

ISR CAPITAL LIMITED
 (Company Registration No. 200104762G)
 (Incorporated in the Republic of Singapore)
 (the “Company”)

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY’S FULL YEAR RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Board of Directors (the “**Board**”) of ISR Capital Limited (the “**Company**”) wishes to provide the following additional information in response to the queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in their email dated 23 March 2018 in relation to the Company’s Full Year Results for the financial year ended 31 December 2017 announced on 1 March 2018:

Query by SGX-ST:

- On page 1 of the Full Year FY2017 results, the Company disclosed that “Other operating expenses” amounted to S\$ 1.15 million. Please provide a breakdown on the “Other operating expenses” and explain the reason for the significant amount of “Other operating expenses”.

Company’s Response:

The breakdown of “Other operating expenses” are as follows:

Other operating expenses

	Group		Variance	
	2017	2016	S\$	%
	S\$	S\$		
Directors’ fee	149,322	91,500	57,822	63.2
Insurance expense	38,621	21,528	17,093	79.4
Impairment loss on debt securities	-	3,665,790	(3,665,790)	(100.0)
Impairment loss on trade receivables	-	2,387,499	(2,387,499)	(100.0)
Impairment loss on other receivables	10,084	12,253	(2,169)	(17.7)
Professional fees	519,622	352,559	167,063	47.4
Rental expense	93,459	400,927	(307,468)	(76.7)
Travel and entertainment expenses	169,136	130,248	38,888	29.9
Listing related expenses	65,373	91,454	(26,081)	(28.5)
Office utilities and expenses	25,260	52,966	(27,706)	(52.3)
Repair and maintenance	18,678	20,800	(2,122)	(10.2)
Others	57,368	45,936	11,432	24.9
	1,146,923	7,273,460	(6,126,537)	(84.2)

Other operating expenses for FY2017 comprised mainly directors’ fee of approximately S\$149,000, professional fees of approximately S\$520,000 (which comprised mainly legal fees of S\$170,000, audit fees of S\$61,000, fees for secretarial and tax services amounting to S\$34,000, fees for public relations services of S\$89,000, valuation fees of S\$86,000 and fees for legal and financial due diligence services amounting to S\$37,000) and travel and entertainment expenses of approximately S\$169,000. These expenses were incurred in the ordinary course of the Group’s business.

Query by SGX-ST:

2. We note that the Company's FY2017 revenue amounted to S\$576,075 and its Trade receivables also amounted to exactly S\$576,075. Please disclose:
- When was the revenue of S\$575,075 recorded and when is the amount due for payment to the Company;
 - The identity of the customer/trade debtor and the terms of payment under the transaction.
 - Whether this amount is secured by any guarantor or assets. Please elaborate;
 - The Company disclosed that this amount is "interest income earned from debt securities". When was the interest income due under the terms of the debt securities;
 - The details of the debt securities; and
 - The financial performance and credit standing of the debt issuer and whether there will be any default on the repayment of the principal under the Debt Securities term on maturity.

Company's Response:

- i. As indicated in the table below, part of the revenue of S\$576,075 was recorded on 30 September 2017 and 31 December 2017. Of the total revenue of S\$576,075, S\$563,677 is due on 30 June 2018 and S\$12,398 is due on 31 December 2018.

<u>Revenue:</u>	30 Sep 2017	31 Dec 2017	Total	Interest rate	Maturity date *
	S\$	S\$	S\$	% p.a.	
Interest on loan to Tantalum Holding (Mauritius) Ltd ("THM")	424,175	139,502	563,677	12%	30 June 2018
Interest on loan to Tantalus Rare Earths AG ("TRE AG")	3,556	8,842	12,398	10%	31 Dec 2018
Total	427,731	148,344	576,075		

* Interest payment is due on the earlier of the maturity date or on the date that the loan is prepaid in full.

- ii. The borrowers are as follows:

(a) Tantalum Holding (Mauritius) Ltd

ISR Global Pte. Ltd. ("ISR Global" or the "Lender"), a wholly-owned subsidiary of the Company, entered into a facility agreement dated 26 September 2016 (the "Facility Agreement") with Tantalum Holding (Mauritius) Ltd ("THM" or the "Borrower"), pursuant to which ISR Global shall grant a short term secured bridging loan facility of up to S\$6,000,000 to THM, on the terms and conditions stipulated therein, to assist THM towards its working capital requirements for the Project in Madagascar.

The salient terms of the facility agreement are as follows:

Interest rate payable on the loan	12% per annum
Basis for computation of interest	Number of actual days elapsed based on a 360-day year
Due date for payment of interest	Interest accrued shall be paid by the Borrower to the Lender in a single bullet payment on the Maturity Date in accordance with the terms and conditions of the Facility Agreement.

Maturity date of the loan	30 June 2018 (as announced via SGXNET on 1 March 2018). The Maturity Date was originally 28 September 2017 (being 12 months from the first drawdown date of 29 September 2016) and was subsequently extended to 31 March 2018 and 30 June 2018.
Continuing Security	REO Magnetic Pte Ltd, which owns 60% shareholding interest in THM, provided a share pledge over all of its 60% shareholding interest in THM in favour of ISR Global Pte. Ltd.

(b) Tantalus Rare Earths AG (“TRE AG”)

ISR Global Pte. Ltd. (“ISR Global” or the “Lender”), a wholly-owned subsidiary of the Company, entered into a facility agreement dated 11 August 2017 (the “Facility Agreement”) with Tantalus Rare Earths AG (“TRE AG” or the “Borrower”), pursuant to which ISR Global shall grant a secured term loan facility in an aggregate amount equal to Euro (“€”) 320,000 to TRE AG, on the terms and conditions stipulated therein, for TRE AG’s general corporate and working capital purposes.

The salient terms of the facility agreement are as follows:

Interest rate payable on the loan	10% per annum
Basis for computation of interest	Number of actual days elapsed based on a 365-day year
Due date for payment of interest	Interest accrued shall be paid by the Borrower to the Lender in full on the Termination Date and if prepaid in full prior to the Termination Date, on the date of prepayment of the loan in full.
Termination date of the loan	31 December 2018
Continuing Security	TRE AG, which owns 40% shareholding interest in THM, provided a share pledge over its shareholding interest of 8% in THM in favour of ISR Global Pte. Ltd.

- iii. The loans to THM and TRE AG are secured. The details of the securities are indicated in our response to Question No. 2 (ii).
- iv. The interest income was recorded on 30 September 2017 and 31 December 2017. The details and due date of the interest income are indicated in our response to Question No. 2 (i).
- v. Please refer to our response to Question No. 2 (ii).
- vi. Please refer to our response to Question No. 3 (ii) and 3 (iii) on the details of the debt issuer.

Query by SGX-ST:

3. On page 3 of the Full Year FY2017 results, the Company disclosed that “Debt securities” amounted to S\$5.32 million in FY2017 and S\$3.47 million in FY2016. Please disclose:
 - i. The reason for the increase of S\$1.85 million to S\$5.32 million;
 - ii. The identity of the issuer of the “Debt securities” amounting to S\$5.32 million;
 - iii. The financial performance and credit standings of the issuer(s); and
 - iv. The terms of the “Debt securities” and the maturity date;
 - v. Whether the “Debt securities” are listed debts.
 - a. If so, please disclose where they are listed.
 - b. If not, please explain why the Company is investing in non-listed debt securities and what has the Board of Directors (“BOD”) taken into account when considering the liquidity risk, financial risk and credit risks of these investments as being made in the best interest of the Company and shareholders as a whole.

Company’s Response:

- i. The reason for the increase was mainly due to the drawdowns of S\$1.43 million and S\$421,000 made during FY2017 by Tantalum Holding (Mauritius) Ltd and Tantalus Rare Earths AG respectively.
- ii. The issuer of the debt securities is ISR Global Pte Ltd, a wholly-owned subsidiary of ISR Capital Limited.
- iii. The net profit of the issuer, ISR Global Pte. Ltd., for FY2017 was approximately S\$181,000 but it was in a net liability position of approximately S\$1,766,000 as at 31 December 2017. Funding for the granting of the debt securities/ draw down of the loans during FY2017 was provided by the Company.
- iv. Please refer to the response to Question No. 2 (ii) above.
- v. The debt securities pertain to loans that are granted by ISR Global Pte. Ltd. to Tantalum Holding (Mauritius) Ltd and Tantalus Rare Earths AG in accordance with the facility agreements executed with these entities dated 26 September 2016 and 11 August 2017 respectively. These debts are not listed debts. In relation to the debt securities issued to THM, REO Magnetic Pte Ltd, which owns 60% shareholding interest in THM, has provided a share pledge over all of its 60% shareholding interest in THM in favour of ISR Global Pte. Ltd. In relation to the debt securities issued to TRE AG, TRE AG, which owns 40% shareholding interest in THM, has provided a share pledge over its shareholding interest of 8% in THM in favour of ISR Global Pte. Ltd.

Query by SGX-ST:

4. Whether there are any guarantees given for the amount of S\$5.32 million Debt Securities lent by the Company. If so, have any of these guarantees been invoked and if so, when.

Company’s Response:

There are no guarantees given and invoked in respect of the debt securities to THM and TRE AG. As mentioned, in relation to the debt securities issued to THM, REO Magnetic Pte Ltd, which owns 60% shareholding interest in THM, has provided a share pledge over all of its 60% shareholding interest in THM in favour of ISR Global Pte. Ltd. and in relation to the debt securities issued to TRE AG, TRE AG, which owns 40% shareholding interest in THM, has provided a share pledge over its shareholding interest of 8% in THM in favour of ISR Global Pte. Ltd.

Query by SGX-ST:

5. On page 5 of the Full Year FY2017 results, the Company disclosed that “Debt securities extended to related party” amounted to S\$1.43 million. Please provide details on these debt securities and the related party. Who is the related party and have they been prompt in repaying their interests and amounts due on due dates? What are the due dates? Please disclose if there have been any defaults on these debts.

Company’s Response:

The debt securities extended to a related party pertains to drawdowns made by Tantalum Holding (Mauritius) Ltd (“THM”). THM is considered to be a related party from 12 April 2017 as the Company’s Executive Chairman, Mr Chen Tong, has been appointed as a director of THM with effect from 12 April 2017 pursuant to one of the conditions precedent of the Facility Agreement dated 26 September 2016 between the Company’s wholly-owned subsidiary, ISR Global Pte. Ltd. and THM. The due date for the payment of interest and repayment of principal is on the Maturity Date, which is 30 June 2018 (as announced via SGXNET on 1 March 2018). Please refer to the responses to Question No. 2 (ii) above for more details on the debt securities extended to THM.

Query by SGX-ST:

6. The Company also disclosed that “Investment at cost” amounted to S\$670,000. Please provide:
 - i. Details of this investment and a brief description of its business;
 - ii. The proportion of share capital in the investee company owned by the Company; and
 - iii. The financial performance and operations of this significant investment which amounts to 9.6% of the Company’s Net Asset Value.

Company’s Response:

- i. Investment at cost relates to the Group’s investment in Straits Hi-Rel Pte Ltd (“SHR”), as announced via SGXNET on 18 September 2017. SHR is set up to provide high reliability (“Hi-Rel”) engineering services and is setting up a Hi-Rel Technology Centre in Singapore, where the focus will be on speciality testing and back-end manufacturing for Hi-Rel intergrated chips and electronic modules targeted for end applications in the automotive, energy (oil and gas) and industrial sectors.
- ii. The proportion of share capital in the investee company owned by the Group (through Infiniti Advantage Pte. Ltd., a wholly-owned subsidiary of the Company) as at 31 December 2017 is 6.25%. On completion of the Group’s investment in SHR, which is expected to occur sometime in the second or third quarter of 2018, the Group will own 25% of share capital in the investee company.
- iii. Please refer to the response to Question No.11 (v) and (vi).

Query by SGX-ST:

7. On page 9 of the Full Year FY2017 results, the Company disclosed that “Other income decreased by approximately S\$275,000 or 94.4% from S\$291,000 for FY2016 to S\$16,000 for FY2017. Other income for FY2016 pertains mainly to rental income from a former sub-tenant that is listed on SGX and a write-back of allowance for impairment on amount due from a former subsidiary. There was no such income for FY2017.” Please disclose:
- i. The identity of the sub-tenant;
 - ii. The reason why there was no rental charged in FY2017; and
 - iii. The party that is currently occupying the space that was previously rented out to the former sub-tenant.

Company’s Response:

- i. The former sub-tenant was MMP Resources Limited.
- ii. There was no such rental charged in FY2017 as the Company had relocated and moved its registered office and business address to 83 Clemenceau Avenue, #10-03 UE Square, Singapore 239920 with effect from 1 January 2017 (as announced via SGXNET on 3 January 2017).
- iii. Not applicable, please refer to the response to Question No. 7 (ii) above.

Query by SGX-ST:

8. In the Company’s announcement on 27 March 2017 relating to the write off of S\$3.67 million of debt securities due from PT Permata Selaras Mandiri (“PT PSM”), the Company disclosed that “Legal letters of demand have been sent to the debtor and the personal guarantor. The Group is currently in discussions with its legal adviser to decide on the next course of legal action to take against the debtor and the personal guarantor.” Please disclose the amount that has been collected in the 12 months since 27 March 2017 from PT PSM and Mr Harun Abidin, the personal guarantor for the debt facility respectively and provide further details on the status of the legal actions.

Company’s Response:

The Group has been unable to collect any payment from PT PSM and Mr Harun Abidin in the 12 months since 27 March 2017. On 7 June 2017, by way of HC Suit No. 513/2017 (“**Suit 513**”), the Company’s wholly-owned subsidiary, Dynamic Return (Singapore) Pte. Ltd., commenced Singapore Court proceedings against PT PSM and Mr Harun Abidin to recover the amount that was fully impaired (but not yet written off in the Group’s financial statements) plus interest accruing on the said amount. On 13 July 2017, the Company obtained the leave of the Singapore Court to effect service of the relevant Court papers for Suit 513 on PT PSM and Mr Harun Abidin out of jurisdiction in Indonesia. The Company has since also made arrangements for the said Court papers to be served on PT PSM and Mr Harun Abidin through the proper governmental authorities and is currently waiting for the said authorities to provide an update as to whether successful service of the said Court papers has been effected.

Query by SGX-ST:

9. On page 11 of the Full Year FY2017 results, the Company disclosed that “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” amounted to S\$4.08 million. Please provide a breakdown of the utilization of the loans received by Tantalum Holding from the Company amounting to S\$4.08 million.

Company’s Response:

A breakdown of the utilisation of the loan as provided by the Tantalum Holding (Mauritius) Ltd (“THM”) as at 31 December 2017 is set out below:

	Amount utilised	
	US\$'000	S\$'000 ¹
Exploration-related expenses		
Construction	922	1,278
Permit related consultancy and related expenses	1,358	1,882
Others	55	77
Total exploration-related expenses:	<u>2,335</u>	<u>3,237</u>
Operating expenses		
Salary and related expenses	474	656
Operating expenses	583	808
Consultancy	105	146
Total operating expenses	<u>1,162</u>	<u>1,610</u>
Total amount utilised and expected to be utilised by the Target and Operating Companies	<u><u>3,492</u></u>	<u><u>4,847</u></u>

Notes:

- ¹ The amounts in S\$ are translated based on the applicable current foreign exchange rates and are presented for information / comparability purposes only and are not translated based on the requirements of Financial Reporting Standard 21 The Effects of Changes in Foreign Exchange Rates.

THM has drawn down approximately S\$4.9 million as at 31 December 2017, which is more than the amount of S\$4.08 million utilised as working capital in relation to the proposed acquisition by the Company of a 60% shareholding in THM from REO Magnetic Pte. Ltd., as reported on page 11 of the Group’s Full Year FY2017 results. The difference of approximately S\$817,000 was funded from the proceeds raised from the issuance of convertible redeemable bonds.

Query by SGX-ST:

10. On page 12 of the Full Year FY2017 results, the Company disclosed that “Wages and salaries and other short-term employee benefits and employer’s contributions to Central Provident Fund” amounted to S\$855,000. Full year FY2017 “Employee benefits expense” amounted to S\$830,778. Please explain why the placement proceeds of S\$855,000 and proceeds from convertible redeemable bonds of S\$930,000 were used for employee benefits. Please reconcile.

Company’s Response:

The placement proceeds of S\$855,000 and proceeds from convertible redeemable bonds of S\$930,000 were utilised to pay wages and salaries and other short-term employee benefits and employer’s contributions to Central Provident Fund as the Group is currently reliant on such proceeds to pay for its general working capital. The Group is in the midst of pursuing the proposed acquisition of a 60%-stake in Tantalum Holding (Mauritius) Ltd (“THM”), which owns 100% of Tantalum Rare Earth Malagasy s.a.r.l.u. (“TREM”) and completing its investment in Straits Hi-Rel Pte. Ltd. (“SHR”) to acquire a 25%-stake in SHR for up to S\$2.68 million.

The utilisation of placement proceeds of S\$855,000 and proceeds from convertible redeemable bonds of S\$930,000 as payment of wages and salaries and other short-term employee benefits and employer’s contributions to Central Provident Fund were in line with the use of proceeds as set out respectively in the Company’s announcement dated 4 September 2016 on the Placement of an Aggregate of 141,176,470 New Ordinary Shares in the Capital of the Company and in the Company’s Circular to Shareholders dated 24 August 2015 on the Proposed Issue of 2.0% Convertible Redeemable Bonds due 2018 with an Aggregate Principal Amount of up to S\$35,000,000.

Query by SGX-ST:

11. On page 12 of the Full Year FY2017 results, the Company disclosed that “as previously announced on 18 September 2017, the Group had on 17 September 2017, entered into an Investment and Shareholders Agreement with Straits Hi-Rel Pte Ltd (“SHR”) and the original shareholders of SHR to invest up to S\$2.68 million and acquire a 25%-stake in SHR. This acquisition will be completed in five stages with Stage 3A having been completed on 3 January 2018.” Please disclose:
 - i. Whether SHR has started its operations;
 - ii. Whether SHR has obtained all relevant permits, consent, licenses, approvals and authorisations necessary for SHR and its business as at the completion dates of stage 2, 3 and 4 of the Investment;
 - iii. In accordance with Conditions Precedent for the disbursement of funds under Stage 3, please disclose whether SHR has secured a pipeline of projects of not less than US\$1.8 million in relation to the condition precedent “of SHR securing a pipeline of projects of not less than [US\$1.8 million in aggregate as disclosed in the announcement on 18 September 2017] requiring Hi-Rel engineering / testing services to SHR”. To quantify the pipeline of projects secured, provided details of its orderbook and confirm whether these are definitive contracts signed which are non-revocable;
 - iv. Please elaborate on the scope of the underlined portion in (iii) above relating to the testing services referred to. Why is there a reference to the services to be rendered to SHR by Hi-REL and how much is the cost of these services? How is this related to SHR’s pipeline of projects of US\$1.8 million to be rendered to 3rd party customers;
 - v. The actual revenue, net profit/loss incurred by SHR in FY2017 as compared to its estimated loss of US\$139,000 as disclosed;
 - vi. The Net Asset Value of SHR as at 31 December 2017;
 - vii. The timeline for the completion of stages 4 and 5 and reasons for the change in milestones;

- viii. The basis for termination of the Agreement, with reference to SHR achieving an accumulated profit before tax of at least US\$5 million within the first three years from the Agreement; and
- ix. The date when SHR's commenced business in 2018.

Company's Response:

- i. Straits Hi-Rel Pte. Ltd. ("SHR") has started its operations with major milestone timelines as follows:
 - a. June 2017:
 - SHR was incorporated and registered its business in Singapore
 - b. September 2017:
 - SHR executed an Investment and Shareholders Agreement (the "Agreement") with the Original Shareholders and Infiniti Advantage Pte Ltd ("Infiniti"), a wholly-owned subsidiary of ISR Capital Limited in relation to an investment by Infiniti of up to S\$2.68 million in SHR in five (5) stages by subscribing for 16,667 shares in SHR, representing an equity stake of 25% in SHR on an enlarged basis.
 - Started receiving initial customer orders (under consultancy/technical advisory agreement with customer)
 - c. March 2018:
 - Commencement of operations in the Singapore facility.
- ii. SHR confirmed that it has obtained all relevant permits, consent, licenses, approvals and authorisations necessary to conduct its Hi-Rel business as of 1 January 2018.
- iii. The Company would like to clarify that the aggregate amount of projects in the pipeline expected from SHR, as announced via SGXNET on 18 September 2017, was US\$1 million and not US\$1.8 million. Stage 3 of the Group's investment in SHR was subsequently split into Stage 3A and Stage 3B, as announced on 28 December 2017. The accumulated pipeline of projects required from SHR for the completion of Stage 3A was US\$600,000 (comprising US\$200,000 for Stage 2 and US\$400,000 for Stage 3A) and the pipeline of projects required from SHR for the completion of Stage 3B would be an additional US\$400,000, making it US\$1 million in total projects required from SHR.

The total projects presented/reported on 17 October 2017 for the completion of Stage 2 investment was US\$280,000 while the total projects presented/reported on 28 December 2017 for the completion of Stage 3A investment was US\$370,555. The accumulated pipeline of projects presented for the completion of Stage 2 and Stage 3A investments was more than US\$600,000.

The projects presented for Stage 2 and Stage 3A included orders that are secured, projects with letters of intent and projects with request for quotes from SHR's key customer base where such projects are targeted for completion in the last quarter of 2017 or in 2018. In the U.S. electronics service industry (where SHR's major customers are located), there is no industry standard for "non-revocable" orders.

- iv. The Company would like to clarify that the pipeline of projects are projects secured / requested from third party customers that require SHR to provide Hi-Rel engineering / testing services. Please note that "Hi-Rel" was defined in the Company's announcement on 18 September 2017 as "high reliability" and is not a separate legal entity/company.

Due to the competitive and proprietary nature for each of the specific customer projects, SHR is not prepared to publicly disclose the cost of services for each of the specific customer projects at this juncture, especially when it is currently in a "start-up" phase.

- v. The unaudited revenue for SHR for the period from June 2017 to 31 December 2017 was approximately S\$85,000 and the unaudited loss recorded by SHR for the period from June 2017 to 31 December 2017 was approximately S\$36,000 as compared to the projected loss of US\$139,000 (approximately S\$182,000) as previously disclosed.
- vi. The unaudited net asset value of SHR as at 31 December 2017 was approximately S\$676,000.
- vii. One of SHR's major customers is Qualcomm. The attempted hostile takeover by Broadcom early this year has caused disruptions to the approval and release of project purchase orders by Qualcomm. Because of these events, the completion of Stage 3B and Stage 4 of the Group's investment in SHR was delayed to enable SHR to assess and determine a more accurate project pipeline for 2018. The Group is currently working with SHR to determine a suitable timeline to complete Stage 3B and Stage 4 of the Group's investment in SHR and will make further announcements to update shareholders on material developments regarding this investment, and further details will be provided where appropriate. As announced via SGXNET on 28 December 2017, Stage 3 of the investment has been split into Stage 3A and Stage 3B, with Stage 3A completed on 3 January 2018. The Group's investment in SHR will be completed on completion of the Stage 4 investment (i.e., there is no Stage 5 investment).
- viii. The eventual termination of the Agreement is premised on the basis that the Original Shareholders who are the founders of SHR and who in aggregate own 75% of SHR, would ultimately want more flexibility in managing and operating SHR once it is well established and is meeting its targeted financial and technical goals.
- ix. The SHR commenced business on 1 March 2018 after officially moving into and occupying the Singapore facility at 8 Admiralty Street, #07-05/06 Admirax, Singapore 757438.

Query by SGX-ST:

- 12. The Company disclosed on 11 July 2017 that it received a proposal from Skeel Advisors Pte. Ltd, a company in which the Company's independent director Lee Ka Shao is a shareholder and director, to perform due diligence/ consulting advisory work on the Company's investment in SHR. Please disclose:
 - i. The date of the final report rendered;
 - ii. Update on the value of the services rendered, the details of the payment and outcome of the proposal;
 - iii. How the amount of S\$2.68 million of investment in SHR is derived and the bases and factors taken into account by Skeel Advisors when advising on whether the amount is deemed reasonable noting that SHR was newly set up and had no track record or order book and had not commenced operations;
 - iv. The quantitative factors taken into account to arrive at S\$2.68million investment;
 - v. Whether the joint venture partner for the remaining 75% has been required to also inject a pro-rata amount in cash for their investment. If not, please disclose what is the basis for their contribution; and
 - vi. Whether the business plan delivered to Infiniti, the Company's wholly owned subsidiary, is executable with the money that SHR has received to-date.

Company's Response:

- i. The date of the final report rendered by Skeel Advisors Pte. Ltd. was 8 August 2017.
- ii. The Company was charged a fee of S\$10,000 for the services rendered by Skeel Advisors Pte. Ltd., which was paid in October 2017 following the completion of work performed by Skeel Advisors Pte. Ltd. The deliverable from Skeel Advisors Pte. Ltd. was an Analysis Report on

Straits Hi-Rel Pte. Ltd. issued by Skeel Advisors Pte. Ltd. on 8 August 2017 which stated that the investment in SHR is a fair and relatively attractive investment proposition for the Company.

- iii. Based on SHR's Business Plan that was presented to the Group and the Analysis Report from Skeel Advisors Pte. Ltd. dated 8 August 2017, Skeel Advisors Pte. Ltd. had valued SHR at approximately US\$11,875,000. Thus, the proposed investment of US\$2 million (which is equivalent to approximately S\$2.68 million at the time the investment was proposed and agreed between the parties) into SHR would be equivalent to a 16.8% equity stake in SHR. After much negotiations which were conducted at arms' length between the parties, and taking into account, *inter alia*, the viability and growth potential of SHR in the Hi-Rel industry, Infiniti Advantage Pte Ltd agreed to invest S\$2.68 million for a 25% stake in SHR which was arrived at, on a willing-buyer willing-seller basis.
- iv. Please refer to the response to Question No. 12 (iii) above.
- v. The joint venture partners for the remaining 75% would not be injecting a pro-rata amount in cash for their investment. They contributed the following non-cash items to the investment:
 - a. capital equipment;
 - b. existing customer orders from multinational corporations ("MNCs") for e.g., Qualcomm; and
 - c. relationships with other potential MNC customers.
- vi. As of March 2018, SHR is following the Business Plan that was submitted to the Company prior to the execution of the Investment and Shareholders Agreement between the parties for Infiniti Advantage Pte. Ltd. to acquire a 25%-stake in SHR for up to S\$2.68 million, with no major deviations other than as disclosed in the response to Question No. 11 (vii) above.

Query by SGX-ST:

13. On page 13 of the Full Year FY2017 results, the Company disclosed that "the Group is awaiting regulatory approval for Share Sale and Purchase Agreements pertaining to the proposed acquisition of a 60% stake in Tantalum Holding (Mauritius) Ltd ("THM")." Please disclose the status of permits and licenses obtained and the operational period of the licenses and permits. To quantify the amount of loans and funds remitted to THM to-date. To disclose if THM operational status and milestones for production of rare earth minerals, noting that the Company has extended significant loans to THM to-date for its operations.

Company's Response:

The project area covers approximately 238 km² and is held under exploration licence PR 6698 (the "PR Licence") which grants exclusive rights for prospecting and research. The exploration licence PR 6698 is held by Tantalum Rare Earth Malagasy s.a.r.l.u. ("TREM"), which is wholly-owned by THM. The Project is located in the eastern part of the Ampasindava Peninsula, in the province of Antsiranana in northwestern Madagascar, approximately 500km north of the capital, Antananarivo. The nearest major town and administrative centre is Ambanja, some 40km to the northeast of the project area.

The PR Licence was originally granted in 2008 for five (5) years and was renewed for three (3) years in January 2014. As at the date of this announcement, the PR Licence had expired in January 2017. One further renewal period of three (3) years is allowed and the application for the second three (3) year renewal was made on 7 December 2016 by TREM. The Company understands that the application renewal is currently pending the approval and signature of the Minister of Mines and the Prime Minister of Madagascar.

The total amount of loans remitted to THM to-date is approximately S\$5.34 million.

TREM has to-date focused mainly on exploration activities. Upon receiving the renewal for the PR Licence and completion of the Proposed Acquisition of 60% of THM, the Company plans to commence work on the next phase of the Project which includes trial leaching and pilot production, further testwork, conducting feasibility studies and engineering studies (such as engineering design and project construction), environmental impact assessments and carrying out fund-raising exercises. TREM will have to convert the PR Licence into a PE mining licence before any commercial production can commence.

BY ORDER OF THE BOARD

Chen Tong
Executive Chairman

2 April 2018