

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 Company’s earlier announcements in relation to the condensed interim financial statements for the six months and full year ended 31 December 2021 and the Group’s change in functional and presentation currency, dated 28 February 2022 and 8 March 2022 (the “**Earlier Announcements**”).

Unless otherwise defined, all capitalized terms herein shall have the meaning ascribed to them in the Earlier Announcements.

The Board would like to respond to the queries raised by the SGX-ST via RegCo Portal on 17 March 2022 as follows:

SGX-ST’S QUERIES:-

Query 1

We refer to the Company's response to SGX queries on 8 March 2022 regarding its full year financial results for the year ended 31 December 2021. In the Company's response to Query 1(a), we note that the Company had provided consulting services for capital market and fund raising to a manufacturing company in Singapore. Noting that the Group has not provided corporate advisory services to customers in Singapore before, please disclose how the Group was introduced to the manufacturing company in Singapore to provide consulting services for capital market and fund raising. Are any of the Group's previous or current directors, key management personnel, substantial shareholders or their associates involved with this manufacturing company in Singapore?

Company’s Response:

The manufacturing company in Singapore was referred to the Group by one of the Company’s director. The director made the referral as he learnt from the manufacturing company that it was seeking to expand through potential collaboration with China and Hong Kong’s listed companies, and through investments by strategic investors. None of the Company's previous or current directors, key management personnel, substantial shareholders or their associates have any interest in this manufacturing company. The director has also confirmed that he received no fees or other benefits from the manufacturing company arising from the referral.

Query 2

In the Company's response to Query 2(a), we note that the recharge income of \$16,000 in 2H 2021 was recharged to Le Rong.

a) Please clarify where and when the corresponding expense of \$16,000 was recorded in the Group's financial statements. To disclose whether this amount of income of S\$16,000 had been collected from Le Rong, which is already insolvent.

b) Provide a breakdown of the consultancy charges for the periods ending 2H 2021, 1H 2021, 2H 2020 & 1H 2020 and include the nature of the consultancy charges for each period. Elaborate on the reasons why no such consultancy charges were incurred in 2H 2021.

Company's Response:

a) The corresponding expense was recorded as consultancy expense in 1H2021 of the Group's financial statements. As announced on 8 March 2022, the Group has not collected the amount from Le Rong.

Management has formed the view that the costs incurred by the Group in engaging the Chinese law firm to advise on the process and costs involved in recovering accounts receivables from the end customers of Le Rong was incurred for Le Rong. Hence, such expense was charged to Le Rong. In additions, the Chinese law firm has been instructed to refer any asset management companies that may wish to acquire the accounts receivable from Le Rong at certain discount. If successful, , Le Rong would be in a financial position to pay for the expense of S\$16,000.

b) The breakdown of consultancy charges is as follow:

Period	S\$'000	Nature
2H 2021 – recharge expense	(16)	This relates to the legal advisory fees recharge paid by Tianjin WFOE in relation to exploring possible cost-efficient ways for debt recovery from the end customers of Le Rong.
1H 2021	74	To provide both legal advise to Tianjin WFOE's current business and to explore possible cost-efficient ways for debt recovery from end customers of Le Rong.
2H 2020	83	Costs incurred for certain corporate advisory projects where service provider were engaged by the Group to assist in completion of the consultancy deliverables to customers.
1H 2020	46	Costs incurred for certain corporate advisory projects where service provider were engaged by the Group to assist in completion of the consultancy deliverables to customers.

We have incurred the costs in hiring the service provider to assist in completion of the consultancy deliverable to customers in prior years. Through the engagement, we have gained the relevant knowledge/ experiences. Subsequently, the corporate advisory services were provided by the project team which led by Mr. Leo Peng and his team. Thus, no consultancy charges were incurred in FY2021.

Query 3

In the Company's response to Query 3, we note that the employee compensation has decreased by 68% from \$268k to S\$87k in 2H 2021 despite the number of headcount decreasing by only 1 in FIL and 1 in Tianjin Forise Corporation Management Consultancy Limited. Please clarify who were the

terminated headcounts and when were they terminated such that there was a decline of \$181k for the 6 month period in 2H 2021 compared to 2H 2020.

Company's Response:

Cheong Yee Yang (Group Financial Controller) and Patricia Chow (Account Executive) resigned on 16 July 2021. The decrease was mainly due to the cost saving effort by the Group in order to tide through the challenging period, including weaker economy due to the on-going COVID-19 pandemic. The cost saving effort included reduction of the executive director's salary (with such reduced salary continuing in 1H 2022), reduction of the management team's salary in Tianjin Forise Corporation Management Consultancy Limited (with such reduced salary continuing in 1H2 2022) and reducing headcounts in both FIL and Tianjin Forise. In addition, the aforesaid employee compensation decrease was also due to the resignation of a CFO who joined in 2H2020 for 3 months, with a salary for the period of S\$45,000.

For clarification, while the cost saving plan was discussed in early FY2021, the cost savings were implemented only in 2H 2021. This was because the management team was not certain as to the remaining duration of the Covid 19 pandemic, and wanted to monitor the market conditions and pandemic situation. When management observed the increase in the Delta variant of the pandemic, and that relaxation of pandemic measures in Singapore and other countries in 2021 was not likely, the management decided to implement the cost cutting measures.

Query 4

In the Company's response to Query 4, we note a receivables of S\$140k that has been outstanding for more than 90 days as at 8 March 2022. Disclose exactly how long has this receivable has been outstanding and the identity of the debtor.

Company's Response:

The receivables of S\$140k was only due from related party – Prisma AI Corporation Pte Ltd. Out of which, S\$41k has been outstanding for a year. While the balance of S\$99k, was outstanding for 198 days.

Query 5

We further note that the Company has received \$1.5 million in regards to its advance to a related party and also received \$251,150 from trade receivables as at 8 March 2022.

- a) Please clarify who this related party is.
- b) Disclose the breakdown of the remaining balance of advances as well as trade receivables due from this related party along with the aging of these receivables.
- c) Clarify the periods in which the repayments of the \$1.5 million advance to a related party occurred, the source of funds for these repayments, and the reason why the related party was suddenly able to repay its long outstanding debts owed to the Group.

Company's Response:

- a) The related party refers to Prisma AI Corporation Pte Ltd.
- b) As announced on 6 December 2021, the Group has received full repayment of the advance from the relayed party.

The ageing of the trade receivables due from this related party is as follows:

	08.03.22
Ageing category	S\$'000
1 to 30 days	95
31 to 60 days	694
61 to 90 days	289
>90 days	140
Total	1,218

- c) The payment was received in various tranches over a period of time since November 2020. As stated in the Circular dated 21 July 2021 in relation to the proposed ratification of the provision of S\$2 million to Prisma AI Corporation Pte Ltd, the related party has indicated its commitment to repay the advance before the end of FY2021, and the Group has closely monitored the related party to manage the repayment schedule. The related party has used its money derived from operating activities to repay the advance to the Group.