ISR CAPITAL LIMITED
(Registration No: 200104762G)

UNAUDITED HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2017

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

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

	Group		
	6 Months ended 30/06/2017	6 Months ended 30/06/2016	Inc/ (Dec)
	S$	S$	%
Revenue	**-**	182,222	(100.0)
Other losses, net	**(10,109)**	(131,060)	(92.3)
Other income	**4,162**	127,402	(96.7)
Employee benefits expense	**(425,138)**	(741,380)	(42.7)
Depreciation	**(26,364)**	(45,724)	(42.3)
Other operating expenses	**(480,832)**	(478,913)	0.4
Finance costs	**(2,181)**	(2,713)	(19.6)
Loss before tax	**(940,462)**	(1,090,166)	(13.7)
Income tax credit/(expense)	**-**	-	N.M
Loss for the period	**(940,462)**	(1,090,166)	(13.7)
Other comprehensive income, net of tax:			
Currency translation differences:			
Arising from consolidation	**-**	-	N.M
Other comprehensive income for the period, net of tax	**-**	-	N.M
Total comprehensive income for the period	**(940,462)**	(1,090,166)	(13.7)
Loss attributable to:			
Owners of the Company	**(940,462)**	(1,090,166)	(13.7)
Total comprehensive income attributable to:			
Owners of the Company	**(940,462)**	(1,090,166)	(13.7)

N.M.: Not Meaningful

Notes to the Consolidated Income Statement

Loss, net of tax is arrived after (charging)/crediting the following items:

	Group		
	6 months ended 30/06/2017	6 months ended 30/06/2016	Inc/ (Dec)
	S$	S$	%
Interest income on debt securities and bank deposits	**475**	182,230	(99.7)
Loss on disposal of financial assets, available-for-sale	**-**	(16,400)	(100.0)
Rental and operating leases	**(48,461)**	(200,464)	(75.8)
Share awards expense	**-**	(210,805)	(100.0)
Interest expense	**(2,181)**	(2,713)	(19.6)
Impairment loss on other receivables	**-**	(4,144)	(100.0)
Impairment loss on financial assets, available-for-sale	**(10,109)**	(114,660)	(91.2)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
	S$	S$	S$	S$
ASSETS				
Current assets				
Cash and cash equivalents	**2,664,821**	1,223,132	**2,663,731**	1,212,398
Trade receivables	**-**	-	**-**	-
Other receivables	**41,532**	185,686	**41,532**	185,686
Amounts due from subsidiaries	**-**	-	**4,296,980**	3,670,285
Financial assets, available-for-sale	**20,219**	30,327	**-**	-
Debt securities	**3,860,380**	3,467,535	**-**	-
Other current assets	**25,481**	38,823	**24,868**	36,030
	6,612,433	4,945,503	**7,027,111**	5,104,399
Non-current assets				
Investments in subsidiaries	**-**	-	**7**	7
Property, plant and equipment	**215,465**	239,079	**200,966**	221,579
	215,465	239,079	**200,973**	221,586
Total assets	**6,827,898**	5,184,582	**7,228,084**	5,325,985
LIABILITIES				
Current liabilities				
Other payables	**226,522**	441,351	**184,597**	409,705
Finance lease liabilities	**29,085**	41,408	**22,835**	26,825
	255,607	482,759	**207,432**	436,530
Non-current liabilities				
Finance lease liabilities	**-**	9,255	**-**	9,255
Convertible redeemable bonds	**48,940**	47,168	**48,940**	47,168
Deferred income tax liabilities	**13,912**	13,912	**2,954**	2,954
	62,852	70,335	**51,894**	59,377
Total liabilities	**318,459**	553,094	**259,326**	495,907
NET ASSETS	**6,509,439**	4,631,488	**6,968,758**	4,830,078
EQUITY				
Share capital	**34,896,449**	32,074,968	**34,896,449**	32,074,968
Capital reserves	**185,067**	188,135	**185,067**	188,135
Currency translation reserve	**406**	406	**-**	-
Accumulated losses	**(28,572,483)**	(27,632,021)	**(28,112,758)**	(27,433,025)
Total equity attributable to owners of the Company	**6,509,439**	4,631,488	**6,968,758**	4,830,078

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

The Group has finance lease liabilities and convertible redeemable bonds amounting to S$29,085 and S$48,940 respectively as at 30 June 2017.

	Group		Group	
	30/06/2017		31/12/2016	
Finance lease liabilities	**Secured S$**	**Unsecured S$**	**Secured S$**	**Unsecured S$**
Amount repayable in one year or less	29,085	-	41,408	-
Amount repayable after one year	-	-	9,255	-
	29,085	-	50,663	-
Convertible redeemable bonds				
Amount repayable after one year	-	48,940	-	47,168

Details of any collateral

The Group's finance lease liabilities are secured by the motor vehicle and photocopiers.

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

	Group	
	6 months ended 30/06/2017	6 months ended 30/06/2016
	S$	S$
Cash flows from operating activities		
Net loss for the period	**(940,462)**	(1,090,166)
Adjustments for:		
Depreciation	**26,364**	45,724
Hire purchase interest expense	**1,571**	2,229
Convertible redeemable bond interest	**609**	484
Loss on disposal of financial assets, available-for-sale	**-**	16,400
Interest income	**(474)**	(182,230)
Impairment loss on other receivables	**-**	4,144
Impairment loss on financial assets, available-for-sale (Note A)	**10,109**	114,660
Employee share award expense	**-**	210,805
Operating cash flows before working capital changes	**(902,283)**	(877,950)
Changes in working capital:		
Trade and other receivables and other current assets	**157,497**	417,970
Other payables	**(215,062)**	(133,893)
Cash used in operating activities	**(959,848)**	(593,873)
Interest received	**474**	130,009
Net cash used in operating activities	**(959,374)**	(463,864)
Cash flows from investing activities		
Debt securities granted	**(392,845)**	(1,250,000)
Proceeds from disposal of financial assets, available-for-sale	**-**	98,401
Purchase of property, plant and equipment	**(2,750)**	-
Net cash used in investing activities	**(395,595)**	(1,151,599)
Cash flows from financing activities		
Hire purchase interest paid	**(1,571)**	(2,229)
Proceeds from issuance of convertible redeemable bonds	**2,850,000**	1,900,000
Share issue expense	**(30,193)**	-
Repayment of finance lease liabilities	**(21,578)**	(20,921)
Net cash flows provided by financing activities	**2,796,658**	1,876,850
Net increase in cash and cash equivalents	**1,441,689**	261,387
Cash and cash equivalents at beginning of financial period	**1,223,132**	20,589
Cash and cash equivalents at end of financial period	**2,664,821**	281,976
List of significant non-cash transactions:		
Conversion of convertible redeemable bonds to ordinary shares (Note B)	2,851,674	3,853,484

Note A:
During the period ended 30 June 2016, the Group received 25,509,030 new ordinary shares issued by a sub-tenant that is publicly quoted on SGX with a fair market value of S$259,788 as settlement of rent and charges outstanding from the sub-tenant.

Note B:
During the period ended 30 June 2017, the convertible redeemable bonds issued by the Company (with face value totaling S$3,000,000) were converted into 750,000,000 ordinary shares with a present value of S$2,851,674.

1(d)(i) A statement (for the issuer and 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 year.

Group	Share capital	Capital reserve and other reserves	Accumulated losses	Total equity
	S$	S$	S$	S$
Balance at 1 January 2017	**32,074,968**	**188,541**	**(27,632,021)**	**4,631,488**
Issuance of new ordinary shares	**2,851,674**	**-**	**-**	**2,851,674**
Share issue expense	**(30,193)**	**-**	**-**	**(30,193)**
Convertible redeemable bonds - equity component	**-**	**(3,068)**	**-**	**(3,068)**
Total comprehensive income	**-**	**-**	**(940,462)**	**(940,462)**
Balance at 30 June 2017	**34,896,449**	**185,473**	**(28,572,483)**	**6,509,439**
Balance at 1 January 2016	22,227,388	134,537	(19,355,144)	3,006,781
Issuance of new ordinary shares	4,064,289	-	-	4,064,289
Convertible redeemable bonds - equity component	-	54,004	-	54,004
Total comprehensive income	-	-	(1,090,166)	(1,090,166)
Balance at 30 June 2016	26,291,677	188,541	(20,445,310)	6,034,908

Company	Share capital	Capital reserve	Accumulated losses	Total equity
	S$	S$	S$	S$
Balance at 1 January 2017	**32,074,968**	**188,135**	**(27,433,025)**	**4,830,078**
Issuance of new ordinary shares	**2,851,674**	**-**	**-**	**2,851,674**
Share issue expense	**(30,193)**	**-**	**-**	**(30,193)**
Convertible redeemable bonds - equity component	**-**	**(3,068)**	**-**	**(3,068)**
Total comprehensive income	**-**	**-**	**(679,733)**	**(679,733)**
Balance at 30 June 2017	**34,896,449**	**185,067**	**(28,112,758)**	**6,968,758**
Balance at 1 January 2016	22,227,388	134,131	(21,799,478)	562,041
Issuance of new ordinary shares	4,064,289	-	-	4,064,289
Convertible redeemable bonds - equity component	-	54,004	-	54,004
Total comprehensive income	-	-	(550,591)	(550,591)
Balance at 30 June 2016	26,291,677	188,135	(22,350,069)	4,129,743

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 also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

Share capital has increased by S$2,821,481 in HY2017 arising from conversion of convertible redeemable bonds with a face value of S$3,000,000 into 750,000,000 conversion shares.

The number of shares that may be potentially issued on conversion of the outstanding convertible redeemable bonds of S$48,940 (with a face value of S$50,000) as at 30 June 2017 is 12,500,000 conversion shares (30 June 2016: 12,500,000 conversion shares).

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.

The total number of issued shares excluding treasury shares as at 30 June 2017 and 31 December 2016 are 2,314,249,336 and 1,564,249,336 respectively.

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 reported on.

Not applicable.

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

The figures have not been audited or reviewed by the auditors.

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

Except as stated in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the most recently audited annual 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.

The Group has adopted all the applicable Financial Reporting Standards ("FRS") which became effective for the financial year beginning on or after 1 January 2017. The adoption of these new and revised FRS has no material effect for the current financial period.

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

	Group	
	6 months ended 30/06/2017	**6 months ended 30/06/2016**
(Loss)/earnings per ordinary share of the group after deducting any provision for preference dividends (Singapore cents per share):		
(a) Based on weighted average number of ordinary shares on issue; and	(0.05)	(0.14)
(b) On a fully diluted basis	(0.05)	(0.14)

7. Net asset 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 year.

	Group		Company	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Net asset value per ordinary share based on issued share capital at the end of:	0.28 cents	0.30 cents	0.30 cents	0.31 cents

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It 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 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 reported on.

I) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue

There was no revenue for the six months ended 30 June 2017 ("HY2017") due to the absence of interest income from debt securities as the borrower had defaulted on its payment obligations. The Group had recorded revenue of S$182,000 for the six months ended 30 June 2016 ("HY2016").

Other losses – net

Other losses of approximately S$10,000 for HY2017 was due mainly to the impairment loss on financial assets, available-for-sale. For HY2016, other losses of S$131,000 were mainly due to loss on disposal of financial assets, available-for-sale of S$16,000 and impairment loss of S$115,000 on financial assets, available-for-sale.

Other income

Other income decreased by approximately S$123,000 or 96.7% from S$127,000 for HY2016 to S$4,000 for HY2017. The decrease was mainly due to the absence of rental income of S$119,000 earned from a sub-tenant in HY2016, i.e., there was no such income in HY2017.

Employee benefits expense

Employee benefits expense decreased by approximately S$316,000 or 42.7% from S$741,000 for HY2016 to S$425,000 for HY2017. The decrease was mainly due to the share award expense incurred in HY2016 but there was no such expense in HY2017. The decrease was also partially due to the resignation of one of the subsidiary's director in HY2017.

Depreciation

Depreciation decreased by approximately S$20,000 or 42.3% from S$46,000 for HY2016 to S$26,000 for HY2017 due to write-off of certain property, plant and equipment in FY2016 due to re-location of the office.

Finance costs

Finance costs decreased by approximately S$500 or 19.6% from S$2,700 for HY2016 to S$2,200 for HY2017. This was mainly due to the decrease of the hire purchase finance cost of the motor vehicle which is based on a lower principal balance in HY2017 as compared to HY2016.

Loss before tax

Loss before tax decreased by approximately S$150,000 or 13.7% from S$1.1 million for HY2016 to S$940,000 for HY2017. The higher loss before tax incurred in HY2016 was mainly due to share award expense and loss on disposal of financial assets, available-for-sale. This was partially offset by the interest income and rental income earned in HY2016.

II) CONSOLIDATED BALANCE SHEET

Cash and cash equivalents

Cash and cash equivalents increased by approximately S$1.44 million or 117.9% from S$1.22 million as at 31 December 2016 to S$2.66 million as at 30 June 2017. The increase was mainly due to the net cash flows of approximately S$2.80 million generated from financing activities, which was mainly attributed by the proceeds of S$2.85 million received from the issuance of convertible redeemable bonds; and was partially offset by the net cash flows used in investing activities and operating activities of S$396,000 (mainly due to issuance of debt securities of S$393,000 to Tantalum Holding (Mauritius) Ltd) and S$959,000, respectively.

Other receivables

Other receivables decreased by approximately S$144,000 or 77.6% from S$186,000 as at 31 December 2016 to S$42,000 as at 30 June 2017. This was mainly due to the refund of office rental security deposit of S$98,000 and full settlement of amount outstanding of S$24,000 from former subsidiary in HY2017.

Debt securities

Debt securities increased by approximately S$393,000 or 11.3% from S$3.47 million as at 31 December 2016 to S$3.86 million as at 30 June 2017. This was due to further drawdown of S$393,000 on the existing facility by Tantalum Holding (Mauritius) Ltd in HY2017.

Financial assets, available-for-sale

Financial assets, available-for sale decreased by approximately S$10,000 or 33.3% from S$30,000 as at 31 December 2016 to S$20,000 as at 30 June 2017, mainly due to the impairment loss made on the financial assets as a result of prolonged decline in the share price of the financial assets.

Other current assets

Other current assets decreased by approximately S$13,000 or 34.4% from S$38,000 as at 31 December 2016 to S$25,000 as at 30 June 2017. This was due to the reduction in prepayments over HY2017.

Property, plant and equipment

Property, plant and equipment decreased by approximately S$24,000 or 9.9% from S$239,000 as at 31 December 2016 to S$215,000 as at 30 June 2017 mainly due to the depreciation charged during HY2017.

Other payables

Other payables decreased by S$215,000 or 48.7% from S$441,000 as at 31 December 2016 to S$226,000 as at 30 June 2017. This was mainly due to payments of accrued operating expenses for FY2016 as well as payment of unutilised leave in HY2017.

Finance lease liabilities (current and non-current)

Finance lease liabilities as at 30 June 2017, relates to the hire purchase of a motor vehicle and two photocopier machines in FY2013 and FY2014 respectively.

Share capital

Share capital increased by approximately S$2.82 million or 8.8% from S$32.07 million as at 31 December 2016 to S$34.90 million as at 30 June 2017, mainly due to the conversion of bonds into ordinary shares. The face value of bonds amounted to S$3.0 million, which represents a present value of S$2.85 million at an effective interest rate of 5.5% p.a., have been converted into 750 million ordinary shares in HY2017.

III) CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents increased by approximately S$1.44 million or 117.9% from S$1.22 million as at 31 December 2016 to S$2.66 million as at 30 June 2017. The increase was mainly due to the net cash flows of S$2.80 million generated by the financing activities, i.e. issuance of convertible redeemable bonds; and was partially offset by the net cash flows used in operating activities and investing activities of S$959,000 and S$396,000 respectively.

STATUS ON THE UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF CONVERTIBLE REDEEMABLE BONDS OF S$8,000,000 AS AT 30 JUNE 2017

The Company refers to the net proceeds of approximately S$7.35 million raised from the issuance of convertible redeemable bonds as at 30 June 2017.

As at 30 June 2017, the status on the use of the net proceeds raised from the issuance of convertible redeemable bonds in S$'000 is as follows:

	Amount Utilised S$'000
Investments and general corporate purposes	3,420
General working capital	1,226**
Total net proceeds raised from issuance of convertible redeemable bonds	4,646

** The breakdown of the amount utilised for general working capital is as follows:

	S$'000
Wages and salaries and other short-term employee benefits and employer's contributions to Central Provident Fund	610
Office and warehouse rental	172
Directors' fees	159
Professional fees (including legal, secretarial, investor relations)	89
Insurance premiums	11
Office expenses	31
Repair and maintenance	14
Listing fee	66
Others	74
TOTAL	1,226

STATUS ON THE UTILISATION OF PROCEEDS RAISED FROM PLACEMENT OF 70,588,236 SHARES AS AT 30 JUNE 2017

The Company refers to the net placement proceeds of approximately S$5.78 million raised from the placement of 70,588,236 new ordinary shares in the capital of the Company ("the Placement") which arose from the first of a two-tranche share placement that was completed in October 2016.

As at 30 June 2017, the status on the use of the net placement proceeds in S$'000 is as follows:

	Amount Utilised S$'000
Working capital in relation to the proposed acquisition by the Company of a 60% shareholding in Tantalum Holding (Mauritius) Ltd from REO Magnetic Pte Ltd	4,084
General working capital	1,697**
Total net placement proceeds	5,781

** The breakdown of the amount utilised for general working capital is as follows:

	S$'000
Wages and salaries and other short-term employee benefits and employer's contributions to Central Provident Fund	855
Office and warehouse rental	239
Professional fees (including legal, secretarial, investor relations)	222
Insurance premiums	46
Renovation and relocation expenses	51
Directors' fees	75
Travelling expenses	26
Repair and maintenance	22
Audit fee	44
Listing fee	19
Others	98
TOTAL	1,697

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

The Group did not make a forecast in its previous prospect statement; hence there is no variance to comment upon. It did, however, indicate that it had entered into sale and purchase agreements to acquire a 60% stake in a rare earth project in Madagascar. Announcements on this proposed investment were made on 10 June and 1 July 2016.

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 Group has engaged a third independent valuer who is in the midst of finalising the draft valuation report. More recently, a supplemental agreement to the Share Sale and Purchase Agreement for the proposed acquisition of a 60% stake in Tantalum Holding (Mauritius) Ltd ("THM") was also announced. THM owns 100% of Tantalum Rare Earth Malagasy S.A.R.L., which holds an exploration licence for a concession that hosts critical rare earth oxides in Madagascar.

The Group remains committed to the mining of rare earths, which are used for a wide variety of applications, including specialised magnets for electric vehicles and portable X-ray equipment. According to the MetalMiner, a sourcing and trading intelligence platform for metal markets worldwide, rare earth prices have been on an uptrend since March 2017, driven by increased investments in renewable energy, evident in the growing popularity of electric cars and wind turbines.

In the meantime, the Group is also seeking to expand its scope of business and diversify its investments. As announced on 11 July 2017, ISR Capital has entered into a memorandum of understanding with Straits Hi-Rel Pte. Ltd. ("SHR") with a view to developing SHR's high reliability ("Hi-Rel") engineering business, which will focus on specialty 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. Given the lack of such capabilities in the region, the Group believes this investment is unique and has growth potential.

11. Dividend

(a) Current Financial Period Reported On

Any interim (final) dividend declared (recommended) 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.

No dividend has been declared / recommended for the half year ended 30 June 2017.

13. Interested Person Transactions

The Group has no general mandate for interested person transactions under Rule 920(1) of the SGX-ST Listing Manual.

14. Negative Assurance Confirmation On Half Year Financial Results Pursuant To Rule 705(5) Of The Listing Manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results for the half year ended 30 June 2017 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of the SGX Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers pursuant to Rule 720(1) of the SGX Listing Manual.

BY ORDER OF THE BOARD

CHEN TONG
Executive Chairman and Executive Director

14 August 2017