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

RESPONSE TO QUERIES FROM THE SINGAPORE 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 Company's earlier announcement on the proposed acquisition of 7.09% of the issued and paid-up share capital of Prisma Technologies Pte. Ltd. (the "**Proposed Acquisition**") dated 20 May 2020 (the "**20 May 2020 Announcement**") and the response to queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") dated 24 May 2020 (the "**24 May 2020 Announcement**").

Unless otherwise defined, all capitalised terms herein shall have the meaning ascribed to them in the 20 May 2020 Announcement and the 24 May 2020 Announcement.

The Board would like to respond to the queries raised by the SGX-ST on 2 June 2020 as follows:

SGX-ST's Query 1

We refer to the responses to SGX Queries announced on 24 May 2020. In response to Query 1(a) how an additional 7.09% stake held by Forise in the Target "may give potential investors and/or providers of capital to the Target more assurance", the Company responded "The Company has spoken to several potential sources of funding for Prisma Tech, most of whom have directly or indirectly noted the minimum majority held by the Company and indicated that this is a point of concern." Please clarify the following:-

a. Why does Prisma Tech need to source for funding at this point in time and how much funding is required;

Company's Response

The technology platform provided by Prisma AI in the projects that Prisma Tech manages was developed and enhanced regularly in the last 5 years. It involves visual recognition (recognition by any camera or visual interface) for security and other purposes. Given that many potential clients are quasi-government companies or involve their Government agencies, these potential clients require Proof of Concepts ("**POCs"**). Such POCs usually take a year to produce and the cost has to be borne by Prisma Tech. However, the resultant deals are significant and in some cases, involve large multi-year leasing arrangements. Prisma AI and Prima Tech have received many enquiries including some from leading airports and transport Government agencies in the world. If Prisma Tech wishes to pursue these enquires, Prisma Tech will have to fund the working capital involved in the POCs and the subsequent roll out.

If Prisma Tech decides not to pursue these opportunities, then no additional funding is required. However, if Prisma Tech decides to pursue several of the larger opportunities, it will require both additional equity capital and debt financing. The exact amount depends on the number of projects pursued, the number of POCs required and the number of contracts won. For prudence and given current market conditions, the amount of equity funding being sought is not more than S$5 million and the amount of debt funding being sought is not more than S$10 million.

b. Please elaborate on what the "potential sources of funding" refer to;

Company's Response

Potential sources of funding are investors, mezzanine capital providers, project finance providers, leasing companies, banks and other providers of debt.

c. Please explain what specific concerns are raised by these "potential sources of funding" about the Company's 50.1% stake in Prisma Tech and how an additional 7.09% would help alleviate their concerns;

Company's Response

Providers of equity capital have raised concerns about potential dilution, loss of control and that the Company is not optimally capturing the returns on their opportunity cost. On the other hand, providers of debt are concerned about potential dilution, loss of control, commitment and coverage ratios.

Prisma Tech is currently the only profit-generating business within the Group over the last 8 months.

The Company has considered acquiring a larger stake to alleviate the concerns but (i) does not have ready cash to acquire additional interest, (ii) the Company's current general mandate only allows the Company to issue up to 426 million new shares, and (iii) not all the shareholders of Prisma Tech are prepared to sell their shares for the Company's shares. Hence, while 57.19% is still not a large majority stake, it is better than 50.1% which constitutes a bare majority.

d. What would be the amount that the "potential sources of funding" is expected to provide and what would be their interest in Prisma Tech; and

Company's Response

The feedback from the market was based on preliminary discussions. The negative impact on investor sentiment due to the current COVID-19 pandemic has placed the Company in an even weaker negotiating position. The Company is currently revising its investment proposals before returning to the markets. The Company was in previous preliminary discussions for the amount of S$3 million to S$5 million in equity and to S$5 million to S$10 million in debt facilities, the quantum of which was to be decided once the contracts are secured.

e. Whether the valuation of the funding to be provided by the "potential sources of funding" will be based on the same valuation that the S$1.7 million payment the Company will be making for the additional 7.09% in Prisma Tech Company was calculated.

Company's Response

The Company is likely to seek to raise the required capital in stages. For one of these stages the Company is considering a placement. All things being equal, the Company expects the placement issue price per share to be at least the same price as the issue price per Consideration Share, or higher.

SGX-ST's Query 2

The Company acquired the initial 50.1% interest in Prisma Tech, which was incorporated on 3 October 2019, for $501. To-date, Prisma Tech had only completed one project valued at RMB 1,346,000 (~S$260,000), of which payment of only RMB 545,000 (~$100,000) has been collected. In addition, the Company had extended a loan of RMB 10,354,000 (~S$2,000,000) to fund the working capital of the client of Prisma Tech. The Company is now acquiring an additional 7.09% interest in Prisma Tech for a consideration of S$1.7 million (~RMB 8,600,000). No valuations will be undertaken even though the acquisition consideration of S$1.7 million amounts to ~46% of the Group's NAV of RMB 18.46 million as at 31 December 2019. Please provide a discussion on the following:

Company's Response

As disclosed in the Company's response to Query 4(a) in the 24 May 2020 Announcement, there was no collection from 17 March 2020 to the date of this announcement, as the management team of Prisma AI is currently under the nationwide lockdown and curfew imposed by the Indian Government to curb the impact of the COVID-19 pandemic. The Group has been in close communication with Prisma AI and

barring any other unforeseen circumstances, the Group anticipates another collection to be received when the lockdown is lifted by the Indian Government.

The Company would like to clarify that the payment of RMB545,000 was collected in Singapore dollars, amounting to S$110,000.

a. Explain how the valuation of Prisma Tech increased so significantly in a short span of 8 months from S$1,000 to $24 million between October 2019 and May 2020.

Company's Response

i. The valuation of Prisma Tech on incorporation as at 3 October 2019 was S$1,000 as it had no revenue, profits or assets save for the paid-up share capital of S$1,000 as at incorporation. The low initial base arose because there was no confirmation or visibility of any contract upon the formation of Prisma Tech.

ii. Within 8 months, Prisma Tech won 3 contracts, 1 of which has been completed. The Company made approximately S$192,000 (direct and attributable) from the completed project. The other 2 uncompleted contracts are expected to precipitate an aggregate management service revenue of S$580,000 for Prisma Tech.

iii. While COVID-19 has had a negative impact on the timing of new contracts, none of the parties whom Prisma Tech is engaged with have terminated negotiations and have instead, expressed interest in continuing with their orders, to be postponed to later dates. Given this, Prisma Tech's pipeline contracts are expected to be entered into in due course, and continue to grow.

iv. The valuations considered relevant by the Board are shown below. Based on the projected earnings of the JV, the price earnings ratio ("**PER**") multiple that the Sale Shares are being acquired at is significantly below these comparable published PER multiples of publicly listed companies.

Comparable P/E ratio of companies in similar industry:

	Company name	Stock Exchange	PE	Market capitalisation	Remarks
1)	PTC Inc.	Nasdaq-GS	215.45	US$8.076 billion	*a*
2)	Verint Systems Inc.	Nasdaq-GS	104.95	US$2.912 billion	*a*
3)	Akamai Technologies, Inc.	Nasdaq-GS	33.61	US$16.36 billion	*a*
4)	Napco Security Technologies, Inc.	Nasdaq-GS	26.9	US$404.71 million	*a*
5)	Hangzhou Hikvision Digital Technology Co., Ltd.	Shenzhen (SZSE)	22.41	RMB279.97 billion	*a*
	Software and programming industry (average PE)	*various	38.45	N/A	*b*

Sources

a *finance.yahoo.com*

b *https://csimarket.com/Industry/Industry_Valuation.php?ind=1011*

v. Accordingly, the net effect for the Company's shareholders' value is both significant and positive.

b. In accordance with PN10.1 paragraph 5.2, please disclose substantive factors that justifies the aggregate value of $1.7 million payable and elaborate on the basis for the Board's valuation in arriving at the consideration value of $1.7 million for the additional 7.09% interest to be acquired in Prisma Tech. The mere fact that the consideration was arrived at on a "willing buyer willing seller" basis is not a sufficient factor.

Company's Response

The substantive factors to justify the aggregate value of the Consideration were set out in the Company's responses to Queries 2(a) and 2(b) in the 24 May 2020 Announcement, and are compiled below for reference.

The substantive factors considered by the Company and the Vendors in arriving at the price include the contracts awarded to Prisma Tech since its incorporation (and the value of such contracts), the potential pipeline projects, the potential future earnings of Prisma Tech, as well as Prisma Tech's know-how in the artificial intelligence technology sector.

i. The contracts awarded to Prisma Tech since its incorporation (and the value of such contracts) and the potential pipeline projects

Since the incorporation of Prisma Tech, a total of three (3) management consulting service contracts secured by Prisma Tech have provided or are expected to provide an aggregate contract sum of approximately S$0.8 million. As set out in the Earlier Announcement, there are several pipeline projects that are currently being negotiated between Prisma Tech and potential customers which may crystallise in the near future.

The current pipeline projects of Prisma Tech comprise a revenue of more than $2.5 million, and Prisma Tech will continuously build up its customer base.

ii. The potential future earnings of Prisma Tech

The Proposed Acquisition would allow the Company to acquire additional interest in an existing subsidiary with significant long-term prospects in corporate advisory and management consultancy business in the artificial intelligence sector.

The Company made references to the PER of other companies which provide services in the artificial intelligence technology sector including software and programming industry, which are set out in the table in the Company's response to Query 2(a) above.

The valuation of Prisma Tech was derived by multiplying the projected net profit after tax ("**NPAT**") by PER. The projected NPAT used is based on pipeline projects on hand (which comprise a revenue of more than S$2.5 million for the next 12 months), and it is expected to increase over time as there are strong prospects for growth in the artificial intelligence industry. Given that Prisma Tech is a relatively new company in the market, for prudence, a substantially lower PER was used in arriving at the valuation, at more than a 70% discount to the software and programming industry average PER of 38.45.

Accordingly, the aggregate Consideration of $1,704,000 for the Proposed Acquisition of 7.092% additional interest in Prisma Tech was based on the valuation of approximately S$24 million.

The Company believes that the Consideration for the Sale Shares is at a significant discount to the industry average PER set out in the table in the Company's response to Query 2(a) above.

iii. Prisma Tech's know-how in the artificial intelligence technology sector

Notwithstanding that Prisma Tech was only incorporated on 3 October 2019, the business, leading-edge technology know-how and goodwill that Prisma AI Corporation Pte. Ltd. ("**Prisma AI**"), the joint venture partner of the Company in respect of Prisma Tech, has been able to provide, have been real and substantial. With the respective contributions of the Company and Prisma AI, Prisma Tech has established strong industry-specific know-how for its business of providing corporate and financial solutions, advisory services and management consulting services in the artificial intelligence technology sector globally.

c. Based on its fundamentals, please quantify the attributing factors taken into account for the valuation of Prisma Tech of $24 million (based on $1.7 million for a 7.09% stake).

Company's Response

As disclosed in the 24 May 2020 Announcement and the Company's response to Query 2(b) above, the valuation of Prisma Tech was derived by multiplying the projected NPAT by PER. The projected NPAT used is based on pipeline projects on hand (which comprise a revenue of more than S$2.5 million for the next 12 months), and it is expected to increase over time as there are strong prospects for growth in the artificial intelligence industry. Given that Prisma Tech is a relatively new company in the market, for prudence, a substantially lower PER was used in arriving at the valuation, at more than a 70% discount to the software and programming industry average PER of 38.45.

A comparative scenario analysis of the valuation of Prisma Tech is provided below:

i. Acquisition Value

Projected NPAT S$2.1 million X 11.4x PE (after more than 70% discount of average PER of 38.45x) = S$24 million

compared against

ii. Valuation at published average PER for industry peers

Projected NPAT S$2.1 million X 38.45x PE (at the software and programming industry average PER) = S$81 million

The analysis reasonably suggests that there is clear economic value creation for the shareholders of the Company in acquiring Prisma Tech at the valuation of S$24 million (based on S$1.7 million for a 7.09% stake).

SGX-ST's Query 3

In the Company's announcement on 3 October 2019, it was disclosed that "After the incorporation of the JVC, the JV Partner [referring to Prisma AI Corporation Pte Ltd] shall assign the management of its visual-based contracts for airport, metro railways, highways and infrastructure projects to the Company and, in compensation of the working capital incurred by Prisma and the loss of profit, the Company will pay S$4 million to the JV Partner". Please provide an update on this and whether the S$4 million had been paid to the JV Partner.

Company's Response

As set out in the Company's response to queries raised by the SGX-ST dated 17 March 2020 (the "**17 March 2020 Announcement**") under Query 3(b) therein, for the avoidance of any doubt, the S$4 million being referred to is an amount payable by Prisma Tech and Prisma Tech shall only pay S$4 million for the transfer or assignment of visual based contracts for airports, metro railways, highways and infrastructure projects (the "**Assignment**"), if and only if the value of the clients gained, the value of the track record achieved, the value of the know-how transferred and the profit and cashflow to be received under the contracts are commensurate with the payment.

As of the date of this announcement, the $4 million for the Assignment has not been paid to the JV Partner.

SGX-ST's Query 4

We refer to the Company's announcement on 27 April 2020 with regards to the management consulting service contracts signed by Prisma Tech with Trident Solutions FZE, namely the "Capverto Contract" for "Capverto's cryptocurrency payment gateway". Please disclose/elaborate on:

a. What is the specific area and scope of advice rendered to Capverto under the management consulting services provided by Prisma Tech;

Company's Response

As disclosed in the Company's response to Query 5(a) in the 24 May 2020 Announcement, the nature of the management services rendered includes strategic planning, corporate advisory, financial structuring and management consulting services. The specific area and scope of advice rendered and/or to be rendered by Prisma Tech includes advice and consulting services in connection with the software requirement specifications ("**SRS**"), system design and creation, creation of standard operating procedures ("**SOP**") and documentation as well as post deployment testing for the Capverto Contract.

b. Based on the total contract value of US$2.34 million awarded under the Capverto contract, please disclose how much of this contract is attributable to the management fee earned by Prisma Tech. Please disclose the payment schedule of the management fee;

Company's Response

A management fee of S$310,000 is to be earned by Prisma Tech from the Capverto Contract.

As disclosed in the Company's response to Query 5(c) in the 24 May 2020 Announcement, revenue from the management consulting services is recognised in the accounting period at a point in time upon services rendered. Prisma Tech expects the payment of the management fee within 45 days from the issuance of invoice (i.e. upon services rendered).

c. What are the respective roles of Prisma AI, Trident Solutions FZE and Pitney Bowes Inc and how do they respectively contribute in relation to the contract scope specified in the Capverto Contract; and

Company's Response

As set out in the Company's announcement on 27 April 2020, Prisma AI's role is visual recognition solutions provider, Pitney Bowes Inc's role is location intelligence solutions provider and Trident Solutions FZE's role is lead systems integrator.

d. Disclose when is the start date of the Prisma Tech contract with Trident Solutions FZE, the contract duration and the completion date. Why is completion of the contracts disclosed in Query 5(c) of the Company's response to SGX Queries announced on 24 May 2020 expected to be by the end of the third quarter of 2020 when the contract was announced to last a total of 48 weeks (26 weeks + 22 weeks) which amounts to one year from the contract date. Please reconcile the disclosures.

Company's Response

The works on the said Capverto project commenced in February 2020 but owing to the COVID-19 situation, the Capverto Contract was only duly entered into in end-April 2020. The completion date of the Capverto Contract is still expected to be the end of the third quarter of the financial year ending 31 December 2020 ("**FY2020**"), assuming that there are no change requests and/or variation orders.

As disclosed in the Company's announcement dated 27 April 2020, the Capverto project comprises of two phases spanning 26 weeks and 22 weeks respectively. The 2 phases are not mutually exclusive and both phases are progressing concurrently, hence the completion of both phases is expected to be at the end of third quarter of FY2020 and not 48 weeks from the contract date.

The Company would like to clarify that the 48 weeks (26 weeks + 22 weeks) mentioned for the 2 phases are billing-weeks and not calendar-weeks. Billing commences from the time that work commences on the project regardless of whether the formal contract has been signed, whereas the Company is only able to announce the contract when it has been duly executed by the relevant parties. In substance, the accounting treatment of the billing-weeks does not affect the completion of the project which is still expected to be by the end of the third quarter of FY2020.

SGX-ST's Query 5

We refer to the Company's announcement on 18 May 2020 with regards to the management consulting service contracts signed by Prisma Tech with an unnamed systems integrator, namely the "UAE Contract" "to help a logistics company based in the United Arab Emirates improve the tracking of its container trucks and other vehicles". Please disclose/elaborate on:

a. Please disclose the identities and details of the counterparty with whom the management agreement was entered into (i.e. the identity and details of the unnamed systems integrator) as well as the end customer (i.e. the logistics company) referred to in the Company's announcement;

Company's Response

The Company would like to clarify that the management agreement was entered into between Prisma Tech as a consultant and Prisma AI as the main contractor, and for the avoidance of doubt, Prisma AI is the systems integrator referred to in the Company's announcement on 18 May 2020. Due to confidentiality obligations, the Company is not able to disclose the identity and details of the end customer.

b. What is the specific area and scope of advice rendered to the customer under the management consulting services provided by Prisma Tech in relation to helping the logistic company improve the tracking of its container trucks and other vehicles;

Company's Response

As disclosed in the Company's response to Query 5(a) in the 24 May 2020 Announcement, the nature of the management services rendered includes strategic planning, corporate advisory, financial structuring and management consulting services. The specific area and scope of advice rendered/to be rendered by Prisma Tech includes advice and consulting services in connection with the SRS, system design and creation, creation of SOP and documentation as well as post deployment testing for the UAE Contract.

c. Based on the total contract value of US$1.44 million awarded under the UAE Contract, please disclose how much of this contract is attributable to the management fee earned by Prisma Tech. Please disclose the payment schedule of the management agreement;

Company's Response

A management fee of S$270,000 is to be earned by Prisma Tech from the UAE Contract.

As disclosed in the Company's response to Query 5(c) in the 24 May 2020 Announcement, revenue from the management consulting services is recognised in the accounting period at a point in time upon services rendered. Prisma Tech expects the payment of the management fee within 45 days from the issuance of invoice (i.e. upon services rendered).

d. What are the respective roles of Prisma AI, the unnamed systems integrator and Pitney Bowes Inc and how do they respectively contribute in relation to the contract scope specified in the UAE Contract; and

Company's Response

As set out in the Company's announcement on 27 April 2020, Prisma AI's role is visual recognition solutions provider and Pitney Bowes Inc's role is location intelligence solutions provider.

As set out in the Company's response to Query 5(a) above, Prisma AI is the systems integrator referred to in the Company's announcement on 18 May 2020.

e. Disclose when is the start date of the Prisma Tech contract with the unnamed systems integrator, the contract duration and the completion date. Why is completion of the contracts disclosed in Query 5(c) of the Company's response to SGX Queries announced on 24 May 2020 expected to

be by the end of the third quarter of 2020 when the contract was announced to last over a span of 30 weeks (i.e. 7.5 months) from the contract date. Please reconcile the disclosures.

Company's Response

As set out in the Company's response to Query 5(a) above, Prisma AI is the systems integrator referred to in the Company's announcement on 18 May 2020.

The works in connection with the UAE Contract commenced in February/March 2020 but owing to the COVID-19 situation, the UAE Contract was only duly entered into in mid-May 2020. The completion date of the UAE Contract is still expected to be at the end of the third quarter of FY2020, assuming that there are no change requests and/or variation orders.

The Company would like to clarify that that the 30 weeks (7.5 months) mentioned are billing-weeks and not calendar-weeks. Billing commences from the time that work commences on the project regardless of whether the formal contract has been signed, whereas the Company is only able to announce the contract when it has been duly executed by the relevant parties. In substance, the accounting treatment of the billing-weeks does not affect the completion of the project which is still expected to be by the end of the third quarter of FY2020.

SGX-ST's Query 6

It was announced on 3 October 2019 that pursuant to the Joint Venture agreement, the Company will hold 50.1% equity interest in Prisma Tech while Prisma AI will hold the remaining 49.9%. This was repeated in the Company's announcement on 18 May 2020. However, in the Company's announcement on 20 May 2020 on the Proposed Acquisition, it was stated that the Company will be acquiring a 7.09% interest from Tierra International Pte Ltd ("**Tierra**"), Lee Soek Shen ("**Mr Lee**") and Anurita Emmanuel ("**Ms Emmanuel**"). Please disclose when and for what price did Prisma AI sell its shareholding to Tierra, Mr Lee and Ms Emmanuel (collectively the "**Vendors**"). Please disclose why did the Company not purchase these shares directly from Prisma AI but instead purchase only from these Vendors. Please disclose if the Vendors, and the directors and shareholders of Tierra are associates of the Group, the Prisma AI group or each other.

Company's Response

As set out in paragraph 2.1 of the 24 May 2020 Announcement, on 13 May 2020, Prisma AI completed a distribution in specie, pursuant to which all the shares in Prisma Tech were distributed to the shareholders of Prisma AI. The dividend in specie at the amount of S$499 was paid out of the retained profits of Prisma AI to its shareholders.

The Company understands from Prisma AI that the distribution in specie was conducted as certain shareholders of Prisma AI wished to retain their effective shareholding interest in Prisma Tech. If the Company had purchased the Sale Shares directly from Prisma AI, the effective shareholding interest in Prisma Tech of each shareholder of Prisma AI would have been diluted.

None of the Vendors, and directors and shareholders of Tierra are associates of the Group.

To the best of the Company's knowledge, the Vendors are founding investors of Prisma AI. Based on the distribution in specie exercise, the Company understands that their legal shareholding interest in Prisma AI is proportionate (as nearly as it may be) to their aggregate legal shareholding interest of 12.38% in Prisma Tech.

The Company is not aware if the Vendors, and the directors and shareholders of Tierra are associates of the Prisma AI group or each other.

SGX-ST's Query 7

It was previously disclosed that "after the incorporation of the JVC (Prisma Tech), the JV Partner (Prisma AI) shall assign the management of its visual-based contracts for airport, metro railways, highways and infrastructure projects to the Company". Prisma AI has a "proprietary software that incorporates visual

recognition, image search, machine learning, video analysis and remote sensing capabilities" Please disclose:

a. Details of and the patent owner;
b. The patent number of the proprietary software and details of the type of patent (e.g. is it a utility patent and the type of proprietary knowledge filed) constituted;
c. The start date and expiry date of the patent; and
d. Whether Prisma Tech has been extended any rights to use this patent.

Company's Response

Prisma Tech only provides corporate and financial solutions, advisory services and management consulting services under the relevant contracts, and does not use such proprietary software, which is owned by Prisma AI. The visual recognition solutions for projects are directly provided by Prisma AI to customers. The Company is not in a position to disclose any further details on the proprietary software as the Company and Prisma Tech are not the proprietors of the software.

SGX-ST's Query 8

In Query 3 and 4(b) of the Company's response SGX Queries announced on 24 May 2020, we note that the Company disclosed that it viewed the initial acquisition of shares in Prisma Tech, the Proposed Acquisition, as well as the short term advance to Prisma AI as part of the ordinary course of business. In relation to the provision of financial assistance, we noted in the Company's response to SGX Queries on 10 March 2020 that "the purpose of the advance was to provide the working capital of the contract that Prisma Tech managed for Prisma AI". However, the Group is not in the business of providing financial assistance for any purpose. In addition, it was disclosed on 3 October 2019 that "in compensation of the working capital incurred by Prisma and the loss of profit, the Company will pay S$4 million to the JV Partner". In relation to the Proposed Acquisition, as the Company is in the business of providing consultancy services and is not in the business of acquisitions of companies and providing financial assistance for working capital, notwithstanding that such companies may be doing business under the same principal business segment of the Company, the acquisitions and provision of financial assistance are not in the ordinary course of business of the Group. Accordingly, we are of the view that Chapter 10 listing rules will apply to the acquisition and the provision of financial assistance in relation to the acquisitions of Prisma Tech.

Pursuant to Listing Rule 1005, the Exchange may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction. Based on the advance made of RMB 10,354,000 (~S$2 million), the compensation of S$4 million payable to Prisma AI and the consideration of S$1.7 million payable by way of the issuance of 20% of the Company's shares for the acquisition of an additional 7.09% of Prisma Tech, the relative figure computed under Listing Rule 1006(c), read in conjunction with Listing Rule 1003(3), 1003(4)(b) and PN10.1 paragraph 3.2(b)(i)&(ii), would exceed 100% and would be deemed a VSA transaction under Listing Rule 1015 which will require SGX's and shareholders' approval. Please comply with Listing Rule 1015 including promptly disclosing the information required under Listing Rule 1010, 1011, 1012, and 1013 where applicable as well as the latest proforma financial information of Prisma Tech.

Company's Response

The Company is of the view that the 4 transactions should be regarded as in, or in connection with, the ordinary course of the Group's Existing Business, and are not subject to the requirements under Chapter 10. Please refer to the Company's view in respect of each transaction below.

Advance of RMB 10.4 million

Whilst the Company is not primarily in the business of providing financial assistance for working capital, the Company had extended the amount of RMB 10.4 million as a shareholder's advance to Prisma Tech to fund its working capital needs, in connection with the working capital and business needs of Prisma Tech for the contracts it manages for Prisma AI. As set out in the 17 March 2020 Announcement in response to Query 1(c) therein, in the construction industry, it is customary for subcontractors to fund their part of the working capital. This is particularly true if the project is significant and/or Government-related, and Prisma Tech is essentially a subcontractor and the ability to provide working capital is a competitive advantage the Company needed to lever off. As such, it is the Company's view that the

advance of RMB 10.4 million should be regarded as in, or in connection with, the ordinary course of the Group's Existing Business.

Compensation of S$4 million payable to Prisma AI

As set out in the Company's response to Query 3 above, for the avoidance of any doubt, the S$4 million being referred to is an amount payable by Prisma Tech and Prisma Tech shall pay S$4 million for the Assignment.

Pursuant to Practice Note 10.1 of the Listing Rules, an acquisition that is regarded to be in, or in connection with, the ordinary course of an issuer's business, is not subject to the requirements under Chapter 10 and an acquisition can be regarded to be in, or in connection with, the ordinary course of an issuer's business, if (a) the asset to be acquired is part of the issuer's existing principal business; and (b) the acquisition does not change the issuer's risk profile.

Pursuant to paragraph 2.4 of Practice Note 10.1, an asset is part of the issuer's existing principal business if the acquisition of the asset is required to be reported under the applicable accounting standards within a specific reportable operating segment (excluding any miscellaneous "any other segment" category) that (a) contributes more than 20% of the issuer's net profits or total assets; and (b) has been reported in the issuer's latest audited financial statements.

The Company confirms that the Assignment is required to be reported within the "corporate advisory segment", which (a) contributes more than 20% of the Company's net profits or total assets; and (b) has been reported in the Company's latest audited financial statements.

The Company also confirms that none of the indications set out in paragraphs 2.5(a) to (e) of Practice Note 10.1 in respect of a change in the risk profile of an issuer are applicable in respect of the Assignment, and the Company is of the view that there are no other indications that the Assignment changed or would change the risk profile of the Company.

In this regard and pursuant to Practice Note 10.1 of the Listing Rules (notwithstanding that the arrangement was entered into prior to the amendments to Practice Note 10.1 on 7 February 2020), the Assignment is in, or in connection with, the ordinary course of the Group's Existing Business and the Company takes the view that the transaction is not subject to the requirements under Chapter 10.

Initial acquisition of shares in Prisma Tech on 3 October 2019, and the Proposed Acquisition

The Company refers to its response to Query 3 in the 24 May 2020 Announcement.

In determining whether the initial acquisition of shares in Prisma Tech on 3 October 2019 and the Proposed Acquisition are acquisitions that are regarded to be in, or in connection with, the ordinary course of the Company's business, the Company applied Practice Note 10.1 of the Listing Rules, which sets out that an acquisition can be regarded to be in, or in connection with, the ordinary course of an issuer's business, if (a) the asset to be acquired is part of the issuer's existing principal business; and (b) the acquisition does not change the issuer's risk profile.

Pursuant to paragraph 2.4 of Practice Note 10.1, an asset is part of the issuer's existing principal business if the acquisition of the asset is required to be reported under the applicable accounting standards within a specific reportable operating segment (excluding any miscellaneous "any other segment" category) that (a) contributes more than 20% of the issuer's net profits or total assets; and (b) has been reported in the issuer's latest audited financial statements.

The Company had, in its response to Query 3 in the 24 May 2020 Announcement, confirmed that both the initial acquisition of shares in Prisma Tech on 3 October 2019 and the acquisition of the Sale Shares is required to be reported within the "corporate advisory segment", which (a) contributes more than 20% of the Company's net profits or total assets; and (b) has been reported in the Company's latest audited financial statements.

The Company had, in its response to Query 3 in the 24 May 2020 Announcement, also confirmed that none of the indications set out in paragraphs 2.5(a) to (e) of Practice Note 10.1 in respect of a change in the risk profile of an issuer are applicable in respect of both the initial acquisition of shares in Prisma Tech on 3 October 2019 and the Proposed Acquisition, and the Company is of the view that there are no other

indications that either the initial acquisition of shares in Prisma Tech on 3 October 2019 or the Proposed Acquisition changed or would change the risk profile of the Company.

In this regard, both the initial acquisition of shares in Prisma Tech on 3 October 2019 and the Proposed Acquisition are in, or in connection with, the ordinary course of the Group's Existing Business and the Company takes the view that the 2 transactions are not subject to the requirements under Chapter 10.

BY ORDER OF THE BOARD
Peng Weile
Executive Director
4 June 2020