
RESPONSE TO QUERIES FROM THE SINGAPORE STOCK EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON EARLIER ANNOUNCEMENTS

The Board of Directors of Forise International Limited (the "**Company**"), and together with its subsidiaries, the "**Group**") refers to the earlier 1H2020 Results Announcement dated 13 August 2020.

Unless otherwise defined, all capitalised 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 on 21 August 2020 as follows:

SGX-ST's Query 1

We refer to the Company's half yearly results announced on 13 August 2020.

(a) We noted revenue earned of RMB 1,954,000 in 1H 2020, out of which, RMB 630,000 relates to corporate advisory services and RMB 1,324,000 relates to consultancy services from management contracts through its subsidiary Prisma Technologies Pte Ltd.

(i) How much of the RMB 1,324,000 relates to the Capverto contract and UAE contract announced on 27 April 2020 and 18 May 2020 respectively, what are the statuses of the projects including the percentage of completion and revenue recorded, and how much of the RMB 1,324,000 has been collected to date.

Company's Response

The Capverto contract and UAE contract are as follows:

| | Contract | Amount | Percentage of completion | Revenue recognised in 1H2020 | |
|---|-------------------|----------------|---------------------------------|-------------------------------------|----------------|
| | | S\$'000 | | S\$'000 | RMB'000 |
| 1 | Capverto contract | 310 | 53% | 165 | 841 |
| 2 | UAE contract | 270 | 35% | 95 | 483 |
| | | | | 260 | 1,324 |

The amount of RMB1,324,000 has not been collected, as the two projects commenced only in April-May 2020, and are expected to complete in September 2020. The two projects are the second project and third project obtained by Prisma Technologies Pte. Ltd. ("Prisma Technologies") since it was incorporated in October last year. The trade receivables in respect of the first project, Afro-Asian contract, of S\$260,000 have been mostly received during 1H2020.

(ii) Please elaborate on the scope of the corporate advisory service provided by the Company and the duration of the existing contract.

Company's Response

The scope of the corporate advisory service provided by Tianjin WFOE for the existing contract during 1H2020 included investment proposals and recommendations and post investment management. The existing contract commenced since year 2018 and the client will request for added corporate advisory services from Tianjin WFOE whenever there is a need.

(b) We noted that interest income has decreased significantly by 90.3% to RMB 38,000. Please elaborate on why no interest income was recognised from the Loans to Associated Companies, namely Le Rong Financial Factoring Company Limited, in 1H 2020. Please also disclose the terms of the loan and whether the RMB 243,000 in 1H 2019 has been collected by the Company.

Company's Response

As disclosed in the Company's FY2019 Annual Report, the loans to the associated company, Le Rong Financial Factoring Company Limited ("Le Rong"), are unsecured and bear interest rates ranging from 8% to 9% per annum.

As disclosed in the FY2019 results announcement dated 28 February 2020, no interest income was recognised in respect of the loans to Le Rong. As disclosed in the Company's responses to SGX-ST queries dated 10 March 2020, Le Rong's business has been impacted severely since FY2019 and it has defaulted on repayments to the Group, hence the balance had been fully impaired in FY2019. The Group has ceased recognising interest on the loans in FY2019 given that the recoverability and inflow of economic benefits in respect of the interest was doubtful.

Interest income of RMB243,000 was recognised in 1H2019 particularly for 1Q2019. Such interest income was subsequently reversed in 4Q2019 for the above-mentioned reason that the recoverability and inflow of economic benefits in respect of the interest was doubtful. The Group has therefore ceased recognising interest on the loans in FY2019.

(c) We noted the new consultancy charges during the period of RMB 232,000. Please disclose the revenue generated from the underlying contract related to this charge.

Company's Response

The consultancy charges incurred during 1H2020 of RMB232,000 was related to the contract which generated the revenue of RMB630,000.

(d) We noted the increase in professional fees by 33.2% to RMB 1,014,000. This is in spite of a drop in revenue and an increase in employee compensation. Please provide a breakdown of the amount of professional fees incurred, the counterparty and the services rendered.

Company's Response

The breakdown of the amount of professional fees is as follows:

| Payee/Counterparty | Amount | Nature |
|--|----------------|---|
| | RMB'000 | |
| SGX-ST | 298 | Listing and circular review fees |
| The Central Depository (Pte) Ltd | 16 | Retainer and shareholder data fees |
| RHT Corporate Secretarial Pte Ltd | 9 | Retainer fees |
| Wong Tan & Molly Lim LLP | 134 | Drafting of circulars, agreements, etc. |
| Yan Yun Group Limited | 366 | Consultancy charges for business development on information technology, including artificial intelligence |
| Outreach Communications | 15 | Drafting of press releases |
| Vistra (Hong Kong) Limited | 4 | Certificate of incumbency |
| Harry Elias Partnership LLP | 16 | Accrual of secretarial fees for the Company |
| SBC International Limited | 4 | Accrual of secretarial fees for Forise Management Limited |
| WTML Management Services Pte Ltd | 4 | Secretarial fees for Prisma Technologies |
| Nexia TS Public Accounting Corporation | 148 | Accrual of audit fees |
| Total | 1,014 | |

(e) We noted an increase in employee compensation of 28.5% to RMB 2,472,000.

(i) Please quantify the number of staff in 1H 2019 and 1H 2020 and disclose the number of staff in Prisma Technologies Pte Ltd.

Company's Response

The number of staff in the Group in 1H2019 and 1H2020 was 10 and 19, respectively. The number of staff in Prisma Technologies in 1H2020 was 11.

(ii) Please also explain why the salary expense of RMB 2,472,000 exceeds revenue of RMB 1,954,000 generated in 1H 2020.

Company's Response

As explained in the 1H2020 results announcement dated 13 August 2020, the higher amount of employee compensation was mainly attributed to the payroll expenses incurred by Prisma Technologies, as Prisma Technologies has gradually increased its headcount of IT personnel in delivering its business of management consultancy services during 1H2020. In relation to Prisma Technologies, the revenue generated during 1H2020 of RMB1.324 million was slightly higher than the payroll expenses of RMB1.295 million as the contracts only commenced in April and May 2020 respectively, as explained in the 1H2020 results announcement.

In terms of the salary expense exceeding the revenue for the Group for 1H2020, it was mainly attributed to the significant decrease in corporate advisory services in 1H2020 as a result of the continuous slowdown in Chinese corporate activities. Consequently, the corresponding payroll expenses were higher as compared to the revenue from corporate advisory services recognised in 1H2020.

(f) We noted that trade and other receivables of RMB 11,694,000, which includes the working capital loan to Galaxy.

(i) Please provide the breakdown and aging in bands of 3 months of trade and other receivables of RMB 11,694,000.

Company's Response

The breakdown and ageing in bands of 3 months of trade and other receivables of RMB11,694,000 are as follows:

| | 0-3 months | 4-6 months | 7-9 months | 10-12 months | >12 months | Total |
|---------------------------------------|---------------|---------------|---------------|-----------------|---------------|---------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <u>Trade receivables</u> | | | | | | |
| Prisma AI Corporation Pte. Ltd. | 1,320 | - | 127 | - | - | 1,447 |
| <u>Other receivables</u> | | | | | | |
| 纳什空间创业科技（北京）有限公司 | 30 | - | - | - | - | 30 |
| Prisma AI Corporation Pte. Ltd. | - | - | 10,138 | - | - | 10,138 |
| Others (inclusive of VAT recoverable) | 79 | - | - | - | - | 79 |
| | 1,429 | - | 10,265 | - | - | 11,694 |

(ii) In relation to the loan, please disclose when the advance was made, the use of the proceeds, the terms of the advance and the interest rate. Given that it is repayable within 12 months and classified as a current asset, please disclose when the Company expects to recover this advance and comment on whether Galaxy has the ability to repay the amount.

Company's Response

The advance of S\$2 million (approximately RMB10.14 million) was made from Prisma Technologies to Prisma AI Corporation Pte. Ltd. ("Prisma AI") on 10 October 2019 to provide the necessary working capital for the contracts that Prisma Technologies managed for Prisma AI. The Company directly funded the working capital to ensure that the monies were only spent on the related projects of Prisma AI.

The advance is interest-free and repayable on demand. The Group has been in constant communications with the management of Prisma AI and closely monitoring the contracts and collections from the customers of Prisma AI. However, due to the current situation with COVID-19, completion of projects and/or collections from customers, especially those in the airport and infrastructure sectors, have become slower. Nonetheless, barring any unforeseen circumstances, the Group expects partial repayments amounting to RMB1 million by early-September 2020, and further repayments from Prisma AI in October 2020.

(g) We noted the decrease in other income of 56% to RMB 338,000.

(i) Under the Jobs Support Scheme, please disclose the number of employees as well as the number of months.

Company's Response

For the Jobs Support Scheme, the pay-outs were for three local employees of the Company and for the months of April 2020 and May 2020.

(ii) Please explain why the Company is no longer eligible to receive the incentive from the Tianjin Local Tax Authority.

Company's Response

As explained in the 1H2020 results announcement dated 13 August 2020, the incentive from Tianjin Local Tax Authority was for the purpose of incentivising local enterprises which set up the companies within the local proximity and paid corporate income tax. As Tianjin WFOE was loss-making in FY2019 and not required to pay corporate income tax, there was no such incentive received by Tianjin WFOE during 1H2020.

(h) Please provide a breakdown of the additional accrued expenses of RMB 1.51 million, including details such as the nature, counterparty and amount.

Company's Response

The breakdown of additional accrued expenses of RMB1.51 million is as follows:

| | Amount |
|---|----------------|
| | RMB'000 |
| | |
| Harry Elias Partnership LLP - accrued secretarial fees | 16 |
| SBC International Limited - accrued secretarial fees | 4 |
| Nexia TS Public Accounting Corporation - accrued audit fees | 148 |
| Wong Tan & Molly Lim LLP | 134 |
| Accrued staff costs | 747 |
| Accrued AWS | 119 |
| Accrued directors' fees | 342 |
| Total | 1,510 |

SGX-ST's Query 2

We refer to the appointment of Mr Boye Kobaek Hartmann as Executive Director announced on 1 July 2020 and the Company's responses to SGX Queries on 3 July 2020.

(a) We would like to clarify:

- (i) When Mr Boye Kobaek Hartmann was conferred the honorary title as associate professor;
- (ii) What is the basis of the award;
- (iii) What does it mean to be an honorary associate professor, including an explanation of the role; and
- (iv) Which faculty awarded the honorary title.

(b) Please provide more information on Cornell University eCornell Programmes in Scandinavia, including any links to the official website of eCornell Programmes in Scandinavia.

Company's Response

Mr Boye was conferred an honorary title as associate professor in marketing in September 2004. The Company would like to clarify that the honorary title is not an honorary degree. Honorary titles in academia may be conferred on persons in recognition of contributions, and this practice exists in universities and colleges in various countries, including Denmark. In Denmark, the honorary professor title is conferred in recognition of a person's contribution to the subject area associated with the faculty's activities, and recipients are expected to give lectures or participate in research partnerships. Mr Boye had assisted the Chartered Academy, which was the representative of the eCornell Programmes in Scandinavia 20 years ago and is no longer active currently, with strategy formulation and implementation in marketing, and in recognition of his contribution, he was conferred the honorary title. Currently, eCornell offers professional certificate programmes in various topics, including leadership and management, marketing and technology.

BY ORDER OF THE BOARD

Peng Weile
Executive Director
25 August 2020