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 ENTRY INTO A MEMORANDUM OF UNDERSTANDING

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 12 July 2017 in relation to the entry into a Memorandum of Understanding announced on 11 July 2017:

Query by SGX-ST:

1) In the Company's 11 July 2017 announcement titled "Entry into a Memorandum of Understanding" (the "Announcement"), it was disclosed that the Company "has on 10 July 2017 signed a memorandum of understanding ("MOU") with Straits Hi-Rel Pte. Ltd. ("SHR"), a Singapore-incorporated private limited company, with a view to the Company and/or its nominee and SHR entering into formal agreement(s) in connection with its proposed investment into SHR by providing funding of up to US$2 million to SHR ("Initial Funding")". Please disclose:-

   a) the basis for the Initial Funding of US$2 million; and
   b) how is the amount decided.

Company's Response:

The Company understands from SHR that the capital expenditure and start-up costs for SHR's initial operations are projected and estimated to be approximately US$3.5 million, which is the minimum amount SHR requires for its initial operations in the first year and for the acquisition of key CAPEX equipment ("Projected Capital Expenditure and Start-up Costs").

After considering the aggregate Projected Capital Expenditure and Start-up Costs as a whole, the Company is only looking at investing and providing Initial Funding of up to US$2 million at this juncture. The Initial Funding of US$2 million was commercially agreed upon between the Company and SHR after taking into account the Company's current financial standing and cash flow position.

Query by SGX-ST:

2) Please provide the following information on SHR:-

   a) Who are the existing owners, directors and key management of SHR;
   b) When was company incorporated?
   c) What is its track record of the directors and key management in Hi-Rel engineering business; and
   d) In which jurisdiction and areas were these engineering services conducted.

Company's Response:

2)a) Based on the ACRA Business Profile of SHR obtained on 14 July 2017:

- Mr John Dean Ritchie and Mr Yeo Soon Lye are the directors of SHR.
- Mr John Dean Ritchie and Mr Yeo Soon Lye are also the shareholders of SHR and own 75% and 25% of SHR, respectively.
- The Company understands from SHR that Mr John Ritchie is the current Chief Executive Officer of SHR and Mr George Shaw is the proposed Chief Operating Officer of SHR. SHR is in the process of finalising the appointment of Mr George Shaw who, together with Mr John Ritchie, will be considered the key management of SHR.

2)b) The Company was incorporated on 9 June 2017.

2)c) The Company understands from SHR that:

(i) Mr John Ritchie, who is the Chief Executive Officer and director of SHR, has over 30 years of experience in electronics manufacturing, with direct hands-on experience in the hi-reliability integrated chip ("Hi-Rel IC") testing sector for the US military defence contractors, aerospace screening and industrial/automotive compliance testing. He obtained such Hi-Rel experience in jurisdictions such as the United States of America and Hong Kong. He has spent more than 20 years in Asia (Singapore, Japan, China and Hong Kong) and currently resides in Hong Kong as a freelance Test Consultant for the Asia Pacific region. Mr John Ritchie brings the following to the Hi-Rel Technology Centre:

- Hi-Rel Testing expertise
- 30+ years of contacts in the industry
- Responsible for building a pipeline of clients for SHR's first year of operations

(ii) Mr George Shaw, who would be appointed as the Chief Operating Officer of SHR, brings his expertise gained from over 35 years in the semiconductor assembly and test sector, with direct hands-on experience in engineering and process design, strategic technical management, and facility greenfield projects, and Hi-Rel products. Mr George Shaw was involved in Hi-Rel engineering projects in United States of America. Mr George Shaw brings to the Hi-Rel Technology Centre:

- Hi-Rel Packaging expertise
- 35+ years of contacts in the industry
- Direct experience in greenfield production/engineering facilities in Asia
- Direct experience with National Semiconductor's Hi-Rel product line
- Established several Quality Management Systems ("QMS"), including Hi-Rel QMS

(iii) Mr Yeo Soon Lye is appointed as a non-executive director and it is intended that he will not be involved in the executive operations of the Hi-Rel business.

2)d) Please refer to the responses in paragraph 2)c) above for the jurisdictions in which Mr John Ritchie's and Mr George Shaw's Hi-Rel experiences were based.

Query by SGX-ST:

3) It was disclosed in the Announcement that "SHR was set up to be a unique provider of high reliability ("Hi-Rel") engineering services". Please elaborate on its uniqueness and explain what is meant by "high reliability" in the engineering services provided. Please also provide details on the operating license and/or patent that SHR hold for the provision of "high reliability engineering services ".

Company's Response:

The Company understands from SHR as follows:

(i) High Reliability ("**Hi-Rel**") engineering services refer to engineering services that test and/or develop rugged reliability that electronic systems require to ensure full operational ability in harsh environmental conditions (i.e. extreme temperature ranges, humid environments, shock, vibration, and moisture). For example, Hi-Rel semiconductor integrated chips ("**ICs**") have a more complex back-end manufacturing process and are tested multiple times at extreme temperature points and screened under extreme environmental conditions and the testing criteria must comply with the ICs' targeted end-application (for example, industrial, automotive or energy sectors).

(ii) SHR believes that the following factors would indicate the uniqueness of SHR's Hi-Rel engineering services in Singapore:
   a. Lack of Service Capability in the Region: SHR is not aware of any other company in Singapore that is engaged in the business of supporting Hi-Rel back-end manufacturing demand. Accordingly, companies based in the region that require ICs to have Hi-Rel compliance would typically complete such back-end manufacturing process in the United States of America ("**USA**"), United Kingdom ("**UK**") or Europe. SHR believes that having a Singapore based Hi-Rel Tech Centre for regional customers will provide SHR with a competitive advantage.
   b. Turn-Around-Time ("TAT"): Having a Singapore based Hi-Rel Tech Centre to serve regional customers would provide a faster TAT of approximately 3 to 6 weeks (depending on the Hi-Rel back-end requirements needed) as compared to an average TAT of 8 to 12 weeks when products are sent to US, UK or Europe for testing.
   c. Cost Savings: Companies based in the region that require Hi-Rel engineering services may enjoy significant cost savings if they had an alternate service provider for Hi-Rel engineering services based in the region and need not turn to service providers based in the US, UK or Europe.
   d. Expertise: SHR believes that it has the necessary expertise and personnel to carry out Hi-Rel back-end manufacturing and testing.

(iii) The Company understands that SHR has yet to commence its operations and currently does not hold any licence or patent in relation to the provision of Hi-Rel engineering services. SHR has confirmed that it intends to seek legal advice and to apply for all necessary permits, licences and approvals required for it to commence its operations relating to the provision of Hi-Rel engineering services.

Query by SGX-ST:

4) It was disclosed that as at the date of the Announcement, SHR has yet to commence any operations with regards to the Hi-Rel Technology Centre. As SHR has yet to commence any operations with regards to the Hi-Rel Technology Centre, what business does it currently conduct? Please explain the purpose of the Hi-Rel Technology Centre.

Company's Response:

The Company understands from SHR that SHR was incorporated approximately only over a month ago on 9 June 2017 for the purpose of engaging in the business of provision of Hi-Rel engineering services such as performing Hi-Rel technical tests and analysis/verification/certification services for electronics and semiconductor ICs as well as engineering design and consultancy activities. It has yet to commence any operations or business.

The Company further understands from SHR that the Hi-Rel Technology Centre, to be set up and based in Singapore, will provide engineering services for regional customers requiring semiconductor

components and electronic modules that conform to "ruggedized environmental" conditions and specifications. Hi-Reliability manufacturing services and support are currently lacking in Singapore and the APAC region. Of the five major assembly and test sub-contractors in Singapore, none of them are focused on serving the Hi-Rel market sector because of:

a. its complexity in manufacturing flow,
b. low volumes lot sizes with high product mix, and
c. the need for intensive engineering monitoring from beginning to end of lot processing (by engineers knowledgeable in Hi-Rel specifications and requirements)

Query by SGX-ST:

5) In the Announcement, it was disclosed that "the Company has received a proposal from Skeel Advisors Pte. Ltd. in respect of the provision of due diligence/consulting advisory work for the Proposed Transaction. (The Company's) independent director, Mr Lee Ka Shao is a director and shareholder of Skeel Advisors Pte. Ltd.".

   a) As the Company has disclosed that SHR has yet to commence any operations with regards to Hi-Tel Technology Centre, please disclose what is the scope of due diligence that will be undertaken by Skeel Advisors or other advisors to be appointed by the Company for this due diligence; and
   b) What due diligence had been undertaken by the Company before entering into the MOU and with respect to the Initial Funding of US$2 million.

Company's Response:

5)a) To clarify, the due diligence work required would be more of a business due diligence, which scope would include analysing and assessing the financial and profitability projections of the Hi-Rel Technology Centre, conducting a review of the proposed business operations, customers acquisition process (which includes reviewing the projected pipeline of projects to be undertaken), capital expenditure requirements and identification of critical areas of potential weaknesses and investment failures. In addition, the Company may separately also require legal due diligence to be undertaken in respect of SHR. Such legal due diligence would relate to items including due incorporation and litigation (if any).

5)b) As the MOU is non-binding, the Company has yet to carry out any significant due diligence procedures other than obtaining and reviewing the ACRA business profile of SHR and performing background searches on the directors of SHR. As disclosed in the Company's announcement on 11 July 2017, the Company intends to reach out to other service providers/consultants for quotes in relation to the provision of due diligence/consulting advisory work for the Proposed Transaction and will consider all proposals before deciding which service provider/consultant to engage. Ultimately, the provision of the Initial Funding will also be subject to conditions including, amongst others, the completion of due diligence and such due diligence results being satisfactory to the Company and the entry and due execution of definitive agreements between the parties.

BY ORDER OF THE BOARD

Chen Tong
Executive Chairman

16 July 2017