ISR CAPITAL LIMITED

(Company Registration No. 200104762G)
(Incorporated in the Republic of Singapore)

ENTRY INTO AN INVESTMENT AND SHAREHOLDERS' AGREEMENT IN RELATION TO STRAITS HI-REL PTE LTD

1. INTRODUCTION

The Board of Directors ("**Directors**" or "**Board**") of ISR Capital Limited ("**Company**", and together with its subsidiaries, "**Group**") refers to the Company's announcements dated 11 July 2017 and 16 July 2017 (the "**Prior Announcements**") in relation to a proposed investment by the Company in Straits Hi-Rel Pte. Ltd. ("**SHR**"). Unless otherwise defined herein, all capitalised terms used herein shall bear the meanings ascribed to them in the Prior Announcements.

Further to the Prior Announcements, the Board wishes to announce that Infiniti Advantage Pte. Ltd. ("**Infiniti**"), a wholly-owned subsidiary of the Company, had on 17 September 2017, entered into an Investment and Shareholders Agreement ("**Agreement**") with John Dean Ritchie ("**JDR**"), Yeo Soon Lye ("**YSL**" and collective with JDR, the "**Original Shareholders**") and SHR in relation to an investment by Infiniti of up to S$2.68 million in SHR in four (4) stages by subscribing for 16,667 shares in SHR (the "**Subscription Shares**"), representing an equity stake of 25% in SHR on an enlarged basis ("**Investment**").

The Investment is a discloseable transaction under Chapter 10 of the Listing Manual. Shareholders are advised to refer to section 6 below for the figures under Rule 1006 of the Listing Manual.

2. INFORMATION ON SHR AND THE ORIGINAL SHAREHOLDERS

SHR is a private company limited by shares incorporated in Singapore on 9 June 2017. The Board understands that SHR was set up to be a unique provider of high reliability ("**Hi-Rel**") engineering services and will be structured as a Hi-Rel Technology Centre to be based in Singapore, where the focus will be on speciality testing and back-end manufacturing for Hi-Rel integrated chips and electronic modules targeted for end applications in the automotive, energy (oil and gas) and industrial sectors. As at the date of this Announcement, SHR has yet to commence any operations with regards to the Hi-Rel Technology Centre. JDR and YSL are the current directors and shareholders of SHR.

3. PRINCIPAL TERMS OF THE AGREEMENT

3.1 THE INVESTMENT

Subject to the fulfilment of certain conditions under the Agreement, Infiniti shall apply for the issue and allotment of the Subscription Shares in four (4) stages as stated below, at a subscription price of S$160.80 per Subscription Share:

	Stage 1	**Stage 2**	**Stage 3**	**Stage 4**
Proposed Date(s) of Investment, subject to conditions in the Agreement	25 September 2017	19 October 2017	20 November 2017	18 December 2017
Amount of Investment provided by Infiniti (S$)	134,000	536,000	1,340,000	670,000
Number of Shares to be issued by SHR	833	3,333	8,334	4,167

As at the date of this announcement, no formal or third party valuation of SHR has been commissioned given that SHR has yet to commence any operations or business. However, the Company has commissioned Skeel Advisors Pte. Ltd ("**Skeel**") to conduct business due diligence on SHR, including analysing the financial and profitability of the Hi-Rel Technology Centre, reviewing the proposed business operations, customers acquisition and capital expenditure execution, and identifying critical areas of potential weaknesses and investment failures.

The aggregate subscription price by Infiniti of S$2.68 million for the Investment was arrived at, on a willing-buyer willing-seller basis, after negotiations which were conducted at arms' length between the parties, and takes into account, *inter alia*, the viability and growth potential of SHR in the Hi-Rel industry.

3.2 THE CONDITIONS

Each of the four (4) stages of the Investment is subject to certain conditions as set out below:

Stage 1

The completion of stage 1 of the Investment is subject to the satisfaction or waiver by Infiniti of certain conditions, including the following:

(a) that the Agreement is duly executed by the parties and all terms and conditions stated therein continue to remain in full force and effect, and no party is in breach of any of their representations, warranties, obligations or undertakings under the Agreement;

(b) that Infiniti and/or its nominee performing and completing investment analyses and due diligence procedures on SHR and its subsidiaries (if applicable), and such results of analysis and due diligence being satisfactory to Infiniti and/or its nominee;

(c) that all consents and approvals for the Agreement and the transactions contemplated therein, including without limitation, the respective board of directors and/or shareholders of each party (where necessary) have been obtained; and

(d) that the Business Plan is delivered to Infiniti.

Stages 2, 3 and 4

The completion of each of stage 2, 3 and 4 of the Investment is subject to the satisfaction or waiver by Infiniti of certain conditions, including the following:

(a) that all the terms and conditions stated therein continue to remain in full force and effect, and no party is in breach of any of their representations, warranties, obligations or undertakings under the Agreement;

(b) that all relevant permits, consents, licences, approvals and authorisations necessary for SHR and its business as at the completion dates of stage 2, 3 and 4 of the Investment (as the case may be) have been obtained;

(c) that, in relation to the completion of stage 2, SHR securing a pipeline of projects of not less than US$200,000 requiring Hi-Rel engineering / testing services to SHR;

(d) that, in relation to the completion of stage 3, SHR securing an additional pipeline of projects of not less than US$800,000 requiring Hi-Rel engineering / testing services to SHR; and

(e) that there being no material adverse change in the status, prospects, operations or financial condition of SHR and/or the parties occurring on or immediately before each of the completion dates of stage 2, 3 and 4 (as the case may be), and no governmental or court act, decree or order is made which in each party's reasonable view may materially hinder the business of SHR and/or the performance by any of the parties of their obligations or undertakings under the Agreement or the transactions contemplated hereunder

3.3 DIRECTORS OF SHR

Pursuant to the Agreement:

(i) the Original Shareholder and the Company shall procure the appointment of two (2) directors nominated by Infiniti to the board of SHR on the date of completion of stage 1 of the Investment; and

(ii) unless otherwise unanimously agreed upon by the shareholders of SHR in writing, for a period of at least three (3) years from the date of the Agreement until the financial year end of SHR after the three-year period (the "**Minimum Term**"), and/or for so long as Infiniti holds any issued and paid-up share capital of SHR, Infiniti shall appoint at least half of directors of the board of SHR and the post of chairman of the board of SHR (the "**Chairman**") shall be held by a director nominated by Infiniti ("**Infiniti Director**"). Any subsequent changes to the identity of the Chairman, who shall be an Infiniti Director, shall be subject to the approval of the Original Shareholders.

3.4 TERMINATION

Unless terminated earlier pursuant to the Agreement, subsequent to fulfilment of the Minimum Term, and further subject to any further extensions to be unanimously agreed by all the shareholders of SHR or as required under any relevant laws and/or regulations, the Agreement shall terminate upon the written consent of all of the shareholders and/or directors of SHR on or after the date of the audited accounts of SHR which reflect an accumulated profit before tax of at least US$5 million within the first three (3) years from the date of the Agreement, and further subject to the audited accounts having been signed off by the Auditors.

For the avoidance of doubt, the termination of the Agreement pursuant to the above paragraph shall only occur if: (a) the audited accounts of SHR reflect an accumulated profit before tax of at least US$5 million from the date of the Agreement to the third-year anniversary of the Agreement; and (b) the Agreement has been in effect for at least the Minimum Term.

4. SOURCE OF FUNDS

The Investment will be funded using proceeds raised from the issuance of convertible redeemable bonds.

5. RATIONALE FOR THE TRANSACTION

The Board believes that the Investment will allow the Company to expand into the Hi-Rel engineering services business. The Board believes that the management of SHR is highly experienced in the Hi-Rel industry and the Company may be able to tap on their experience and strong relationships with potential customers to generate revenues for SHR, which will benefit the Company and its shareholders.

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the Investment computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figure
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable as the Investment is an acquisition

Rule 1006	Bases	Relative Figure
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profit	SHR is expected to incur a net loss of US$139,000[1] (which is equivalent to approximately S$189,000 in its first year of operations, which accounts for approximately 2.3% of the Group's audited net loss of S$8.28 million for FY2016
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	19.30% based on the Investment of S$2,680,000 compared with a market capitalisation of S$13,885,496 as at 15 September 2017
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such asset	Not applicable

As the relative figure under Rule 1006(c) of Chapter 10 of the Listing Manual exceeds 5% but does not exceed 20%, the Investment constitutes a "Discloseable Transaction" as defined under Rule 1010 and the Company is required to make an immediate announcement on the Investment.

7. DISCLOSURE UNDER RULE 1010(13) OF THE LISTING MANUAL

The financial effects of the Investment set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Company following completion of the Investment.

The financial effects of the Investment on (i) the consolidated net tangible assets attributable to Shareholders ("**NTA**") for each ordinary share of the Company ("**Share**"); and (ii) the consolidated earnings for each Share attributable to shareholders ("**EPS**") of the Company were prepared based on the audited consolidated financial statements of the Company for FY2016 and subject to the following assumptions:

(a) the financial effects of the Investment on the consolidated NTA per Share were computed assuming that the Investment was effected on 31 December 2016;

(b) the financial effects of the Investment on the consolidated EPS of the Company were computed assuming the Investment was effected on 1 January 2016;

[1] Based on the Analysis Report on SHR issued by Skeel Advisors Pte. Ltd. dated 8 August 2017

(c) the expenses in connection with the Investment have been disregarded;

(d) no earnings/profits generated as SHR has not commenced operations; and

(e) any convertible redeemable bonds issued would not yet be converted into shares of the Company as at 31 December 2016.

7.1 NET LOSS ATTRIBUTABLE TO THE INVESTMENT

Based on the Report, the net loss attributable to the Investment in the first year of operations is estimated to be US$139,000 (approximately S$189,000), the net profits in the second and third year of operations are estimated to be US$1,059,000 (approximately S$1,439,000) and US$6,205,000 (approximately S$8,429,000) respectively.

7.2 FINANCIAL EFFECTS ON THE NET TANGIBLE ASSETS

On the assumption that the transaction had been effected at the end of FY2016, there is no significant effect expected on the net tangible assets per share of the Company as at 31 December 2016 as the Investment is funded by existing cash and/or cash proceeds from the issuance of convertible redeemable bonds (which would not yet be converted into shares of the Company as at 31 December 2016) and SHR has not commenced operations.

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Consolidated NTA as at 31 December 2016 (S$'000)	4,631	4,631
Number of Shares as at 31 December 2016 ('000)	1,564,249	1,564,249
Consolidated NTA per Share as at 31 December 2016 (cents)	0.30	0.30

7.3 FINANCIAL EFFECTS ON EARNINGS PER SHARE

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Consolidated net earnings attributable to Shareholders for FY2016 (S$'000)	(8,277)	(8,465)
Weighted average number of Shares for FY2016 ('000)	1,148,340	1,148,340
Consolidated EPS for FY2016 (cents)	(0.72)	(0.74)

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

To the best information, belief and knowledge of the Company and its Directors, no controlling shareholder of the Company has any interest, direct or indirect, in the Investment. However, as previously announced in the Prior Announcements, the Company would like to inform shareholders that Mr Lee Ka Shao, our independent director, is a director and shareholder of Skeel Advisors Pte. Ltd. Accordingly, Mr Lee Ka Shao has abstained from voting on this Investment.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Investment, the Group and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Agreement will be made available for inspection during normal business hours at the registered office of the Company for a period of 3 months commencing from the date of this announcement.

BY ORDER OF THE BOARD

Chen Tong
Executive Chairman

18 September 2017