q1 2016 to RMB2.80 million in Q1 2017. The increase in gross profit was entirely due to the corporate advisory business which also enjoys a higher profit margin as compared to the garment trading business.

Other gains/(loss)

The Group recorded other gains of RMB0.27 million in Q1 2017, which represents the interest income from its fixed deposit.

Administrative Expenses and Other Operating Expenses

Administrative expenses increased by RMB0.75 million from RMB1.69 million in Q1 2016 to RMB2.44 million in Q1 2017, evidenced by higher administration costs as the group steps up its corporate advisory business.

Other operating expenses recorded a gain of RMB0.57million in Q1 2017, arising from foreign exchange gains. In Q1 2017, the appreciation of SGD and USD against RMB resulted in an increase in foreign exchange gain for the period reported on.

Profit before tax

As a result of the above, the Group recorded a profit before tax of RMB0.91 million in Q1 2017 as compared to RMB1.46 million in Q1 2016.

Income Tax and Profit after tax

Income tax expenses comprised of a provision for corporate income tax of RMB0.38 million which arose from corporate advisory services rendered in Q1 2017.

Consequent to the above, the Group recorded net profit of RMB0.53 million in Q1 2017 as compared to net profit of RMB1.46 million in Q1 2016.

Commentary on Financial Position

Non current assets

Non-current assets decreased by RMB0.05 million from RMB0.31 million as at 31 December 2016 to RMB0.26 million as at 31 March 2017 was due depreciation charge of RMB0.05 million for Q1 2017.

Current Assets

Current assets had decreased by RMB5.17 million from RMB60.25 million as at 31 December 2016 to RMB55.08 million as at 31 March 2017 mainly due to the decrease in trade and other receivables, offset by increase in cash and cash equivalents.

Cash and cash equivalents increased by RMB4.46 million, from RMB38.86 million as at 31 December 2016 to RMB43.32 as at 31 March 2017, mainly due to collection from trade receivables.

Trade and other receivables decreased by RMB9.69 million, from RMB20.80 million as at 31 December 2016 to RMB11.11 million as at 31 March 2017, in tandem with the drop in our garment trading business.

Trade and Other Receivables

	31 Mar 2017	31 Dec 2016	% Change
	RMB'000	RMB'000	+/ (-)
Trade receivables	**14,847**	24,526	2.16
Less: Allowance for impairment of trade receivables	**(3,761)**	(3,761)	-
	11,086	20,765	2.55
Other receivables	**24**	32	(25.00)
Total	**11,110**	20,797	2.51

Current liabilities

Current liabilities decreased by RMB5.75 million from RMB17.67 million as at 31 December 2016 to RMB11.92 million as at 31 March 2017. The decrease was mainly due to settlement of trade payables.

Commentary on financial cash flow

The Group generated net cash from operating activities of RMB4.46 million in Q1 2017. This was mainly due to collection from trade receivables.

As there were no cash flows from investing and financing activities, hence, the cash and cash equivalents increased by RMB4.46 million from RMB38.86 million as at 31 December 2016 to RMB43.32 million as at 31 March 2017.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There is no significant variance between the prospect commentary given in our FY 2016 results announcement released on 28 Feb 2017 and the actual results for the period reported on.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

The garment trading business of the Group has been increasingly challenging due to changing competitive conditions in this industry, the weakening demand for our products in both the PRC and the global market, and trade protectionism. The Group expects the abovementioned factors to continue to affect the trading business. After our AGM in April 2017, several shareholders voiced their concerns about the garment trading business and urged a review of the garment trading business. The Board noted that in Q1 2017 the margin and profitability of the garment trading business continued to slide. Management has voiced the opinion that the business now suffers high risk and low reward profile. The Board is closely monitoring the performance of this business segment.

The corporate advisory business has reported revenue of RMB4.75 million in Q1 2017 as compared with RMB5.04 million for the year ended 31 December 2016. The Group's strategy will focus on the corporate advisory business and continue to deploy resources for the development and expansion of the business.

The Group will continue to source for other business opportunities to expand and enhance the performance and net asset value of the Group.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No general mandate has been obtained from shareholders for IPTs.

14. Statement Pursuant to Rule 705(5) of the Listing Manual

To the best of their knowledge and belief, nothing has come to the attention of the Board of Directors which may render the unaudited First Quarter Results of the Group for the financial period ended 31 March 2017 to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that the undertakings required under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7 of the Listing Manual.

On behalf of the Board of Directors,

BY ORDER OF THE BOARD
Leo Peng WeiLe
Executive Director
15 May 2017