ISR CAPITAL LIMITED
威豪投资集团

SEIZING **GROWTH OPPORTUNITIES**

ANNUAL REPORT 2018

CONTENTS

CORPORATE **PROFILE**

ISR Capital Limited ("**ISR Capital**" or the "**Company**", and together with its subsidiaries, the "**Group**"), through the reconstruction of its investment portfolio focuses on the supply chain of high-tech industries that will generate value for the Group in the long term.

In line with its objective to strengthen its earnings base, the Group is primarily involved in two strategic investments: (i) a 60% stake in a rare earth concession area located in Madagascar, Africa, and (ii) a up to 25% stake in Straits Hi-Rel Pte. Ltd., a start-up focusing on speciality testing and back-end manufacturing for high reliability integrated chips and electronic modules for end-user application in the automotive, energy (oil and gas) and industrial sectors.

Through its wholly-owned subsidiary, ISR Global Pte. Ltd., the Group holds an exploration licence for the 238km^2 concession area that hosts rare earth oxides in north-western Madagascar, Africa. This licence enables the Group to embark on trial leaching, pilot production, conducting feasibility and engineering studies, as well as environmental impact assessments concurrently. The Group is targeting to apply for a full mining licence (*Permis de Exploitation*) before November 2021. The Group is committed to making good progress in the operation, management and production of rare earth oxides, to bring forth stable and sustainable earnings growth.

ISR Capital is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") under the stock code 5EC.

VISION

The Group strives to be a rare earth supply chain partner of choice in delivering long-term benefits for all stakeholders through our holistic management along the value chain.

MISSION

The Company aims to be an investment group that invests in a responsible manner to generate stable and sustainable income, and achieve capital growth for our shareholders.

CORE VALUES

Good Corporate Governance

The Group is committed to uphold the best practices in corporate transparency and disclosures. The Board will continuously enhance our corporate governance framework and processes through effective oversight, and observe high standards of **transparency, accountability and integrity** in managing the Group's business in order to create value for our stakeholders and safeguard the Group's assets.

Responsible Investing

The Group will carry out preliminary assessment on proposed investments with our investment criteria, policies and guidelines, and will engage external independent professionals to carry out extensive due diligence on the proposed investments identified. We will avoid investing in companies that are involved in known breaches of human rights, labour laws, environment or anti-corruption laws.

Prudent Risk Management

The Group takes great care in assessing and mitigating potential risks to ensure that all investment decisions are in the best interest of our shareholders.

CHAIRMAN'S
LETTER TO SHAREHOLDERS

INVESTMENT PORTFOLIO

60%
Tantalum Holding (Mauritius) Ltd ("**THM**")

OWNS 100%
Tantalum Rare Earth Malagasy S.A.R.L.U. ("**TREM**")

12.5% (up to 25%)
Straits Hi-Rel Pte. Ltd. ("**SHR**")

NET ASSET VALUE

S$3.46 Million
As at 31 December 2017: $6.98 million

NET ASSET VALUE PER SHARE

0.11 Singapore Cent
As at 31 December 2017: 0.27 Singapore Cent

REVENUE

S$0.75 Million
As at 31 December 2017: S$0.58 million

Dear Fellow Shareholders,

The last financial year ended 31 December 2018 ("**FY2018**") was an eventful year as our relentless efforts in acquiring the 60% stake in the rare earth concession located in north-western Madagascar, Africa, came to fruition.

Over the last two and a half years, we overcame adversities to reconstruct the Group's investment portfolio to focus on the supply chain of high-tech industries. Our reconstructed investment portfolio currently includes (i) a 60% stake in Tantalum Holding (Mauritius) Ltd ("**THM**") which in turns owns 100% of Tantalum Rare Earth Malagasy S.A.R.L.U. ("**TREM**"), and (ii) a up to 25% stake in Straits Hi-Rel Pte. Ltd. ("**SHR**").

We are committed to generate value from the reconstructed investment portfolio for our shareholders who gave us their unwavering faith and support over the years.

Our dedication to rare earth creates value

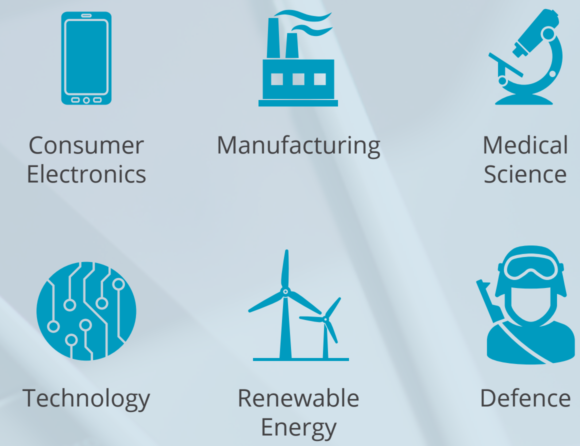
Rare earth elements are a group of 17 chemical elements used in some of the world's fastest growing industries including renewable energy, electric vehicles, telecommunications and defence. China is the world's largest producer, consumer and exporter of rare earths, controlling more than 90% of the global supply base with an established dominant position in the entire value chain. This control extends from mining to production of key intermediate products such as magnets, which are critical inputs for some of the high growth industries.

When it became evident to the Group that the 238km^2 concession area in north-western Madagascar, Africa hosted rare earth oxides, we pursued relentlessly the acquisition of THM. We believed that bringing this greenfield rare earth mine to commercialisation is likely to create immense value for the Group and our shareholders.

Through rigorous due diligence including the engagement and publication of the third independent qualified report and constant dialogues over the past years, we fulfilled the requirements of all relevant authorities in the various jurisdictions. We renegotiated with the vendor of THM to reduce the purchase consideration of the 60% stake to

> "at least seven key rare earth elements are key ingredients of the components used in the manufacture of electric vehicles, turbines, and consumer electronics."

Industry Applications of Rare Earth Elements



approximately S$3 million by issuing approximately 747.3 million shares at an issue price of S$0.004 per share.

Furthermore, the renewal of the exploration licence for the concession area for another three years from November 2018, enables the Group to commence work on trial leaching, pilot production, conducting feasibility and engineering studies, as well as environmental impact assessment concurrently. We aim to apply for a full mining licence *(Permis de Exploitation)* before November 2021 to achieve commercial production.

For the year under review

The Group consolidated the assets and liabilities of THM and its wholly-owned subsidiary, TREM in its consolidated financial statements for FY2018. Consequently, the Group's net asset value decreased from S$6.98 million as at 31 December 2017 to S$3.46 million as at 31 December 2018. Based on the issued and paid-up share capital of 2.56 billion shares and 3.16 billion shares, the net asset value per share decreased from 0.27 Singapore cent as at 31 December 2017 to 0.11 Singapore cent as at 31 December 2018, respectively.

While Group revenue increased 29.4% from S$0.58 million in FY2017 to S$0.75 million in FY2018 on the back of additional interest earned on the loans to THM and Tantalus Rare Earths AG ("TRE AG"), operating expenses and finance costs undermined the financial performance. As a result, net loss attributable to shareholders widened 47.8% from S$1.42 million in FY2017 to S$2.10 million in FY2018.

The Group will continue to review and monitor the progress of SHR since our initial investment in 2017. Any further investment into SHR will be measured against the milestone achievements stipulated in the investment agreement.

Well-positioned to benefit from increasing demand for rare earth elements

The 5G revolution is likely to quicken the pace of integrating more sophisticated high-tech devices into our daily lives. Moving upstream in the supply chain of these high-tech devices, at least seven key rare earth elements are key ingredients of the components used in the manufacture of electric vehicles, turbines, and consumer electronics.

"In view of China's reduction in supply and an anticipated demand growth for rare earth elements of between 7-8% annually, global manufacturers are seeking alternative supplies. This bodes well for the Group's rare earth mine as we are well-positioned to ride this rising trend for rare earth elements."

In September 2015, the International Organisation for Standardisation (ISO) formed a technical committee to explore the possibility of international standardisation of rare earth products. The committee led by China, expects the introduction of standards should aid in ensuring all rare earths entering the supply chain are sourced from legal miners, who abide by the best environmental practices. Eradicating the unregulated and/or illegal production of rare earth elements would have a positive influence on the prices of these elements.

China has been the world's largest exporter, raising overseas shipments by 4% year-on-year to more than 53,000 tonnes in 2018. The crackdown on illegal production in China last year reduced domestic output and led to a surge in imports by 167% to 41,400 tonnes of rare earth oxides. In March 2019, China's Ministry of Industry and Information Technology in a joint statement with the Ministry of Natural Resources lowered rare earth output quotas by 18.4% to 60,000 tonnes for the first half of 2019. In view of China's reduction in supply and an anticipated demand growth for rare earth elements of between 7-8% annually, global manufacturers are seeking alternative supplies. This bodes well for the Group's investment in the Madagascar rare earth concession as we are well-positioned to ride this rising trend for rare earth elements.

We are mindful of the challenging macro factors that are likely to persist in the short term, but we continue to set our

Other Applications of Rare Earth Elements

Magnets	Rechargeable Batteries	Aviation	Clean Energy Technologies	Optical Lenses
Uses: electronic equipment	Uses: cell phones, laptops, hybrid automobiles	Uses: jet engines	Uses: wind turbines and hybrid automobiles	Uses: cameras and telescopes

sights on the long term. In August 2018, the Group extended the maturity date of the redeemable convertible bonds by another two years to 16 September 2020 to fund the Group's financing requirements to achieve the milestones towards commercialisation.

To better reflect the Group's corporate identity and focused business strategy, we are seeking shareholders' approval at an extraordinary general meeting ("**EGM**") immediately after the annual general meeting ("**AGM**") on 28 June 2019 to change the Company's name to "**Reenova Investment Holding Limited**".

At the same EGM, the Group will also be seeking shareholders' approval to ratify the waiver of a condition precedent related to the acquisition, pursuant to the Notice of Compliance dated 10 January 2019 from the Singapore Exchange Regulation ("**SGX RegCo**").

Acknowledgement and Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our stakeholders including our shareholders, business partners, and committed employees for your patience and support over the years. We are appreciative of your belief in the management's expertise in mining and metallurgy to invest in and further develop this greenfield project.

We are committed to making progress in the rare earth mining concession in Madagascar through direct involvement in the operation, management and production of rare earth oxides, to generate stable and sustainable values for our stakeholders in the long term. We look forward to your continued support and faith as we strive to achieve the stipulated milestones towards a full mining licence and commercial production of rare earth oxides.

CHEN TONG
Executive Chairman

Sources:

Effects of Chinese policies on rare earth supply chain resilience
https://www.sciencedirect.com/science/article/pii/S092134491830435X?via%3Dihub

China cutting rare earth output, unnerving global manufacturers
https://www.reuters.com/article/china-rareearths/china-cutting-rare-earth-output-unnerving-global-manufacturers-idUSL2N1WY1QR

China becomes world's biggest importer of rare earths: analysts
https://www.reuters.com/article/us-china-rareearths/china-becomes-worlds-biggest-importer-of-rare-earths-analysts-idUSKBN1QU1RO

China sets lower rare earth output quotas for first half of 2019
https://www.reuters.com/article/us-china-rareearths-quotas/china-sets-lower-rare-earth-output-quotas-for-first-half-of-2019-idUSKCN1QW1DF

OPERATIONS **REVIEW**

Over the last few years, initiatives were made to reconstruct the investment portfolio such as to focus on the supply chain of high-tech industries. The acquisition of the rare earth mine is to strategically ride **the demand growth for rare earth elements and generate sustainable earnings for our stakeholders in the long term.**

ISR Capital Limited ("**ISR**" or the "**Company**", and together with its subsidiaries, the "**Group**") reconstructed its investment portfolio through the diversification of the businesses of its investee companies. In addition to reviewing and monitoring the progress and performance of investee companies, the Group diversified its activities to include (i) operation, management, and production of rare earth oxides in Madagascar, (ii) sale and distribution of rare earth oxides, and (iii) provision of technical support and services relating to rare earth oxides mining.

The Group accelerated its corporate restructuring process over the last three years and relentlessly pursued the acquisition of the rare earth concession, which could potentially turn the Group around. With the completion of the acquisition of the 60% stake in Tantalum Holding (Mauritius) Ltd ("**THM**") which in turns own 100% of Tantalum Rare Earth Malagasy S.A.R.L.U. ("**TREM**"), the Group expects to take up to 22 months to complete feasibility and engineering studies that include pilot production and on-site geological topography, as well as up to 18 months to complete and receive approval of the environmental impact assessment. The Group intends to carry out these activities concurrently and it aims to apply for a *Permis de Exploitation* ("**PE**") licence or full mining licence before 5 November 2021.

Rare Earth Concession

The rare earth concession area covers approximately 238km^2 and is held under exploration licence PR 6698 (the "**Exploration Licence**"), which grants exclusive rights for prospecting and research. The rare earth concession area is located in the eastern part of the Ampasindava Peninsula, in the province of Antsiranana in north-western Madagascar, approximately 500km north of the capital, Antananarivo. The nearest major town and administrative centre is Ambanja, some 40km to the northeast of the rare earth concession area.

The Exploration Licence was originally granted in 2008 for five years and was renewed for three years in January 2014. The Group received the approval for the second-renewal Exploration Licence in November 2018 for another three years, starting 6 November 2018 to 5 November 2021. Prior to the expiry of the Exploration Licence, it will be necessary to make an application for a PE mining licence.

With the acquisition legally completed on 3 January 2019, the Group is able to commence its next phase of work, which includes accomplishing the preparatory works such as feasibility and engineering studies, as well as environmental impact assessment. The Group will be required to apply for a full mining licence before commercial production can commence. The Group will ensure that the operations abide by the laws and regulations of Madagascar, including environmental laws and standards.

The technical report commissioned by the Company and issued by Behre Dolbear Australia Pty Limited dated 21 September 2017 and updated on 20 September 2018, in accordance with the requirements of the VALMIN Code (Australian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets – 2015) and in compliance with the Code and Guidelines for Reporting Exploration Results, Mineral Resources and Ore Reserves – Joint Ore Reserve Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia – December 2012; concluded that rare earth elements can be readily extracted from the deposits found within the concession area.

An estimated base case resource statement from the technical report is as follows:

Tantalus Mineral Resource Summary

Category	Tonnage Mt	Thickness m	TREO ppm	TREOnoCe ppm	CREO ppm	HREO ppm	TREO Cont. Tonnes
Measured	40.1	5.4	975	660	296	187	39,100
Indicated	157.6	6.8	878	554	255	166	138,300
Meas/Ind	**197.7**	**6.5**	**897**	**575**	**263**	**170**	**177,400**
Inferred	430.0	5.6	894	574	247	149	384,600
Total	**627.7**	**5.9**	**895**	**574**	**252**	**156**	**562,000**

Notes:

SGS Canada Inc 10 June 2016 estimate; cut-off grade 300-500ppm TREOnoCe; Mt denotes million tonnes; m denotes metres; ppm denotes parts per million; 1 tonne = 1,000 kilogramme.

TREO ▶ total rare earth oxides, arithmetic total abundance of all lanthanide rare earth oxides plus yttrium oxide

TREOnoCe ▶ Total Rare Earth Oxides excluding Cerium Oxide = TREO–Ce_2O_3

CREO ▶ Critical Rare Earth Oxides ▶ $Nd_2O_3 + Y_2O_3 + Eu_2O_3 + Tb_2O_3 + Dy_2O_3$

HREO ▶ Heavy Rare Earth Oxides ▶ $Y_2O_3 + Eu_2O_3 + Gd_2O_3 + Tb_2O_3 + Dy_2O_3 + Ho_2O_3 + Er_2O_3 + Tm_2O_3 + Yb_2O_3 + Lu_2O_3$

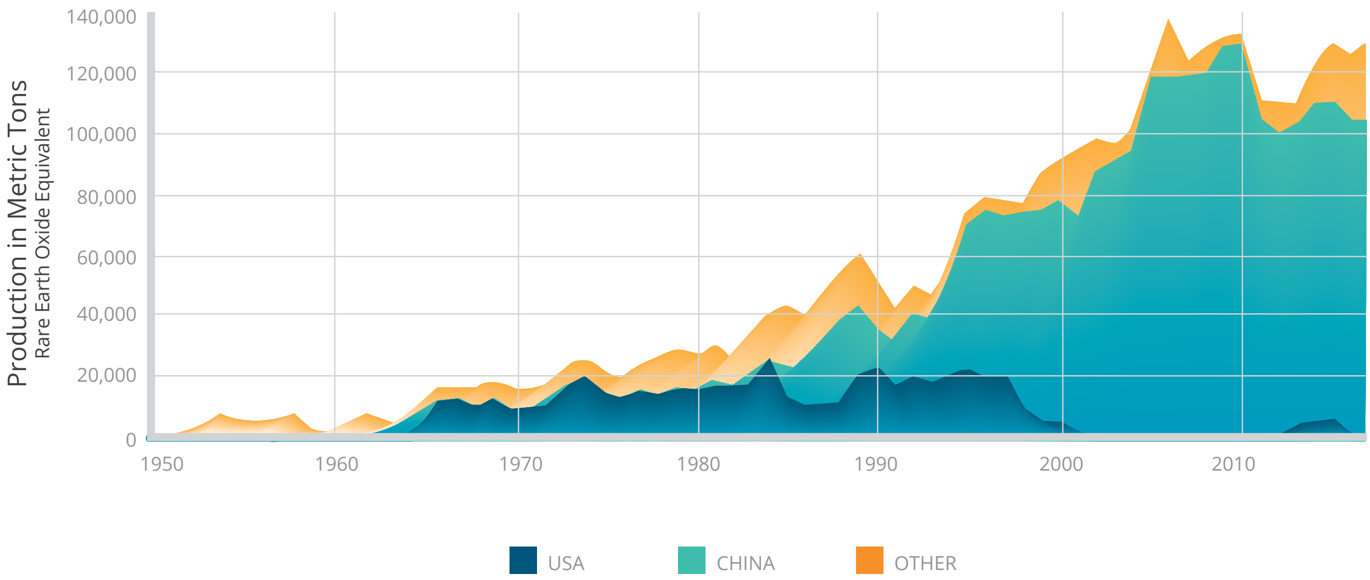
(a) An "**Inferred Mineral Resource**" is that part of a mineral resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. An "Inferred Mineral Resource" has a lower level of confidence than that applying to an "Indicated Mineral Resource".

(b) An "**Indicated Mineral Resource**" is that part of a mineral resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. An "Indicated Mineral Resource" has a lower level of confidence than that applying to a "Measured Mineral Resource".

(c) A "**Measured Mineral Resource**" is that part of a mineral resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit.

(d) The technical report dated 20 September 2018 is attached as Appendix A to the Circular dated 15 October 2018.

Global Rare Earth Element Production



Rare Earth Element Production: The chart above shows a history of global rare earth element production, in metric tonnes of rare earth oxide equivalent, between 1950 and 2017. It clearly shows the United States' entry into the market in the mid-1960s when colour television exploded demand. When China began selling rare earth at very low prices in the late 1980s and early 1990s, mines in the United States were forced to close because they could no longer make a profit. When China cut exports in 2010, rare earth prices skyrocketed. That motivated new production in the United States, Australia, Russia, Thailand, Malaysia, and other countries. In 2016, rare earth production in the United States stopped as the only remaining mine was put on care and maintenance.

Source: Geology.com, article by Hobart M. King, Ph.D., RPG
https://geology.com/articles/rare-earth-elements/

Rare earth elements are a group of 17 chemical elements that occur together in the periodic table. The group consists of yttrium and the 15 lanthanide elements (lanthanum, cerium, praseodymium, neodymium, promethium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, and lutetium). Scandium is found in most rare earth element deposits and is sometimes classified as a rare earth element.

The rare earth elements are all metals, and the group is often referred to as the "rare earth metals". These metals have many similar properties, and that often causes them to be found together in geologic deposits. They are also referred to as "rare earth oxides" because many of them are typically sold as oxide compounds.

The world demand is expected to grow as rare earth metals were designed into a wide variety of defence, aviation, industrial, and consumer electronics products.

Industry Applications of Rare Earth Elements

Industry	Applications
Consumer Electronics	television screens, computers, cell phones, silicon chips, monitor displays, rechargeable batteries, camera lenses, light emitting diodes (LEDs), compact fluorescent lamps (CFLs), baggage scanners and marine propulsion systems
Manufacturing	high strength magnets, metal alloy, stress gauge, ceramic pigments, colorants in glassware, chemical oxidizing agents, polishing powders, additives for strengthening other metals and automotive catalytic converters
Medical Science	X-ray machines, X-ray tubes, magnetic resonance imagery (MRI) contrasting agents, nuclear medicine imaging, cancer treatment applications, and for genetic screening tests, medical and dental lasers
Technology	lasers, optical glass, fibre optics, radar detection devices, nuclear fuel rods, mercury-vapor lamps, highly reflective glass, computer memory, nuclear batteries and high temperature superconductors
Renewable Energy	hybrid automobiles, wind turbines, rechargeable batteries and biofuel catalyst
Defence	night-vision goggles, laser range-finders, guidance systems, communications, fluorescents and phosphors in lamps and monitors, amplifiers in fibre-optic data transmission, permanent magnets that are stable at high temperatures, precision-guided weapons, "white noise" production in stealth technology

Corporate Developments

During FY2018, the Group pressed on to complete the acquisition of THM. The vendor transferred the shares to the Group's wholly-owned subsidiary, ISR Global Pte. Ltd. on 28 December 2018, and the Company issued 747,257,307 shares at an issue price of S$0.004 per share as the purchase consideration on 3 January 2019. The vendor has provided a deed of undertaking to the Company that it will not sell or transfer the shares for a period of six months from 3 January 2019 without a written consent of the Company. An extraordinary general meeting will be convened on 28 June 2019 where shareholders' approval will be sought for the ratification of the waiver of a condition precedent in relation to the acquisition of the rare earth concession.

In view of the financing required to bring the greenfield rare earth concession to commercial production, the Group has extended the maturity date of the convertible bond as one of its funding options, from three to five years, to expire on 16 September 2020.

Please refer to the Company's announcements on the SGX website for more information on the above corporate actions.

With the acquisition legally completed in January 2019, the Group is now able to commence its next phase of work in bringing the greenfield rare earth concession towards commercialisation by November 2021. The Company will update shareholders on the progress of its investment portfolio as and when appropriate.

BOARD OF
DIRECTORS & MANAGEMENT

MR CHEN TONG
Executive Chairman and Executive Director

Mr Chen Tong is the Executive Chairman and Executive Director of the Company, and a member of the Nominating Committee. He was re-designated from a Non-Independent Non-Executive Director to Executive Chairman and Executive Director on 18 November 2016. He was last re-elected on 28 April 2017.

Mr Chen is primarily involved in the oversight and management of the Group's investments and corporate developments, as well as formulate the overall business and corporate policies and strategies for the Group.

Having been involved in developing mineral resource assets and businesses in China, Australia, Canada, South Africa and the ASEAN region in the last 15 years, Mr Chen brings with him over 30 years of operational experience and related industry expertise as well as industrial network to the Group.

Mr Chen was subsequently appointed as a director of Tantalum Holding (Mauritius) Ltd and Straits Hi-Rel Pte. Ltd. on 12 April 2017 and 25 September 2017 respectively.

Mr Chen Tong graduated from Beijing University of Science and Technology with a Bachelor of Engineering in Thermal Engineering and from Shanghai University with a Master of Engineering in Metallurgy.

MR KWOK WEI WOON, JOSEPH
Lead Independent Non-Executive Director

Mr Kwok Wei Woon Joseph is the Lead Independent Director of the Company, Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He was appointed to the Board on 14 May 2012 and was re-elected on 26 April 2018.

Mr Kwok is currently the CEO / General Manager of Soochow Securities CSSD (Singapore) Pte Ltd ("SSCS"), an investment holding company that is 75% owned by Soochow Securities Co Ltd and 25% by China-Singapore Suzhou Industrial Park Development Co. Ltd. SSCS has two subsidiaries where he is a director – SooChow CSSD Asset Management (Asia) Pte Ltd which is in the fund management business, and SooChow CSSD Capital Markets (Asia) Pte Ltd which is in the corporate finance, investment banking and dealing in securities business.

He has more than 20 years of experience in the financial services industry and previously held senior roles with global financial institutions like JP Morgan (Executive Director); UBS AG (Director, Advisory Consultant, North Asia); Standard Chartered Bank Singapore (Deputy GM, Wealth Management).

Mr Kwok is a Fellow of the Institute of Banking and Finance and SIM University. He also volunteers in non-profit organisations and is currently President of Association Of Chinese Securities & Futures Industry, President of Australian Alumni Singapore, President of University of New South Wales Alumni Association Singapore and a member of Asian Advisory Board of Advance (an association supported by Australia Department of Foreign Affairs). He was previously President of Financial Planning Association of Singapore ("FPAS").

Mr Kwok graduated with a Bachelor of Commerce in Accounting and Finance and a Master of Commerce in Advance Finance from University of New South Wales. He is a certified accountant with CPA Australia and a Certified Financial Planner ("CFP").

MR LEE KA SHAO

Independent Non-Executive Director

Mr Lee Ka Shao is the Independent Director of the Company, Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee. He was appointed to the Board on 3 January 2017 and was re-elected on 28 April 2017.

Mr Lee, a veteran in the banking and finance industry, built and managed businesses in major financial institutions spanning trading, investment management, corporate finance and solution structuring across broad asset classes in the United States, Europe and Asia. He currently manages a family office, PhiMattell Pte. Ltd., and also a consulting company, Skeel Advisors Pte. Ltd.

Prior to that, he co-founded and was the chief investment officer of Cavenagh Capital, a global macro strategy hedge fund with offices in Amsterdam and Singapore, and he was also a founding member of Abax Global Capital, a special situation hedge fund based in Hong Kong. Preceding that, Mr Lee established and managed an internal absolute returns fund financed by the shareholders' equity of DBS Bank Group, and also advised on DBS's asset and liability management as the Managing Director in Central Treasury. Mr Lee began his career on Wall Street with J.P. Morgan as a market maker and proprietary trader in foreign exchange, interest rates and derivatives. He also established and headed a structuring group to offer innovative solutions in the post-Asian financial crisis in 1998.

Mr Lee graduated with Honours in Economics from the National University of Singapore.

MR LIN, CHEN HSIN

Independent Non-Executive Director

Mr Lin, Chen Hsin is the Independent Director of the Company and a member of the Audit and Remuneration Committees. He was appointed to the Board on 8 March 2017 and re-elected on 28 April 2017.

Mr Lin brings with him over 20 years of experience in import and export trading and manufacturing. He holds the position of Administration Director at Coastal International Holdings Ltd since 1997. Between 1997 to 2012, he was Executive Director of Coastal Greenland Limited, an investment holding company that is principally engaged in property-related business and listed on the Hong Kong Stock Exchange.

Mr Lin graduated from the Shanghai Institute of Education in 1965.

MR VINCENT LEE CHUNG NGEE

Group Financial Controller and Company Secretary

Mr Vincent Lee is the Group Financial Controller and a Company Secretary of the Company since June 2012.

Mr Lee, who has more than 20 years of work experience, currently oversees the Group's accounting and finance functions. He started his career as an auditor and accumulated considerable work experience during his tenure at several Big Four public accounting firms.

Mr Lee was appointed as a director of Tantalum Holding (Mauritius) Ltd and Straits Hi-Rel Pte. Ltd. on 12 April 2017 and 25 September 2017 respectively.

Mr Lee holds a Bachelor of Business in Accounting and Finance from the University of Technology, Sydney. He is a member of the Institute of Singapore Chartered Accountants, the Chartered Accountants Australia and New Zealand, and the Singapore Institute of Directors.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr Chen Tong
Executive Chairman and Executive Director

Mr Kwok Wei Woon
Lead Independent Director

Mr Lee Ka Shao
Independent Director

Mr Lin, Chen Hsin
Independent Director

AUDIT COMMITTEE

Mr Kwok Wei Woon *(Chairman)*
Mr Lee Ka Shao
Mr Lin, Chen Hsin

REMUNERATION COMMITTEE

Mr Lee Ka Shao *(Chairman)*
Mr Kwok Wei Woon
Mr Lin, Chen Hsin

NOMINATING COMMITTEE

Mr Lee Ka Shao *(Chairman)*
Mr Chen Tong
Mr Kwok Wei Woon

COMPANY SECRETARIES

Mr Vincent Lee Chung Ngee
Ms Joanna Lim Lan Sim

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SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

AUDITORS

RT LLP
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616
Partner-in-charge: Mr Ravinthran Arumugam
(Appointed in Financial Year 2018)

SUSTAINABILITY **REPORT**

BOARD STATEMENT

The Board of Directors ("**Board**") of ISR Capital Limited ("**Company**" and together its subsidiaries, the "**Group**") determines the material environment, social and governance ("**ESG**") factors and looks to refine and set targets to improve the ESG factors subsequently. We intend to expand the scope of our report in the future to include the sustainability performance of our investee companies, particularly those that the Group has a majority stake and is directly involved in the business operations. As our investments in investee companies are in various stages, depending on the business nature and operations requirements, we endeavour to identify and set measurable sustainability targets to align our investment portfolio with that of the Group.

Over the last few years, the Group streamlined its operations. The current management team continues to finetune and update its procedures and systems to ensure the Group meet relevant requirements at all times. Any key issues relating to the sustainability framework will be raised by the management during board meetings. The Board will review and consider sustainability issues which include the material ESG factors in determining ISR's strategic direction and policies.

For the year under review, this report focuses on ISR's sustainability performance with regards to the investment management operations at the holding level for the financial year ended 31 December 2018.

ABOUT THE REPORT

This sustainability report discusses our sustainability approach, initiatives and performance for the 12-month period ended 31 December 2018. It has been prepared with reference to the Global Reporting Initiative ("**GRI**") and in compliance to the Rules 711A and 711B of the Singapore Exchange Securities Trading Limited's ("**SGX-ST**") Listing Manual of Mainboard Rules.

This report focuses on the sustainability strategy and practices of the Company, and excludes the entities that are controlled by the Group as subsidiaries and associated companies. It will be printed annually together with the annual report. The annual report cum sustainability report will be printed in limited copies, as part of our environmental conservation efforts. The electronic copy is available at www.isrcap.com and www.sgx.com

As we plan to also engage our other groups of stakeholders to better understand their materiality concerns, the material topics may in the future reflect other issues which we have not previously considered.

No external assurance was sought for this report.

We welcome stakeholders to provide us with feedback and suggestions on this report. You may contact us through our investor relations email at ir@isrcap.com

STAKEHOLDERS AND ENGAGEMENT PLATFORMS

The Group has been using formal engagement method to interact with various groups of stakeholders as identified below. We endeavour to engage the various stakeholder groups related to the material topics identified for our subsequent sustainability reports as we commence our operations in the majority owned subsidiary in the operations and production of rare earth elements in Madagascar, Africa.

Our Stakeholders	Mode of Engagement	Our Initiatives
Employees	• Regular internal communications through meetings and electronic communications (emails, phone calls) • Employee feedback	• Ensure effective implementation of internal systems and policies • Staff training and development program • Sponsor employees to attend courses and conferences regularly to keep abreast of their requirements in the designated roles and responsibilities • Annual review on performance
Investee Companies / Business Partners	• Regular meetings • Electronic communications	• Assessment and due diligence • Refer to investment policy and risk management at page 18 • Regular reviews on operations and economic performance
Shareholders	• Announcements on SGXNET • Annual general meeting or extraordinary general meeting • Company website • Annual report	• Ensure all public disclosures on corporate results and developments are factual, timely and accurate to provide fair and equitable treatment to all shareholders • Refer to corporate governance statement at page 22 - 41
Governments & Regulators	• Meetings • Electronic communications • Through external professionals and agencies • Announcements on SGXNET	• Ensure compliance with applicable laws • Meetings and correspondences with relevant authorities and agencies on a regular basis to keep abreast of changes in regulations • Closely monitor developments in laws and regulations in countries where we have invested
External Professionals / Service Providers	• Regular meetings • Electronic communications	• Selection through internal assessment procedure and guidelines • Regular engagement with service providers to keep abreast of changes to ensure compliant with all relevant laws and regulations in countries where we have invested • Annual assessment
Community	• Management of ESG issues	• Engage in environmental conservation initiatives • Explore opportunity and business growth

SUSTAINABILITY
REPORT

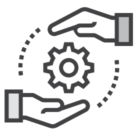
MATERIALITY ASSESSMENT

The Board and the management conducted an evaluation of the Group's risk and investment strategies in accordance with the Materiality Determination Process Tools as listed in the Sustainability Reporting Guide, Practice Note 7.6 of the SGX-ST Mainboard Listing Rules. The assessment was to identify the economic, environmental, social and governance risks and opportunities that could have a positive and/or negative impact on the Group's businesses.

Our Stakeholders	Material Matters	What are the risks?	Where do we see the opportunities?
Employees	• Health, safety and environment • Training and education • Ethics and integrity	• Failure to attract and retain talents of high ethics and integrity impedes growth and expansion • Employees risk obsolescence if they are not well-equipped with changing skillsets	✓ Develop a team of employees who are responsive to changes and requirements to perform in their respective roles and responsibilities
Investee Companies / Business Partners	• Economic performance • Corporate governance • Risk management • Health, safety and environment • Ethics and integrity	• Macroeconomic environment • Lack of internal control and proper risk management • Compliance risk	✓ Regular engagement and reviews on responsible operations and economic performance
Shareholders	• Economic performance • Corporate governance • Risk management • Privacy of personal data	• Macroeconomic environment • Lack of internal control and proper risk management	✓ Good corporate governance and transparency are the key factors in building trust and support
Governments & Regulators	• Corporate governance • Compliance with laws • Risk management	• Lack of internal control and proper risk management • Compliance risks arise from evolving regulatory and reporting landscape	✓ Engage with government authorities and agencies to keep abreast of the changes in regulations
External Professionals / Service Providers	• Risk management • Compliance with laws	• Lack of internal control and proper risk management • Changes of laws and regulations in countries where we invested may give rise to compliance risks	✓ Regular review and updates on the changes in regulations
Community	• Environmental sustainability • Contribution to the community	• Climate change	✓ To conduct feasibility study on the mining operations in Madagascar ✓ To address the ESG issues arising from the mining operations

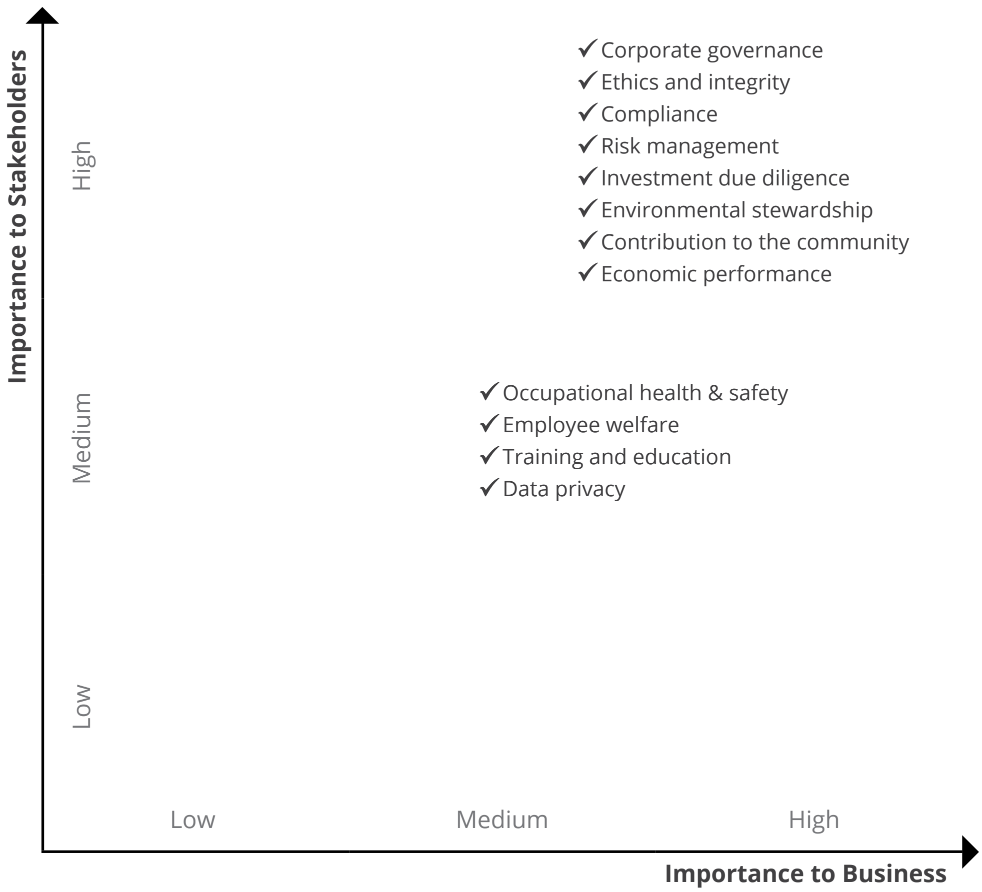
KEY MATERIAL TOPICS

The material topics below show the most relevant concerns for the Group that were identified in the internal materiality analysis. As the Group only diversified its scope beyond investment holding into operations and production of rare earth elements in early 2019, we will look into sharing more information on performance and targets in our subsequent reports.

Focus Area	Material Topics
 **Responsible Operations**	• Corporate governance • Ethics and integrity • Compliance • Risk management • Data privacy
 **Building Success**	• Economic performance • Investment due diligence
 **Health, Safety and Environment**	• Environmental stewardship • Occupational health & safety
 **Partnerships & Collaborations**	• Employee welfare • Training and education • Contribution to the community

SUSTAINABILITY **REPORT**

The material topics identified are evaluated and plotted in the Materiality Matrix according to their likely impact on the Group's business.



Responsible Operations

Corporate Governance
The Group recognises the importance of observing a high standard of corporate governance and transparency in ensuring the sustainability of our businesses and safeguarding our stakeholders' interests and value for the long term.

We are committed to upholding best practices in corporate transparency and disclosures, and we have in place a set of procedures and policies governing our compliance with applicable legislation and adherence to our risk management guidelines.

We complied with the principles and guidelines set out in the Code of Corporate Governance 2012, where appropriate. Our corporate governance statement can be found on pages 22 - 41 of this annual report.

Ethics & Integrity
ISR has zero tolerance for bribery or corruption. The Group's policy against improper payments sets out the standards and behaviour which the Group expects of its directors, officers, employees, agents, consultants, contractors and representatives, and links with the Whistleblowing Policy & Procedure for the reporting of any actual or suspected breaches of the policy. All reported incidents of non-compliance or potential non-compliance are taken seriously, reviewed and investigated. Serious incidences are to be reported to the Executive Director and the Chairman of the Audit Committee immediately within 24 hours, as well as to the Audit Committee at its regular meetings.

Compliance

Compliance with legislative requirements is a minimum standard that should be achieved whilst also striving to perform beyond these requirements where possible. Our global footprint in countries outside Singapore has heightened our proactivity in identifying and addressing a broader range of social issues, risks and impacts. This is particularly relevant with our future operations in Madagascar, Africa.

Risk Management

The Board, through the Board Charter, delegates responsibility for identifying and managing risks to management. The management reports to the Board every three months on those risks which could have a material impact on the Group's business. The consequence of risk across a number of areas including environment, health, safety, reputation, stakeholder, compliance, financial and company objectives are all addressed. Through this risk management framework, we seek to identify, assess and manage risks in a structured and systematic manner and enable prudent risk taking in line with business objectives and strategies.

Data Privacy

We are committed to complying with the Personal Data Protection Act and all relevant legislation. We have systems and procedures in place to protect information related to our investee companies and employees.

Building Success

Economic Performance

The Group aims to seek investment in businesses that have growth potential to generate stable and sustainable income for its stakeholders. We believe our growth in economic performance is an important component of the holistic system that is connected with the ESG factors.

Investment Due Diligence

We have put in place internal investment guidelines and due diligence procedures to facilitate preliminary assessments of business opportunities, and outsource in-depth due diligence to external independent professional agencies to assist us in investing in the business opportunities.

We believe the success of our investment business is inherently intertwined with the successes of our stakeholders, particularly our business partners and employees. We will continue to strive for sustainable economic performance for our stakeholders.

Please refer to our Financial Statements and Notes to Financial Statements found on pages 48 - 117 of this annual report.

Health, Safety and Environment

Environmental Stewardship

The Group has legally completed the acquisition of the majority stake in a rare earth concession in Madagascar in early January 2019. We plan to embark on feasibility and engineering studies in the concession area prior to commencement of our operations, and we also plan to start our engagement with the local government and community to work towards the sustainability of the environment.

We believe in generating mutual benefits with the local community by safeguarding their homeland. More information on our efforts in environmental stewardship will be shared in our subsequent reports.

SUSTAINABILITY **REPORT**

Occupational health & safety

Our approach to safety focuses on creating a culture which requires all members of our workforce to be leaders in creating a safe work environment. The health and wellbeing of our people is equally important. We seek to identify and manage occupational exposure risks, minimise occurrences of occupational illness and promote healthy lifestyles.

Partnerships & Collaborations

The Group as an investment holding company that liaises with a wide network of professional firms, companies, authorities, and agencies. We value the working relationships as these partners and collaborators assisted in strengthening our foundation as we began our reorganisation a few years ago.

Employee Welfare

As the Group expands beyond our investment scope to be directly involved in the operation, management and production of rare earth oxides, we are looking to increase the number of employees. We view our employees as the lifeline of an organisation and we believe Human Capital management is essential to increase the values of our employees who contribute to the success of our businesses.

The Group will enhance its staff handbook and human resources manual, to adhere to the legislation and guidelines in the country of operations. In addition, we will look into two key areas: (i) health, safety and welfare of employee, and (ii) training and education, to allow our employees to grow with the organisation.

Training and education

Employee development and investment in building capabilities and skills is one of our priorities this year. Learning and development opportunities enable our employees and contractors to build the appropriate skills, knowledge and behaviours to fulfil their positions safely and effectively. We plan to develop a framework to support the building of talent within our business so that it can support employees at all stages of their careers.

Contribution to the community

Many of our operations are located within or near local communities. We plan to manage our activities that can potentially affect community health and where possible, seek opportunities to have a positive impact on community health.

GRI STANDARDS CONTENT INDEX

GRI Standards	Disclosure		Reference / Description
GRI 101: Foundation 2016			
General Disclosure			
GRI 102: General Disclosures	102-1	Name of organisation	ISR Capital Limited
	102-2	Activities, brands, products and services	Corporate Profile, page 01
	102-3	Location of headquarters	Singapore
	102-4	Location of operations	Singapore, Africa
	102-5	Ownership and legal form	Statistics of Shareholdings, pages 118 to 119
	102-6	Markets served	Operations Review, page 06
	102-7	Scale of the organisation	Operations Review, page 06
	102-8	Information on employees and other workers	Health, Safety and Environment, and Partnerships & Collaborations, pages 18 to 19
	102-9	Supply chain	Corporate Profile, page 01
	102-10	Significant changes to the organisation and its supply chain	Letter to Shareholders, pages 02 to 05
	102-14	Statement from senior decision maker	Letter to Shareholders, pages 02 to 05 Board Statement, page 13
	102-16	Values, principles, standards and norms of behaviour	Core Values, page 01 Responsible Operations, pages 17 to 18 Corporate Governance, pages 22 to 41
	102-18	Governance structure	Corporate Governance, pages 22 to 41
	102-40	List of stakeholder groups	Stakeholder and Engagement Platforms, page 14
	102-42	Identifying and selecting stakeholders	Stakeholder and Engagement Platforms, page 14
	102-43	Approach to stakeholder engagement	Stakeholder and Engagement Platforms, page 14
	102-44	Key topics and expectations raised	Materiality Assessment, pages 15 to 17
	102-45	Entities included in the consolidated financial statements	Notes to Financial Statements, pages 55 to 117
	102-46	Defining report content and topic boundaries	Board Statement, page 13
	102-47	List of material topics	Key Material Topics, page 16

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GRI Standards	Disclosure		Reference / Description
GRI 101: Foundation 2016			
General Disclosure			
	102-49	Changes in reporting	None
	102-50	Reporting period	Board Statement, page 13
	102-51	Date of most recent previous report	5 April 2018
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions about the report	About this report, page 13
	102-54	Claims if reporting in accordance with the GRI Standards	Board Statement, page 13
	102-55	GRI content index	GRI content index, pages 20 to 21
Material Topics			
GRI 201: Economic Performance	201-01	Direct economic value generated and distributed	Building Success, page 18
GRI 205: Anti-corruption	205-01	Operations assessed for risks related to corruption	Responsible Operations, page 17 Building success, page 18
	205-02	Communication and training about anti-corruption	Responsible Operations, page 17
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	Health, Safety and Environment, page 18
GRI 403: Occupational health and safety	403	Workers representation in formal management-worker health and safety committees	Health, Safety and Environment, page 18
GRI 404: Training and education	404-2	Programs for upgrading employee skills and transition assistance programs	Partnerships & Collaborations, page 19
GRI 413-1		Operations with local community engagement, impact assessments and development programs	Partnerships & Collaborations, page 19
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Responsible Operations, page 17

CORPORATE
GOVERNANCE STATEMENT

INTRODUCTION

The Board of Directors (the "**Board**") of ISR Capital Limited (the "**Company**") is committed to uphold good corporate governance within the Company and its subsidiaries (the "**Group**"). This commitment to corporate governance is seen in their continuous support of the Code of Corporate Governance in their effort to observe high standards of transparency, accountability and integrity in managing the Group's business in order to create value for its stakeholders and safeguard the Group's assets.

This Statement describes the practices which the Company has taken with respect to each of the principles and guidelines and the extent of its compliance with the Code of Corporate Governance 2012 (the "Code") during the financial year ended 31 December 2018 ("**FY2018**"). Where there are deviations from the Code, appropriate explanations will be provided.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: ***Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.***

The Company is headed by an effective Board, comprising competent individuals with diversified background and collectively brings with them a wide range of experience, to lead and control the Company.

The Board's principal functions are:

- Setting the strategic directions and long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;
- Reviewing and approving financial policies, investments and divestment proposals and major funding proposals;
- Reviewing and approving the Group's annual business plan including the annual budget, capital expenditure and operational plans;
- Reviewing and evaluating the adequacy and integrity of the Group's internal controls, risk management and financial reporting system;
- Identifying the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- Considering sustainability issues including environmental and social factors in the formulation of the Group's strategies; and
- Ensuring accurate and timely reporting in communication with shareholders.

The Board is supported by the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), each of whose members are drawn from members of the Board (together "Board Committees" and each a "Board Committee"). Each Board Committee has its own written terms of reference and whose actions are reported to and monitored by the Board. Minutes of the Board Committee meetings are available to all Board members.

CORPORATE
GOVERNANCE STATEMENT

The full Board meets on a regular basis and as when necessary, to address any significant matters that may arise. The Company's constitution (the "Constitution") allows a Board meeting to be conducted by way of teleconference or videoconference. A record of the directors' attendance at meetings of the Board and Board Committees for FY2018, as well as frequency of such meetings, is set out below:

Type of meetings	Board	AC	NC	RC
No. of meetings held in FY2018	4	4	2	2
Attendance				
Mr Chen Tong	4/4	N/A	2/2	N/A
Mr Kwok Wei Woon	4/4	4/4	2/2	2/2
Mr Lee Ka Shao	4/4	4/4	2/2	2/2
Mr Lin, Chen Hsin	4/4	4/4	N/A	2/2

N/A - Not applicable

The Board has identified the following key areas for which the Board has direct responsibility for decision making:

- Approving the Group's major investments and funding decisions;
- Approving the Group's quarter, half-year and full-year results announcements for release via the SGXNET in accordance to the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST");
- Approving annual report and audited financial statements;
- Convening of shareholders' meetings;
- Approving corporate strategies;
- Approving corporate or financial restructuring;
- Approving annual management plans and budgets; and
- Approving of material acquisitions and disposal of assets.

While matters relating to the Group's objectives, strategies and policies require the Board's decision and approval, Management is responsible for the day-to-day operations and administration of the Group.

Formal letters had been issued to all newly appointed directors upon their appointments, setting out their duties and responsibilities as a director. New Directors, upon appointment, will also be briefed on their duties and obligation as Directors. The Directors are aware of the requirements in respect of disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. The Directors are also informed of regulatory changes initiated by or affecting the Company. No new director was appointed during the year under review.

CORPORATE
GOVERNANCE STATEMENT

New updates and releases issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Accounting and Corporate Authority ("**ACRA**") that are relevant to the Directors were circulated to the Board. The independent auditors also update the AC and the Board on the new and revised accounting standards that are applicable to the Group. All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are relevant to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable.

BOARD COMPOSITION AND GUIDANCE

Principle 2: ***There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

The Board consists of four (4) members comprising the Executive Chairman and three (3) Independent Non-Executive Directors. There is a strong independent element on the Board, with Independent Directors constituting 75% of the Board. The Independent Directors provide the Board with independent and objective judgment on the corporate affairs of the Group. They have the necessary experience to assist the Board in decision making and to provide a check and balance to the Board as they are not involved in the day-to-day operations of the Company.

Where the Chairman of the Board is not an independent director, the independent directors should make up at least half of the Board. The Company has complied with the relevant guideline of the Code as more than half of the Board comprised Independent Directors.

The NC reviews the independence of each Director on an annual basis and adopts the Code's definition of what constitutes an Independent Director as well as the respective Director's confirmation of independence statement. None of the Independent Non-Executive Director has a material relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgement.

None of the Independent Directors have served on the Board beyond nine (9) years from their respective date of appointment.

The Board recognizes the importance of an appropriate balance and diversity of skills, experience, age, gender, knowledge and professional qualifications in building an effective Board. For this purpose, the NC examines the Board's collective skills matrix during the annual assessment of the effectiveness of the Board. The Board considers that the present Board size is appropriate, taking into account the nature and scope of the Group's operation as well as the diversified background and experience of the Directors. The Board comprises Directors who as a group provide core competencies in areas such as finance, accounting, business management, industry knowledge and strategic planning experience that are necessary and critical to meet the Group's objectives.

The profile of each Director is presented on pages 10 to 11 of this Annual Report.

The Independent Non-Executive Directors constructively review and assist the Board to facilitate and develop proposals on strategy and review the performance of Management in meeting agreed objectives and monitor the reporting performance. On the effectiveness, the Independent Directors have full access and co-operation from the Company's Management and officers. The Independent Directors have full discretion to have separate meetings and invite any Directors or officers to the meetings and to meet without the presence of Management or Executive Director as and when warranted by certain circumstances.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: ***There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.***

The Company does not have the position of the Chief Executive Officer ("CEO") and Mr Chen Tong currently fulfils the role of the Executive Chairman and is responsible for the oversight and management of the Group's investments and corporate developments, as well as formulating the overall business and corporate policies and strategies for the Group.

All major decisions made by the Executive Chairman are reviewed by the Board. His performance will be reviewed periodically by the Nominating Committee and his remuneration package will be reviewed periodically by the Remuneration Committee.

The Executive Chairman ensures that Board meetings are held on a regular basis and sets Board meeting agenda for each meeting in consultation with the Directors, the Management and the Company Secretary as and when necessary. The Executive Chairman ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. The Executive Chairman also:

(a) leads the Board to ensure its effectiveness on all aspects of its role;

(b) sets the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promotes a culture of openness and debate at the Board;

(d) ensures that the Directors receive complete, adequate and timely information;

(e) ensures effective communication with shareholders;

(f) encourages constructive relations within the Board and between the Board and Management;

(g) facilitates the effective contribution of Non-Executive Directors in particular; and

(h) promotes high standards of corporate governance.

For effective governance, the Board has appointed Mr Kwok Wei Woon as the Lead Independent Director ("LID") of the Company who provides leadership in situations where the Chairman is conflicted. As LID, Mr Kwok Wei Woon will be available to address shareholder concerns when contact through the normal channels of communication with the Chairman or the Group Financial Controller or the Management has failed to provide a satisfactory resolution or when such contact is inappropriate or inadequate.

CORPORATE
GOVERNANCE STATEMENT

BOARD MEMBERSHIP

Principle 4: ***There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.***

The NC, regulated by a set of written terms of reference, comprises the following three (3) Directors, a majority of whom including the Chairman of the NC, are Independent Non-Executive Directors:

1. Mr Lee Ka Shao (Chairman)
2. Mr Kwok Wei Woon
3. Mr Chen Tong

The principal functions of the NC stipulated in its terms of reference are as follows:

(a) to review and make recommendations to the Board on all board appointments, including re-nominations, having regard to the Director's competencies, commitment, contributions and performance (for example attendance, preparedness, participation, candour and others);

(b) to review and determine annually the independence of each director;

(c) where a Director has multiple board representations, to decide whether a Director is able to and has adequately carried out his duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;

(d) to determine how the Board's performance may be evaluated and propose objective performance criteria that allow comparison with industry peers, for approval by the Board, and that address how the Board has enhanced long-term shareholders' value;

(e) to review the structure, composition and size of the Board;

(f) to review board succession plan; and

(g) to determine the appropriate training and professional development program for the Board.

In accordance with the Company's Constitution, at each Annual General Meeting ("AGM"), one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) but not less than one-third (1/3) shall retire by rotation and that all the Directors shall retire by rotation at least once every three (3) years and such retiring Director shall be eligible for re-election.

In the selection process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources. Thereafter, the NC conducts an initial assessment to review a candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates' independence, expertise, background and skills sets will be considered before the NC makes its recommendations to the Board. Under the Company's Constitution, any newly appointed director appointed by the Board shall retire at the AGM following his/her appointment and he/she shall be eligible for re-election.

At the forthcoming AGM, the retiring directors Mr Chen Tong and Mr Lee Ka Shao who are eligible will be offering themselves for re-election pursuant to Article 89 of the Company's Constitution. Each Mr Chen Tong and Mr Lee Ka Shao had accordingly abstained from reviewing and approving his own re-election.

CORPORATE
GOVERNANCE STATEMENT

As at the date of this Report, the Board comprises four (4) Directors. Details of the Directors' qualifications, initial appointment, last re-election and their directorships are as follows:

Name of Director	Position	Date of initial appointment	Date of last re-election	Academic and professional qualification	Present Directorship in other listed Companies	Past (preceding 3 years) Directorship in other listed Companies
Mr Chen Tong Age: 54	Executive Chairman	27 October 2016	28 April 2017	• Master of Engineering (Metallurgy) • Bachelor of Engineering (Thermal Engineering)	N/A	N/A
Mr Kwok Wei Woon Age: 46	Lead Independent Director	14 May 2012	26 April 2018	• Master of Commerce (Advance Finance) • Bachelor of Commerce (Accounting and Finance) • CPA (CPA Australia) • Certified Financial Planner	N/A	• Asia Fashion Holdings Limited • CWG International Ltd (formerly known as Chiwayland International Limited)
Mr Lee Ka Shao Age: 49	Independent Non-Executive Director	3 January 2017	28 April 2017	• Bachelor of Arts • Bachelor of Social Sciences	N/A	Asia Fashion Holdings Limited
Mr Lin, Chen Hsin Age:76	Independent Non-Executive Director	8 March 2017	28 April 2017	Shanghai Institute of Education	N/A	Coastal Greenland Limited* *(from year 1997 to 2012)*

* *Listed on Hong Kong Stock Exchange*

The NC had recommended to the Board that Mr Chen Tong and Mr Lee Ka Shao be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered their integrity, independence mindedness, contribution and performance (such as attendance, participation preparedness and candour).

The NC with the concurrence of the Board are of the view that it would not be appropriate to set a limit on the number of directorships that a Director may hold because directors have different capabilities, the nature of the organisations in which they hold appointments and the committees on which they serve are of different complexities, and accordingly, each Director would personally determine the demands of his competing directorships and obligations and assess the number of directorships they could hold and serve effectively. Currently, none of the Directors hold more than two (2) directorships in other listed companies. During the financial year under review, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group and there is presently no necessity to implement internal guidelines to address their competing time commitments. The NC is also of opinion that the current board size is adequate for the effective functioning of the Board.

In regard to the independence of the Directors, the NC has affirmed that all the three (3) Independent Directors namely Mr Kwok Wei Woon, Mr Lee Ka Shao and Mr Lin, Chen Hsin are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.

No alternate Director has been appointed to the Board.

BOARD PERFORMANCE

Principle 5: ***There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.***

The Board has, through the NC, implemented an annual evaluation process to assess the effectiveness of the Board as a whole, the Board Committees and the contributions by each individual Director. The NC is also responsible for deciding how the Board's performance may be evaluated and considers practical methods to assess the effectiveness of the Board and Board Committees.

The evaluation of the Board is conducted annually. This evaluation was carried out by having all Board members to complete a questionnaire individually. The assessment parameters include evaluation of the Board's composition, size, skills matrix and expertise, timeliness of information to the Board, Board accountability and processes as well as the efficiency and effectiveness of the Board Committees in assisting the Board. The completed forms are returned to the Company for compilation of the average scores. The compiled results are then tabulated and presented at the NC Meeting for the NC's review. The Chairman of the NC will then present the deliberations of the NC to the Board. The results of the overall performance of the Board and Board Committees pointed towards consistently good ranking in most areas. Each director has contributed positively to the effective functioning of the Board and Board Committees. The annual evaluation exercise also provides an opportunity to obtain constructive feedback from each Director on whether the Board committees are functioning properly, and whether the Board's procedures and processes have allowed each Director to discharge his duties effectively and to propose changes which may be made to enhance the Board effectiveness as a whole.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for FY2018 are based on their attendances, commitment of time and contributions made at these meetings.

No external facilitators were used in the assessment of the Board as a whole, its Board Committees and the individual directors.

ACCESS TO INFORMATION

Principle 6: ***In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

The Board has separate and independent access to the Group's senior management and external auditors of the Group at all times. Request for information is dealt with promptly by Management. The Board is informed of all material events and transactions as and when they occur. The information made available to the Directors are in various forms such as quarterly, half-yearly and full-year financial results, progress reports of the Group's operations, corporate developments, regulatory updates, business developments and audit reports. Management also consults with Board members regularly and whenever necessary and appropriate. The Board is issued with Board papers timely prior to Board meetings.

Management's proposals to the Board for approval include background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings. In order to keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.

The Directors also have separate and independent access to both the company secretaries. The roles of the company secretaries are to administer, attend and prepare minutes of Board meetings, assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Constitution, Listing Manual of the SGX-ST and other relevant rules and regulations applicable to the Company are complied with. The company secretaries also attend all Board meetings. The appointment and replacement of the company secretaries is a Board reserved matter.

A calendar of activities is scheduled for the Board a year in advance, with Board papers and agenda items dispatched to Directors prior to the meetings of the Board and Board Committees, with sufficient lead-time for Directors to peruse, review and consider the items tabled so that the discussions at such meetings can be more meaningful and productive.

The Board in fulfilling its responsibilities as a group or individually, when deemed fit, direct the Company, at the Company's expense, to appoint an independent professional adviser, to render professional advice.

REMUNERATION MATTERS

Procedures for developing remuneration policies

Principle 7: ***There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.***

The RC, regulated by a set of written terms of reference, comprises the following three (3) Directors, all of whom are Independent Non-Executive Directors:

1. Mr Lee Ka Shao (Chairman)
2. Mr Kwok Wei Woon
3. Mr Lin, Chen Hsin

The functions of the RC include as follows:

(a) to review periodically and recommend to the Board an appropriate framework of remuneration practices to attract, retain and motivate management staff to achieve increased performance and manage the Group successfully;

(b) to review and recommend senior management remuneration package and that of the executive Director whose remuneration packages include a variable bonus component which is performance-related, and also performance shares which have been designed to align their interests with those of the shareholders;

(c) to administer the ISR Performance Share Plan approved by the shareholders on 8 September 2015;

(d) to appoint and retain such professional consultancy firm deemed necessary to enable the RC to discharge their duties satisfactorily; and

(e) to review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC's recommendation for directors' fees are made in consultation with the Chairman of the Board and submitted to the entire Board for endorsement, following which the recommendation is tabled for shareholders' approval at the Company's AGM. No member of RC or the Board participated in the deliberation of his own remuneration.

The RC ensures that the remuneration package of the Executive Chairman is in line with the Company's compensation policy. They also consider and review the disclosure of Directors' remuneration in the annual report. The RC will also ensure that the Independent Non-Executive Directors are not compensated excessively to the extent that their independence may be compromised.

No independent consultant is engaged for advising on the remuneration of all directors. The Company will seek independent expert advice should such need arise.

LEVEL AND MIX OF REMUNERATION

Principle 8: ***The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

Remuneration policy in respect of executive director and other key management personnel

In setting remuneration package for the Executive Chairman and the key management personnel (who are not also directors or the CEO) of the Company, the performance related elements of remuneration form a significant portion of the total remuneration package. This is to align their interests with those of shareholders, promote the long-term success of the Group, and to link rewards to corporate and individual performance. The RC will also take into consideration the pay and employment conditions within the industry and comparable companies.

Long Term Incentive Scheme

The Company has an employee share award plan known as the ISR Performance Share Plan (the "PSP"), administered by the Remuneration Committee. The PSP provides an opportunity for employees who met performance targets to receive their award through an equity stake in the Company. The Circular to Shareholders dated 24 August 2015 containing the details of the PSP is available to shareholders upon their request. There were no share awards granted by the Company in 2018.

The executive director is remunerated as a member of management. No service contract was entered into between the Company and the executive director in relation to his employment with the Company. The executive director does not receive a director's fee. The executive director has an employment contract with the Company and his performance is incentivised by the ISR Performance Share Plan.

Policy in respect of non-executive directors' remuneration

In reviewing the recommendation for independent Non-Executive Directors' remuneration for FY2018, the RC had continued to adopt a framework of basic fees for serving on the Board and Board Committees, as well as fees for chairing each Board Committee and the role of Lead Independent Director. The fees take into consideration the amount of time and effort that each Board member may be required to devote to their role. Fees for Independent Non-Executive Directors are subject to the approval of shareholders at the AGM.

In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the industry and is performance-related. The Company has not adopted the use of contractual provisions to reclaim incentive components of the remuneration of executive directors and key management personnel as it was considered unnecessary in the Company's current context.

DISCLOSURE OF REMUNERATION

Principle 9: ***Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

Level and mix of remuneration of directors and key management personnel (who are not also directors or the CEO) for the financial year ended 31 December 2018.

The Group currently has only one key management personnel (who is not a director or the CEO) for the financial year ended 31 December 2018. The remuneration of the Directors and key management personnel (who are not also directors or the CEO) for FY2018 are disclosed using the band of S$250,000 below. The disclosure is to enable investors to understand the link between the remuneration paid to Directors and key management personnel and their performance. The remuneration for the Executive Director and key management personnel (who are not also directors or the CEO) comprises fixed and variable components. The fixed component is in the form of fixed monthly salary whereas the variable component is linked to the performance of the Group and the individual.

Regarding the Code's recommendation to fully disclose the remuneration of directors and the key management personnel (who are not directors or the CEO), the Board is of the opinion that given the confidentiality of and commercial sensitivity attached to remuneration matters and to be in line with the interest of the Company, the remuneration will not be disclosed in dollar terms.

The compensation structure for the Executive Director and key management personnel (who are not directors or the CEO) of the Company consists of four key components – salary, bonus, share awards and other benefits.

The breakdown (in percentage terms) of the remuneration for each Director and key management personnel for FY2018 are as follows:

	Designation	Salary* %	Bonus* %	Share Awards %	Other Benefits %	Director Fees %	Total %
Directors							
$250,001 - $500,000							
Mr Chen Tong	Executive Chairman	82	14	–	4	–	100
Below S$250,000							
Mr Kwok Wei Woon	Lead Independent Director	–	–	–	–	100	100
Mr Lee Ka Shao	Independent Director	–	–	–	–	100	100
Mr Lin, Chen Hsin	Independent Director	–	–	–	–	100	100
Key Management Personnel							
Below S$250,000							
Mr Vincent Lee Chung Ngee	Group Financial Controller and Company Secretary	86	13	–	1	–	100

* *Inclusive of employer's contributions to defined contribution plan*

Remuneration of employees who are immediate family members of a director or the Chief Executive Officer ("CEO")

The Company does not have any employee who is an immediate family member of a Director or the CEO, whose remuneration for FY2018 exceeds S$50,000.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: ***The Board should present a balanced and understandable assessment of the company's performance, position and prospects.***

The Board is responsible to provide a balanced and understandable assessment of the Company's performance, position and prospects, to its shareholders, the public and regulators. The Management provides the Board with management accounts, operations review and related explanations and any other information as the Board may require together with the financial statements on a quarterly basis.

In its interim quarterly financial statements announcements, the Board provides a negative assurance statement confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Company has also procured undertakings from all its Directors and executive officers in compliance with Listing Rule 720(1).

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced and issued within the statutory prescribed periods.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: ***The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard shareholders' interests and the Group's assets. The system of internal controls provides a reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The AC and the Board believe that in the absence of any evidence to the contrary and from due enquiry, the system of internal controls that has been maintained by the Group's Management and that was in place throughout the financial year and up to the date of this report is adequate to meet the needs of the Group in its current business environment.

The Group has a formal Risk Management Framework for identification of key risks within the business. The Group regularly reviews its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board.

The AC assists the Board in the oversight of risk management in the Group. It reviews the effectiveness of the overall risk management system in meeting sound corporate governance principles. The Group's risk management process is an ongoing process and requires continuing identification, assessment, monitoring and management of significant risks. The AC will report any material matters including findings and recommendations pertaining to risk management to the Board.

As part of the annual statutory audit and internal audit, the Group's external auditor and internal auditor conducted an annual review, in accordance with their audit plan, of the effectiveness of the Group's material internal controls relevant to the Group's preparation of financial statements. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC as part of their review. The AC also reviews the effectiveness of the actions taken on the recommendations made by the external auditor in this respect, if any.

In the absence of any evidence to the contrary, it is the opinion of the Board, with the concurrence of the AC, that the risk management and system of internal controls maintained by the Group's Management that is in place throughout FY2018 and up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational, information technology and compliance risks. The Board notes that all risk management and system of internal control contain inherent limitations and no risk management and system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, the work performed by the internal and external auditors and the documentation on the Group's key risks, reviews performed by Management, AC and the Board, the AC and the Board are of the opinion that the Group's risk management and internal controls, addressing financial, operational, information technology and compliance risks, were effective and adequate. The Board has received assurance from the Executive Chairman and the Group Financial Controller: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems.

The Company has disclosed that it is assisting with an investigation by the Commercial Affairs Department of the Singapore Police Force ("CAD") in a public announcement dated 3 April 2014. In response to the on-going investigation by CAD, the Board has put in place the following measures and controls to further safeguard the shareholders' interests in the Company:

(a) Management to notify the AC and seek AC's approval before any investment transactions are undertaken by the Group.

(b) The Group's business continuity plan should be enhanced to include identifying suitable personnel to replace any key executive or employee.

On 9 December 2016, the Company has been served a joint notice dated 7 December 2016 by Monetary Authority of Singapore and CAD (collectively referred to as the "Authorities") which states that the Authorities are investigating into an offence under the Securities and Futures Act (Chapter 289) and require access to certain documents and information pertaining to the Company.

As of the date of this Statement, the Authorities have not disclosed to the Company any further details nor provided any further updates on their investigations. Given the uncertainties in relation to the target(s) and subject matter of the on-going investigations by the Authorities, the Board of Directors and Management are not able to ascertain the impact of these investigations, if any, to the Company and the Group and to their ongoing business operations and furthermore, the implications of such investigations, if any, to the Group's and the Company's financial statements for the financial year ended 31 December 2018. The Company remains unaware of the commission of any offence in connection with the investigations by the Authorities and has been cooperating fully with the Authorities in their investigations.

Apart from the investigations by the Authorities which have given rise to some uncertainties, the Company and its subsidiaries have kept full and proper accounting records, the full access whereof were provided and fully disclosed to the independent auditors.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC, regulated by a set of written terms of reference, comprises the following three (3) Directors, all of whom are Independent Non-Executive Directors:

1. Mr Kwok Wei Woon (Chairman)
2. Mr Lee Ka Shao
3. Mr Lin, Chen Hsin

The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities. Mr Kwok Wei Woon, Mr Lee Ka Shao and Mr Lin, Chen Hsin are all qualified professionals and they possess the requisite accounting and financial management expertise and experience.

The AC takes measures to keep abreast of the changes to the financial reporting standards and issues which have a direct impact on the financial statements, with regular updates by the independent auditors on changes or amendments to financial reporting standards.

The AC is governed by its Terms of Reference which highlights its duties and functions as follows :

(a) to review with the external auditor, the audit plan, their evaluation of the Group's system of internal accounting controls, their audit report, management letter and Management's responses; and also to review the assistance given by the Company's officers to the external auditor;

(b) to review the scope and results of audit and its cost effectiveness and the independence and objectivity of the external auditor. Where the external auditor also provides a substantial volume of non-audit services to the Company, to review the nature and extent of such services to maintain the balance of objectivity and value for money;

(c) to review the half-year and full-year financial results of the Company and the consolidated financial statements of the Group before submission to the Board for approval;

(d) to review annually the effectiveness of the Company's material internal controls including financial, operational, information technology and compliance control and risk management;

(e) to review the independence of the external auditor annually;

(f) to consider and make recommendations to the Board on the appointment, re-appointment and removal of external auditor, their remuneration and terms of engagement;

(g) to ensure that the internal audit function, is adequately resourced and has appropriate standing within the Company and to review the adequacy of the function annually;

(h) to review the scope and results of the internal audit procedures;

(i) to meet with the external and internal auditors without the presence of Management, annually;

(j) to review interested persons transactions to comply with the rules of the Listing Manual of the SGX-ST and other relevant statutory requirements and any potential conflicts of interest; and

(k) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rules or regulations which has or is likely to have a material impact on the operating results and financial position of the Group.

Apart from the above functions, the AC has the power to conduct and authorise investigations into matters within the AC's scope of responsibility. The AC also has full access to and co-operation of the Company's Management and has full discretion to invite any Director or executive officer to attend the AC meetings, and has been given the reasonable resources to enable it to discharge its functions.

In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

None of the AC members were previous partners or directors of the existing auditing firm within the previous twelve months and none of the AC members hold any financial interest in the auditing firm.

Summary of AC's activities in FY2018

During FY2018, the AC met four (4) times to discuss the following matters :

(a) reviewed the financial statements of the Company before the announcement of the Company's quarterly and full-year results; before recommending it to the Board for approval;

(b) reviewed the external auditor's report for the financial year ended 31 December 2018;

(c) reviewed the nature and extent of non-audit services provided by the external auditor during the financial year ended 31 December 2018 and reviewed the external auditor's independence;

(d) met with the external auditor without the presence of Management;

(e) reviewed the adequacy of the scope of the Group's internal audit function and ensuring its appropriate standing within the Group for the financial year ended 31 December 2018;

(f) reviewed the proposal for internal audit service for the financial year ended 31 December 2018;

(g) reviewed the interested persons transactions (if any);

(h) reviewed the Corporate Governance Statement for disclosure in the Company's 2018 Annual Report;

(i) proposed and recommended the appointment of the external auditor for FY2018; and

(j) reviewed and approved the external auditor's plan for the financial year ended 31 December 2018.

For FY2018, the aggregate amount of fees paid or payable to the external auditor of the Group amounted to S$77,300 including audit fees of S$71,000 and non-audit services fees of S$6,300. The AC has reviewed all non-audit services provided by the external auditor and is satisfied that these non-audit services would not affect the independence and objectivity of the external auditor. The AC having assessed the independence of auditors and size of resources and expertise, has recommended to the Board the re-appointment of RT LLP as auditors of the Company. The Board has approved the recommendation and will put forth the resolution to vote at the forthcoming AGM.

The Company has in place a Whistle-Blowing Policy to enable persons employed by the Group a channel to report any suspicions of non-compliance with regulations, policies and fraud, etc., to the appropriate authority for resolution, without any prejudicial implications to these employees. The AC has been vested with the power and authority to receive, investigate and enforce appropriate actions when any such non-compliance matter is brought to its attention.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with the Listing Rules 712 and 715. In addition, the AC is satisfied that the Company has complied with Rule 717 of the Listing Manual regarding the audit of the foreign subsidiaries.

In accordance with Rule 716 of the Listing Rules, the AC and the Board confirmed that they are satisfied that the appointment of different auditors for certain of its subsidiaries (i.e., the appointment of the PricewaterhouseCoopers Mauritius and PricewaterhouseCoopers S.A.R.L. as the auditors of Tantalum Holding (Mauritius) Ltd and Tantalum Rare Earth Malagasy S.A.R.L.U. respectively) had not compromised the standard and effectiveness of the audit of the Group and its consolidated financial statements.

In appointing the audit firms for the Group, the AC and the Board were satisfied that the Group has complied with Rules 712, 715 and 716 of the Listing Rules.

AC Commentary on the Basis for Disclaimer of Opinion in the Independent Auditor's Report

The AC noted that the external auditors have issued a "Disclaimer of Opinion" and did not express an opinion on the accompanying consolidated financial statements of the Group as at and for the financial year ended 31 December 2018 ("FY2018") and the statement of financial position of the Company as at 31 December 2018.

The AC noted the following basis for Disclaimer of Opinion raised by the external auditor in its audit report for FY2018. These matters are considered significant as they involved significant judgement and estimates by management. Below are the AC's commentary on the auditor's report:

Basis for Disclaimer of Opinion	Comments by the AC
Acquisition of a Business – Tantalum Holding (Mauritius) Ltd	The Group is embarking on a Purchase Price Allocation ("**PPA**") exercise in respect of the Acquisition and expects to finalise the PPA exercise within one year from the Acquisition Date. Accordingly, the fair values of assets and liabilities of THM and TREM on Acquisition Date shall be adjusted upon finalisation of the PPA exercise.
Going Concern	The AC noted that the Company has access to potential funding of up to approximately S$21 million through its existing convertible redeemable bond programme, subject to the terms and conditions of the bond subscription agreement and subsequent supplemental agreements, in addition to other alternative ways or methods to raise funds to meet the Group's working capital and operational needs. The AC noted that the Company has raised a total of S$2,850,000 (net of arranger's fees) through the issuance of Sub-Tranche 5 of Tranche 2 and Sub-Tranches 1 and 2 of Tranche 3 convertible redeemable bonds to Premier Equity Fund during FY2018. Subsequent to 31 December 2018, the Company further raised another S$950,000 (net of arranger's fees) through the issuance of Sub-Tranche 3 of Tranche 3 convertible redeemable bonds. The AC noted that the Group will be commencing its next phase of work such as conducting a feasibility study (which includes pilot production and on-site geological topography), completing the environmental impact assessment and relevant engineering studies, so as to enable the Group to apply for a full mining licence before November 2021. With a full mining licence, the Group will be able to commence commercial production. In view of the above, the AC is of the opinion that the Company and the Group will be able to continue to operate as a going concern for the next 12 months.

INTERNAL AUDIT

Principle 13: ***The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner.

The Group has outsourced its internal audit function for FY2018 to Mazars LLP (the "Internal Auditor"). The Internal Auditor reports directly to the Chairman of the Audit Committee.

The role of the Internal Auditor and scope of its responsibilities are as follows:

(a) Evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the Group's objectives and goals to be met;

(b) Reports risk management issues and internal controls deficiencies identified directly to the Audit Committee and provides recommendations for improving the Group's operations, in terms of both efficient and effective performance;

(c) Evaluates regulatory compliance with applicable laws and regulations;

(d) Evaluates information security and associated risk exposures;

(e) Evaluates the Group's readiness in case of business interruption; and

(f) Maintains open communication with Management and the Audit Committee.

To achieve its objectives, the Internal Auditor has unrestricted access to all records, properties and personnel of the Group. The Internal Auditor reviews the internal audit procedures and ensures that the internal audit function meets the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

During the year, the Internal Auditor followed up on prior year's audit findings and reviewed the following key areas of the Group:

(i) Procurement and payable; and
(ii) Cash and treasury management.

The Audit Committee will review the adequacy of the internal audit function annually. Based on the Audit Committee's review, the Audit Committee believes that the Internal Auditor is independent and has the appropriate standing within the Group and has adequate resources to perform its function effectively and objectively.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: ***Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

All shareholders of the Company receive the Annual Report and notice of Annual General Meeting ("AGM") within the mandatory notice period.

Shareholders are encouraged to participate at the Company's general meetings. They are allowed to vote in person or appoint proxy in accordance to the Constitution.

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend AGMs. The Company allows relevant intermediaries such as the Central Provident Fund Board or corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such bodies can attend and participate in general meetings as proxies.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: ***Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

The Company has not put in place an investor relations policy to promote regular and proactive communication with shareholders. The Company will review such need going forward.

The Company is in regular communication with shareholders. The Company does not practice selective disclosure. In line with the continuous obligations of the Company pursuant to the Listing Rules of the SGX-ST, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:

- SGXNET announcements and press releases;
- Annual Reports and Circulars prepared and issued to all shareholders;
- Company's website at www.isrcap.com, at which shareholders may have access to information on the Group.

The Company does not have a dividend policy based on payout ratio. As the Company had accumulated losses as at 31 December 2018 and its current priority is to achieve long-term capital growth for the benefit of shareholders, any profits generated shall therefore be retained for investment into the future. The Board will continue to monitor the financial position of the Company and will propose dividends at the appropriate time to the best interest of the shareholders. No dividend has been proposed for FY2018.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: ***Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

Shareholders have the opportunity to participate effectively and to vote in the AGM either in person or by proxy.

Resolutions to be passed at general meetings are always separate and distinct in terms of issue and are consistent with the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

The Chairman of the AC, NC and RC, or members of the respective committees standing in for them, are present at each AGM, and other general meetings held by the Company, if any, to address shareholders' queries. The external auditor is also present at each AGM to address shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

Questions, comments received from shareholders and responses from the Board and Management were recorded in the minutes of AGM. The minutes of general meetings will be prepared and are available to shareholders upon their request.

The Company conducts the voting of all its resolutions by poll at its general meetings. The detailed voting results of each of the resolutions tabled are announced on the same day after the meetings. The total number of votes cast for or against the resolutions is also announced after the meetings via SGXNET.

MATERIAL CONTRACTS

There were no other material contracts involving the interest of the directors or controlling shareholders entered into by the Group which are still subsisting as at the end of the financial year under review or entered into during the financial year.

INTERESTED PERSON TRANSACTIONS

During the year under review, there was no interested person transaction entered into by the Group that requires disclosure pursuant to the SGX-ST Listing Manual. No IPT Mandate has been obtained from shareholders.

DEALING IN SECURITIES

In line with the Rule 1207 (19) of the Listing Manual of the SGX-ST, the Company has in place a policy prohibiting share dealings by Directors and employees of the Group when in possession of undisclosed price sensitive information or for the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, with the restriction ending on the day after the announcement of the relevant results.

Directors and employees of the Group are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading period. An officer should also not deal in the Company's securities on short-term considerations. All employees of the Group have to obtain written approval before dealing in securities in their own accounts or in accounts which they have control or influence over.

UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF CONVERTIBLE REDEEMABLE BONDS OF S$12,000,000 AS AT 31 DECEMBER 2018

The Company refers to the net proceeds of approximately S$11.10 million raised from the issuance of convertible redeemable bonds as at 31 December 2018.

As at 31 December 2018, the status on the utilisation 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	7,791*
General working capital	3,310**
Total net proceeds raised from issuance of convertible redeemable bonds	11,101

* Including loans provided to Tantalum Holding (Mauritius) Ltd and Tantalus Rare Earths AG of S$2.10 million and S$653,000 respectively.

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

	S$'000
Wages, salaries, bonuses and other short-term employee benefits and employer's contributions to Central Provident Fund	1,516
Office and warehouse rental	293
Directors' fees	382
Professional fees (including legal, secretarial, investor relations)	257
Listing related expenses	154
Office expenses	69
Repair and maintenance	48
Insurance premiums	124
Others	467
Total	3,310

DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Chen Tong
Kwok Wei Woon
Lee Ka Shao
Lin, Chen Hsin

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate, other than as disclosed under the section on "Share awards" in this statement.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The following directors, who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations as stated below:

	Holdings registered in name of director or nominee (No. of ordinary shares)			Holdings in which director is deemed to have an interest (No. of ordinary shares)		
The Company	**At 1.1.2018 or date of appointment, if later**	**At 31.12.2018**	**At 21.01.2019**	**At 1.1.2018 or date of appointment, if later**	**At 31.12.2018**	**At 21.01.2019**
Chen Tong	23,529,412	314,785,912	314,785,912	–	–	–
Kwok Wei Woon	1,921,000	1,921,000	1,921,000	–	–	–

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

Except as disclosed above, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or date of appointment, if later or at the end of the financial year.

Except as disclosed above, there were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

SHARE OPTIONS

No options were granted during the financial year to subscribe for unissued shares of the Company or any corporation in the Group.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group.

There were no unissued shares of the Company or any corporation in the Group under option at the end of the financial year.

SHARE AWARDS

ISR Performance Share Plan

The shareholders of the Company approved the ISR Performance Share Plan (the "Share Plan") at an Extraordinary General Meeting on 8 September 2015.

The Share Plan is administered by the Remuneration Committee. The Share Plan enables the Company to award ordinary shares (the "Award") in the capital of the Company to directors and eligible employees in recognition of their contributions made to the Group.

The aggregate number of shares to be issued under that Share Plan shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time-to-time.

The Company granted Awards totaling 42,161,000 new ordinary shares in the capital of the Company to directors and eligible employees under the ISR Performance Share Plan on 22 March 2016.

There were no Awards granted by the Company during the financial year ended 31 December 2018.

AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year were as follows:

(i) Kwok Wei Woon (Chairman)
(ii) Lee Ka Shao
(iii) Lin, Chen Hsin

All members of the Audit Committee are independent non-executive directors.

AUDIT COMMITTEE (CONTINUED)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

(a) the scope and the results and its report on the weaknesses of internal accounting controls arising from internal audit procedures issued by the internal auditor;

(b) the audit plan of the Company's independent auditors;

(c) the assistance given by the Company's management to the independent auditors; and

(d) the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors, as well as the Independent Auditors' Report on the statement of financial position of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the independent auditor, RT LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Statement.

Pursuant to Listing Rule 1207(6)(b), the Audit Committee has undertaken a review of all non-audit services provided by the auditors and they would not, in the Audit Committee's opinion, affect the independence of the auditors.

INDEPENDENT AUDITOR

The independent auditor, RT LLP, has expressed its willingness to accept re-appointment.

On behalf of the board of directors

Chen Tong
Executive Chairman and Executive Director

Kwok Wei Woon
Lead Independent Non-Executive Director

6 June 2019

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ISR CAPITAL LIMITED
For the financial year ended 31 December 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the financial statements of ISR Capital Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 48 to 117.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(1) Purchase Price Allocation to be completed

The Group acquired a 60% stake in Tantalum Holding (Mauritius) Ltd ("THM"), which in turn owns 100% of Tantalum Rare Earth Malagasy S.A.R.L.U. ("TREM") on 28 December 2018 (the "Acquisition date").

A Purchase Price Allocation ("PPA") exercise is expected to be conducted by an external expert subsequent to the financial reporting date. This is in compliance with Singapore Financial Reporting Standard (International) 3 *Business Combinations*, which allows the Group to complete the assessment of PPA within a year. The formal PPA exercise is expected to be completed the latest by 27 December 2019.

Prior to the completion of the formal PPA exercise, the Group has performed a provisional PPA exercise. The provisional PPA exercise has resulted in an element of goodwill amounting to S$7,952,042. A formal PPA exercise is likely to attribute fair value to the respective assets acquired and liabilities assumed which could cause the residual goodwill value to change.

In view of the above, we were unable to obtain sufficient appropriate audit evidence, subject to completion of the formal PPA exercise, with respect to:

i. The fair value of identifiable intangible asset, if any;
ii. The fair value of the liabilities assumed of S$10,059,387;
iii. The accuracy of the non-controlling interest of S$3,308,676; and
iv. The goodwill recognised of S$7,952,042.

(2) Going Concern

During the financial year ended 31 December 2018, the Group incurred a net loss of S$2.1 million, recorded net operating cash outflows of S$3.0 million and net current liabilities of S$6.7 million. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

TREM, which is now owned by the Group following the acquisition of the 60% stake in THM on 28 December 2018, has successfully renewed the exploration licence of the greenfield rare earth mine on 6 November 2018. The renewal is valid for a three (3) year term from 6 November 2018 to 5 November 2021.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Disclaimer of Opinion (continued)

(2) Going Concern (continued)

The financial statements have been prepared on a going concern basis as the Directors are of the view that the Group will be able:

(a) to bring the greenfield rare earth mine to commercialization and revenue generation upon the Group's successful application for a full mining licence by November 2021; and
(b) to raise sufficient capital to support the above project.

The validity of the going concern basis on which the financial statements are prepared depends on the Directors' assessment of the Group's ability to operate as a going concern as set forth above. The assumptions are premised on future events, the outcome of which are inherently uncertain.

Accordingly, we were unable to assess the appropriateness of the management's use of the going concern assumption in the preparation of the financial statements. The financial statements of the Group and the Company have been prepared on a going concern basis, which assumes that the Group and the Company will continue in operation at least for a period of twelve months from the reporting date. This means that the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue in operation in the foreseeable future. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the balance sheet. In addition, the Group and the Company may have to provide for further liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTIUNED)

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct* and *Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ravinthran Arumugam.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 6 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

		Group	
	Note	2018	2017
		S$	S$
Revenue	4	745,572	576,075
Other gains, net	5	–	20,218
Other income	6	8,909	16,143
Employee benefits expense	7	(780,662)	(830,778)
Depreciation	19	(51,456)	(52,013)
Other operating expenses	8(a)	(1,768,519)	(1,146,923)
Finance costs	8(b)	(26,534)	(3,407)
Share of loss of joint venture	18	(66,232)	–
Loss before tax		(1,938,922)	(1,420,685)
Income tax expense	9	(161,384)	–
Loss for the year		(2,100,306)	(1,420,685)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		(31,311)	–
Items that will not be reclassified to profit or loss:			
Net fair value losses on equity instruments at fair value through other comprehensive income		(1)	–
Other comprehensive loss for the year, net of tax		(31,312)	–
Total comprehensive loss for the year		(2,131,618)	(1,420,685)
Loss attributable to:			
Equity holders of the Company		(2,100,306)	(1,420,685)
Non-controlling interests		–	–
Loss for the year		(2,100,306)	(1,420,685)
Total comprehensive loss attributable to:			
Equity holders of the Company		(2,131,618)	(1,420,685)
Non-controlling interests		–	–
Total comprehensive loss for the year		(2,131,618)	(1,420,685)
Loss per share for loss attributable to equity holders of the Company (Singapore cent per share):			
Basic loss per share	10(a)	(0.07)	(0.07)
Diluted loss per share	10(b)	(0.07)	(0.07)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF
FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018 S$	Group 2017 S$	Company 2018 S$	Company 2017 S$
ASSETS					
Current assets					
Cash and cash equivalents	11	151,555	646,422	136,068	632,273
Trade receivables	12	–	576,075	–	–
Other receivables	13(a)	38,305	49,401	37,303	49,401
Amounts due from subsidiaries	13(b)	–	–	11,965,049	6,514,399
Financial assets at FVOCI	14	–	1	–	–
Debt securities	15	–	5,322,075	–	–
Other current assets	16	67,146	47,260	55,700	47,260
		257,006	6,641,234	12,194,120	7,243,333
Non-current assets					
Other receivables	13(a)	1,665,342	–	–	–
Investments in subsidiaries	17	–	–	7	7
Investment in a joint venture	18	1,273,768	670,000	–	–
Property, plant and equipment	19	247,802	189,815	145,134	178,315
Intangible assets	20	7,953,827	–	–	–
		11,140,739	859,815	145,141	178,322
Total assets		11,397,745	7,501,049	12,339,261	7,421,655
LIABILITIES					
Current liabilities					
Other payables	21	6,959,603	449,606	3,947,358	298,809
Finance lease liabilities	22	–	9,255	–	9,255
Convertible redeemable bonds	23	–	50,148	–	50,148
		6,959,603	509,009	3,947,358	358,212
Non-current liabilities					
Convertible redeemable bonds	23	961,122	–	961,122	–
Deferred income tax liabilities	24	13,912	13,912	2,954	2,954
		975,034	13,912	964,076	2,954
Total liabilities		7,934,637	522,921	4,911,434	361,166
Net assets		3,463,108	6,978,128	7,427,827	7,060,489
EQUITY					
Share capital	25	37,816,578	35,868,655	37,816,578	35,868,655
Capital reserve	26	139,124	161,773	139,124	161,773
Fair value reserve	27	(7,779,920)	–	–	–
Currency translation reserve	28	(30,905)	406	–	–
Accumulated losses	29	(23,373,093)	(29,052,706)	(30,527,875)	(28,969,939)
Total equity attributable to owners of the Company		6,771,784	6,978,128	7,427,827	7,060,489
Non-controlling interests		(3,308,676)	–	–	–
Total equity		3,463,108	6,978,128	7,427,827	7,060,489

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2018

Group 2018	Share capital S$	Capital reserve S$	Fair value reserve S$	Currency translation reserve S$	Accumulated losses S$	Total S$	Non-controlling interest S$	Total equity S$
At 1 January	35,868,655	161,773	–	406	(29,052,706)	6,978,128	–	6,978,128
Adoption of SFRS(I) 9	–	–	(7,779,919)	–	7,779,919	–	–	–
Balance at 1 January, as restated	35,868,655	161,773	(7,779,919)	406	(21,272,787)	6,978,128	–	6,978,128
Loss for the year	–	–	–	–	(2,100,306)	(2,100,306)	–	(2,100,306)
Other comprehensive loss for the year	–	–	(1)	(31,311)	–	(31,312)	–	(31,312)
Loss for the year, representing total comprehensive loss for the year	–	–	(1)	(31,311)	(2,100,306)	(2,131,618)	–	(2,131,618)
Transactions with owners, recognised directly in equity:								
Issuance of new ordinary shares	1,977,955	–	–	–	–	1,977,955	–	1,977,955
Share issue expense	(30,032)	–	–	–	–	(30,032)	–	(30,032)
Convertible redeemable bonds – equity component	–	(22,649)	–	–	–	(22,649)	–	(22,649)
Acquisition of a subsidiary	–	–	–	–	–	–	(3,308,676)	(3,308,676)
Total transactions with owners, recognised directly in equity	1,947,923	(22,649)	–	–	–	1,925,274	(3,308,676)	(1,383,402)
At 31 December	37,816,578	139,124	(7,779,920)	(30,905)	(23,373,093)	6,771,784	(3,308,676)	3,463,108

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2018

Group

2017	**Share capital S$** Note 25	**Capital reserve S$**	**Currency translation reserve S$**	**Accumulated losses S$**	**Total equity S$**
At 1 January	32,074,968	188,135	406	(27,632,021)	4,631,488
Loss for the year, representing total comprehensive loss for the year	–	–	–	(1,420,685)	(1,420,685)
Transactions with owners, recognised directly in equity:					
- Issuance of new ordinary shares	3,823,880	–	–	–	3,823,880
- Share issue expense	(30,193)	–	–	–	(30,193)
- Convertible redeemable bonds-equity component	–	(26,362)	–	–	(26,362)
Total transactions with owners, recognised directly in equity	3,793,687	(26,362)	–	–	3,767,325
At 31 December	35,868,655	161,773	406	(29,052,706)	6,978,128

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2018

	Note	Group 2018 S$	Group 2017 S$
Cash flows from operating activities			
Net loss for the year		(2,100,306)	(1,420,685)
Adjustments for:			
Income tax expense	9	161,384	–
Depreciation	19	51,456	52,013
Convertible redeemable bond interest	8(b)	26,445	800
Hire purchase interest	8(b)	89	2,607
Interest income		(745,797)	(576,853)
Impairment loss on trade receivables	8(a)	71,484	–
Impairment loss on other receivables	8(a)	7,595	10,084
Impairment loss on debt securities	8(a)	679,135	–
Impairment loss on financial assets, available-for-sale	5	–	10,109
Allowance for/(Write-back of) unutilised leave		10,500	(2,500)
Allowance for bonus		122,000	72,000
Net gain on disposal of financial assets, available-for-sale	5	–	(30,327)
Share of loss of joint venture	18	66,232	–
Operating cash flows before changes in working capital		(1,649,783)	(1,882,752)
Changes in working capital:			
Trade receivables, other receivables and other current assets		6,147,093	117,765
Other payables		(7,312,398)	(48,613)
Cash flows used in operating activities		(2,815,088)	(1,813,600)
Interest received		225	778
Income tax paid, net		(161,384)	–
Net cash used in operating activities		(2,976,247)	(1,812,822)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2018

	Note	Group 2018 S$	Group 2017 S$
Cash flows from investing activities			
Purchase of property, plant and equipment		(12,275)	(15,182)
Debt securities extended to non-controlling interest		(257,925)	–
Debt securities extended to third parties		–	(421,210)
Debt securities extended to a related party		–	(1,433,330)
Proceeds from disposal of financial assets, available-for-sale		–	50,545
Acquisition of subsidiary, net of cash acquired		10,956	–
Investment in a joint venture		(670,000)	(670,000)
Net cash used in investing activities		(929,244)	(2,489,177)
Cash flows from financing activities			
Hire purchase interest paid		(89)	(2,607)
Proceeds from issuance of convertible redeemable bonds		2,850,000	3,800,000
Advances from bond subscriber		600,000	–
Interest paid on convertible redeemable bonds		–	(503)
Share issue expense	25	(30,032)	(30,193)
Repayment of finance lease liabilities		(9,255)	(41,408)
Net cash provided by financing activities		3,410,624	3,725,289
Net decrease in cash and cash equivalents		(494,867)	(576,710)
Cash and cash equivalents at 1 January		646,422	1,223,132
Cash and cash equivalents at 31 December		151,555	646,422
List of significant non-cash transactions:			
Conversion of convertible redeemable bonds to ordinary shares (Note A)		1,977,955	3,823,880

Note A

Issuance of share capital

During the year, the convertible redeemable bonds issued by the Company were converted into 595,833,333 ordinary shares at a present value of $1,977,955 (face value totaling $2,050,000).

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2018

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2018 S$	Principal and Interest payments S$	Non-cash changes S$ Capital Reserve	Equity conversion	Interest Expense	31 December 2018 S$
Convertible bonds	50,148	2,850,000	22,649	(1,977,955)	16,280	961,122
Finance lease liabilities	9,255	(9,344)	–	–	89	–
Advances from bond subscriber	–	600,000	–	–	–	600,000

	1 January 2017 S$	Principal and Interest payments S$	Non-cash changes S$ Capital Reserve	Equity conversion	Interest Expense	31 December 2017 S$
Convertible bonds	47,168	3,800,000	26,362	(3,823,880)	498	50,148
Finance lease liabilities	50,663	(44,015)	–	–	2,607	9,255

The accompanying notes form an integral part of these financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. CORPORATE INFORMATION

ISR Capital Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of its registered office and its principal place of business is located at 83, Clemenceau Avenue, #10-03 UE Square, Singapore 239920.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries consist of investment holding, private equity investments, investment advisory and business consultancy services.

The Group refers to ISR Capital Limited and its subsidiaries, as disclosed in Note 17.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Going concern assumption

As at 31 December 2018, the Group's current liabilities exceeded its current assets by S$6,702,597, and the Group incurred a net loss of S$2,100,306 (2017: S$1,420,685) and recorded net operating cash outflows of S$2,976,247 (2017: S$1,812,822) during the financial year ended 31 December 2018. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

TREM, which is now owned by the Group following the acquisition of the 60% stake in THM on 28 December 2018, has successfully renewed the exploration licence of the greenfield rare earth mine on 6 November 2018. The renewal is valid for a three (3) year term from 6 November 2018 to 5 November 2021.

The financial statements have been prepared on a going concern basis as the Directors are of the view that the Group will be able:

(a) to bring the greenfield rare earth mine to commercialization and revenue generation upon the Group's successful application for a full mining licence by November 2021; and
(b) to raise sufficient capital to support the above project

The validity of the going concern basis on which the financial statements are prepared depends on the Directors' assessment of the Group's ability to operate as a going concern as set forth above. The assumptions are premised on future events, the outcome of which are inherently uncertain.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I)s

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I)s. Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I)s applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group's and the Company's date of transition to SFRS(I)s.

The principal adjustments made by the Group on adoption of SFRS(I)s and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)s

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I)s. The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* had not been applied to either acquisitions of subsidiaries that are considered business under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchanges Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquire. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures related to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards does not have any impact to the financial performance or position of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I)s

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

With respect to new SFRS(I) 15, management has assessed and concluded that there has no significant impact on its revenue recognition policy due to the Group's only source of revenue in current and prior year is interest income which do not fall within the scope of SFRS(I) 15.

Accordingly, the initial application of SFRS(I) 15 have no significant impact to the Group's Financial Statements.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 due to there is no significant impact on the comparative amounts of the financial statements for the financial year ended 2017. The Group has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

The classification and measurement requirements of SFRS(I) 9 did not have a significant impact to the Group except for the following changes in the classification and measurement of the financial assets:

- SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I)s (continued)

SFRS(I) 9 *Financial Instruments (continued)*

Classification and measurement (continued)

- Upon adoption of SFRS(I) 9, the Group measures its currently held available-for sale ("AFS") quoted and unquoted equity securities at FVOCI. For the previously held AFS quoted and unquoted equity securities measured at FVOCI, cumulative impairment charge of S$7,779,919 previously recognised in profit or loss were reclassified from retained earnings to fair value adjustment reserve as at 1 January 2018. There is no impact arising from this change in carrying value of the quoted equity securities with a corresponding adjustment to fair value adjustment reserve as at 1 January 2018.

The Group has assessed which business model apply to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects, before tax impact are as follows:

Financial assets:	**Group**				
Measurement category	**FRS 39 carrying amount on 31 December 2017 S$**	**Re-classifications S$**	**SFRS(I) 9 carrying amount on 1 January 2018 S$**	**Accumulated losses effect on 1 January 2018 S$**	**Fair value reserve effect on 1 January 2018 S$**
FVOCI	–	1	1	–	–
Reclassified from AFS	1	(1)	–	–	–
Reversal of impairment loss	–	–	–	7,779,919	(7,779,919)
FVOCI at 1 January 2018	1	–	1	7,779,919	(7,779,919)

The initial application of SFRS(I) 9 does not have any reclassification effect to the Company's financial statements.

The Group and the Company has not designed any financial liabilities at FVPL. There are no changes in classification and measurement for the Group's and Company's financial liabilities.

In summary, upon the adoption of SFRS(I) 9, the Group had the following required or elected reclassification as at 1 January 2018.

		SFRS(I) 9 measurement category		
FRS 39 Measurement category	**S$**	**FVPL S$**	**FVOCI S$**	**Amortised cost S$**
Loans and receivables:				
Trade receivables	576,075	–	–	576,075
Other receivables	43,998	–	–	43,998
Debt securities	5,322,075	–	–	5,322,075
Available-for-sale financial assets:				
Financial assets, available-for-sale	1	–	1	–
		–	1	5,942,148

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I)s (continued)

SFRS(I) 9 *Financial Instruments (continued)*

Impairment

SFRS(I) 9 requires the Group to record expected credit losses ("ECLs") on its financial assets measured at amortised cost, debt securities at FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

SFRS(I) 16 *Leases* (continued)

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects an increase in total assets and total liabilities, EBITDA and gearing ratio.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous-held equity interest in the acquiree over the (ii) fair value of the identifiable assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) Joint Ventures

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on joint ventures represents the excess of the cost of acquisition of the joint venture over the Group's share of the fair value of the identifiable net assets of the joint venture and is included in the carrying amount of the investments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(b) Joint Ventures (continued)

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in a joint venture equals to or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former joint venture is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2.5 Currency translation

The financial statements are presented in Singapore dollars ("SGD" or "S$") which is the Company's functional currency.

(a) Functional presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

(b) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Currency translation (continued)

(b) Transactions and balances (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investments in foreign operations, which are recognised initially in other comprehensive income and accumulated under currency translation reserve in equity. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(c) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Leasehold improvements	3 years
Furniture and fittings	5 years
Office equipment	5 years
Other equipment	4 to 10 years
Computers	3 years
Motor vehicles	5 to 10 years
Construction	10 years
Boat	10 years

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired.

Gains and losses on the disposal of subsidiaries and associates include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash- generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash- generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in this Note.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (continued)

(b) Other intangible assets (continued)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Computer software

Costs relating to computer software are capitalised and amortised on a straight-line basis over its estimated finite useful life of 4 years.

2.8 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in profit or loss except for assets that are previously re-valued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amounts of any previous revaluation.

2.9 Investments in subsidiaries and joint venture

Investments in subsidiaries and joint venture are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(b) Subsequent measurement and classification

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. They are presented as current assets except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired and through the amortisation process.

“Cash and cash equivalents”, “trade receivables”, “other receivables”, “amounts due from subsidiaries” and “debt securities” are classified and accounted for as loans and receivables.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity and in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(c) Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the differences between the carrying amount and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the financial period generally established by regulation or convention in the marketplace concerned.

The accounting for financial assets after 1 January 2018 are as follows:

Classification and measurement

Financial assets are classified in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise cash and bank balances and trade and other receivables.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Group only has debt instruments at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(c) Derecognition (continued)

At subsequent measurement (continued)

(i) Debt instruments (continued)

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in “other gains and losses”, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as “fair value gains / losses” in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as “dividend income”.

2.11 Impairment of financial assets

The accounting for financial assets before 1 January 2018 are as follows:

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired and recognises an allowance for impairment when such evidence exists.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amounts of the loss is measured as the differences between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written-off against the carrying values of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amounts of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the assets does not exceed its amortised cost at the reversal date. The amounts of reversal are recognised in profit or loss.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale financial assets, objective evidence of impairment include: (i) significant financial difficulty of the issuer or obligor; (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of the investments in equity instruments may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investments below its costs. "Significant" is to be evaluated against the original cost of the investments and "prolonged" against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; any increase in their fair values after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

The accounting for financial assets after 1 January 2018 are as follows:

The Group has the following types of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade and other receivables; and
- debt securities measured at amortised cost;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (continued)

The Company has the following types of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade and other receivables; and
- amounts due from subsidiaries at amortised cost;

The Group assesses on a forward-looking basis the expected credit loss associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at banks and deposits with financial institutions which are subject to an insignificant risk of changes in value.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increases in the provisions due to the passage of time are recognised as a finance cost.

2.15 Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities include “other payables”, “finance lease liabilities” and “convertible redeemable bonds”.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. They are classified as current liabilities if payment is due within one year or less. Otherwise they are presented as non-current liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial liabilities (continued)

(b) Subsequent measurement and classification

The measurement of financial liabilities depends on their classification as follows:

(i) Other financial liabilities

After initial recognition, other financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

(c) De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the differences in the respective carrying amount is recognised in profit or loss.

2.16 Convertible redeemable bonds

The total proceeds from convertible redeemable bonds issued are allocated to the liability component and the equity component, which are separately presented on the statement of financial position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

2.17 Employee benefits

(a) Defined contribution plans

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund (“CPF”) on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions to CPF are recognised as an expense in the period in which it is incurred.

(b) Employee leave entitlement

Employee entitlement to annual leave is recognised as a liability when they accrue to the employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases

The Group leased a motor vehicle under finance leases and office space under operating leases.

(a) Lessee - Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(b) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.19 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. The following specific recognition criteria must also be met before revenue is recognised:

(a) Interest income

Interest income is recognised using the effective interest method.

2.20 Finance costs

Finance cost comprise interest expense on borrowings that are recognised in profit or loss.

2.21 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates.

Current income taxes are recognised in profit or loss except to the extent that the tax relating to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Taxes (continued)

(b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and liabilities relating to items recognised outside profit or loss is recognised outside profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set-off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

2.23 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the end of the reporting period. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at the end of the reporting period. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Provision for expected credit losses ("ECLs") of trade receivables

The Group determines the ECL by using debtor by debtor basis, since the trade receivables of the Group solely comprised subsidiary and related party.

There is critical judgement used in the measurement of lifetime expected credit losses and forward-looking assumptions. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 12.

The carrying amounts of trade receivables at the end of the reporting period was Nil (2017: S$576,075).

(b) Acquisition of subsidiaries: fair values measured on a provisional basis

The acquisition of subsidiaries, which is disclosed in Note 17, is based on provisional amounts. Adjustments to provisional amounts, and the recognition of newly identified asset and liabilities, will be made within the 'measurement period' as permitted by the accounting standards. The adjustments will be made and completed in financial year 2019 within the measurement period.

Accordingly, the use of the assumptions and estimates in the provisional amounts would have a significant risk of resulting in a material adjustment within the next financial year.

4. REVENUE

	Group	
	2018	2017
	S$	S$
Interest income on debt securities	745,572	576,075

5. OTHER GAINS, NET

	Group	
	2018	2017
	S$	S$
Gain on disposal of financial assets, available-for-sale	–	30,327
Impairment loss on financial assets, available-for-sale (Note 14)	–	(10,109)
	–	20,218

6. OTHER INCOME

	Group	
	2018	2017
	S$	S$
Interest income on bank deposits and trading account	225	778
Productivity and Innovation Credit cash payout	7,113	10,792
Sundry income	1,571	4,573
	8,909	16,143

7. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018	2017
	S$	S$
Wages, salaries, bonuses and other short-term employee benefits	740,813	787,928
Employer’s contributions to Central Provident Fund	39,849	42,850
	780,662	830,778

8. OTHER OPERATING EXPENSES AND FINANCE COSTS

(a) Other operating expenses

	Group	
	2018	2017
	S$	S$
Directors' fee	156,000	149,322
Insurance expense	52,389	38,621
Impairment loss on trade receivables (Note 12)	71,484	–
Impairment loss on other receivables (Note 13)	7,595	10,084
Impairment loss on debt securities (Note 15)	679,135	–
Professional fees	471,308	519,622
Rental expense	90,265	93,459
Travel and entertainment expenses	95,260	169,136
Listing related expenses	79,859	65,373
Office utilities and expenses	14,809	25,260
Repair and maintenance	12,598	18,678
Others	37,817	57,368
	1,768,519	1,146,923

Included in professional fees are audit and non-audit fees incurred by the Group as follows:

	Group	
	2018	2017
	S$	S$
The following items have been included in arriving at loss before tax:		
Audit fees:		
- Auditors of the Group	71,000	55,000
Non-audit fees:		
- Auditors of the Group	6,300	7,500
- Other auditors	4,000	6,000
Total audit and non-audit fees	81,300	68,500

(b) Finance costs

	Group	
	2018	2017
	S$	S$
Hire purchase interest	89	2,607
Convertible redeemable bond interest	26,445	800
	26,534	3,407

9. INCOME TAXES

Income tax expenses

	Group	
	2018	2017
	S$	S$
Income tax expenses attributable to loss is made up of:		
- Under provision in respect of prior years:		
From continuing operations		
- Income tax	161,384	–

The tax on the Group's loss before tax differs from the amount that would arise using the Singapore standard tax rate of income tax as follows:

	Group	
	2018	2017
	S$	S$
Loss before tax	(1,938,922)	(1,420,685)
Tax at statutory tax rate of 17% (2017: 17%)	(329,617)	(241,516)
Adjustments:		
Non-deductible expenses	19,206	61,413
Income not subject to taxation	–	(1,835)
Deferred income tax asset not recognised	223,812	214,410
Tax losses not allowed to be carried forward	86,599	–
Utilisation of previously unrecognized tax losses	–	(30,688)
Under provision in respect of prior years	161,384	–
Others	–	(1,784)
Income tax expense recognised in profit or loss	161,384	–

10. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Basic loss per share attributable to equity holders of the Company is calculated as follows:

	Total	
	2018	2017
Net loss attributable to owners of the Company (S$)	(2,100,306)	(1,420,685)
Weighted average number of ordinary shares outstanding for basic loss per share	2,963,199,108	2,132,243,190
Basic loss per share (Singapore cent per share)	(0.07)	(0.07)

10. LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are the convertible redeemable bonds.

The convertible redeemable bonds are assumed to have been converted into ordinary shares at issuance and the net loss is adjusted to eliminate the interest expense less the tax effect.

Diluted loss per share attributable to equity holders of the Company is calculated as follows:

	Total	
	2018	**2017**
Net loss attributable to equity holders of the Company used to determine diluted loss per share (S$)	(2,100,306)	(1,420,685)
Weighted average number of ordinary shares outstanding	2,963,199,108	2,132,243,190
Diluted loss per share (Singapore cent per share)	(0.07)	(0.07)

The basic and diluted loss per share for the financial year ended 31 December 2018 and 2017 were the same as the effects of outstanding convertible bonds were anti-dilutive.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	S$	**S$**	**S$**	**S$**
Cash at bank	151,555	646,422	136,068	632,273

Cash and cash equivalents denominated in foreign currencies as at 31 December were as follows:

	Group	
	2018	**2017**
	S$	**S$**
Chinese Renminbi	11	11
Euro	3,646	–
Malagasy Ariary	7,310	–
	10,967	11

12. TRADE RECEIVABLES

	Group	
	2018	2017
	S$	S$
Trade receivables - gross	2,739,579	3,244,170
Less: Allowance for impairment of trade receivables	(2,739,579)	(2,668,095)
Trade receivables – net	–	576,075

Trade receivables are recognised at their original invoiced amounts which represent their fair value on initial recognition. The carrying value approximates its fair value.

Trade receivables as at 31 December 2017 were related to accrued interest on debt securities issued to Tantalum Holding (Mauritius) Ltd ("THM") and Tantalus Rare Earths AG ("TRE AG"). During the current financial year, accrued interest on debt securities issued to Tantalum Holding (Mauritius) Ltd has been reclassified as amount due from subsidiary as the Group was deemed to have completed the acquisition of THM on 28 December 2018.

The Group has trade receivables amounting to Nil (2017: S$576,075) that are not past due and are not impaired.

Receivables that were impaired

The Group's trade receivables that were impaired as at 31 December 2017 and the movements of the allowance accounts used to record the impairment were as follows:

	2017
	S$
Trade receivables – nominal amounts	2,668,095
Less: Allowance for impairment	(2,668,095)
	–
Movement in allowance accounts:	
At 1 January	2,668,095
Charge for the year	–
At 31 December	2,668,095

Trade receivables that were determined to be impaired at the end of the reporting date relate to debtors that were in significant financial difficulties and had defaulted on payments. These receivables were not secured by any collateral or credit enhancements.

12. TRADE RECEIVABLES (CONTINUED)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables based on lifetime ECL was as follows:

	2018 S$
Movement in allowance accounts:	
At 31 December 2017 under FRS 39	2,668,095
Effect of adopting SFRS(I) 9	–
At 1 January 2018 under SFRS(I) 9	2,668,095
Charge for the year (Note 8(a))	71,484
At 31 December	2,739,579

Trade receivables that are individually determined to be impaired at the end of the financial year ended 31 December 2018 relate to debtors that have defaulted on payments. These receivables were not secured by any collateral or credit enhancements. The accrued interest due from TRE AG were secured by a share pledge provided by TRE AG over its shareholding interest of 15% in THM in favour of the Group.

13. OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Other receivables

	Group		Company	
	2018 S$	2017 S$	2018 S$	2017 S$
Amounts due from related parties (non-trade) *	29,932	22,337	–	–
Less: Allowance for impairment	(29,932)	(22,337)	–	–
	–	–	–	–
Refundable deposits	36,507	43,998	32,622	43,998
Goods and Services Tax receivables	4,681	5,403	4,681	5,403
Local sales tax (VAT)	1,661,457	–	–	–
Sundry receivables	1,002	–	–	–
	1,703,647	49,401	37,303	49,401
Presented in Statement of Financial Position:				
Current	38,305	49,401	37,303	49,401
Non-current	1,665,342	–	–	–
	1,703,647	49,401	37,303	49,401

* The amounts due from related parties (non-trade) were unsecured and interest-free. The related parties refer to entities under the common control of an Executive Director.

13. OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Other receivables (continued)

Movements in the allowance for impairment of other receivables are as follows:

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Movements in allowance accounts:				
At 1 January	22,337	12,253	–	–
Charge for the year (Note 8(a))	7,595	10,084	–	–
At 31 December	29,932	22,337	–	–

(b) Amounts due from subsidiaries

	Company	
	2018	2017
	S$	S$
Amounts due from subsidiaries (non-trade)	43,635,037	37,989,738
Less: Allowance for impairment	(31,669,988)	(31,475,339)
	11,965,049	6,514,399

The amounts due from subsidiaries (non-trade) are unsecured, interest-free and repayable on demand.

The movements in the allowance for impairment of amounts due from subsidiaries are as follows:

	Company	
	2018	2017
	S$	S$
Movement in allowance accounts:		
At 1 January	31,475,339	31,331,857
Charge for the year	194,649	143,482
At 31 December	31,669,988	31,475,339

The impairment loss on amounts due from subsidiaries was provided due to loss-making subsidiaries.

14. FINANCIAL ASSETS, AT FVOCI

	Group	
	2018	2017
	S$	S$
Financial assets at FVOCI / Available-for-sale financial assets:		
- Equity securities (quoted)	–	–
- Equity securities (unquoted)	–	–
- Debt securities (unquoted)	–	1
Total financial assets, at FVOCI / available-for-sale, classified as current	–	1

During the financial year ended 31 December 2017, the Group recognised an impairment loss S$10,109 against quoted equity securities as their fair values have declined significantly below cost over a prolonged period of time. The Group defines prolonged period of time as a time period that spans across two consecutive quarters.

15. DEBT SECURITIES

	Group	
	2018	2017
	S$	S$
Debt securities (gross)	4,344,925	8,987,865
Less: Allowance for impairment	(4,344,925)	(3,665,790)
	–	5,322,075

The movements in the allowance for impairment of debt securities are as follows:

	Group	
	2018	2017
	S$	S$
Movement in allowance accounts:		
At 1 January	3,665,790	3,665,790
Charge for the year (Note 8(a))	679,135	–
At the end of year	4,344,925	3,665,790

15. DEBT SECURITIES (CONTINUED)

Debt facility 1

This debt facility of S$3,665,790 was fully impaired as PT Permata Selaras Mandiri (the “Borrower” or “PT PSM”) had defaulted on principal and interest payments. As announced by the Company on 8 June 2017, the Group, through Dynamic Return (Singapore) Pte Ltd, has filed a legal suit in the Singapore High Court against the Borrower and its guarantor, Mr Harun Abidin. In July 2017, the Group obtained the leave of the Singapore Court to effect service of the relevant court papers on PT PSM and Mr Harun Abidin out of jurisdiction in Indonesia. The Group has 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.

Debt facility 2

The Group, through 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 the Lender 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 rate of interest payable on the debt facility is 12% per annum, calculated on the basis of the number of actual days elapsed based on a 360-day year. This debt facility has been fully drawn down and utilised as at 31 December 2018. The principal amount of S$6 million and accrued interests of S$1.25 million were due to be repaid by the Borrower on 31 December 2018.

Following the deemed completion of the Group’s acquisition of 60% shareholding in THM from REO Magnetic Pte. Ltd. on 28 December 2018, the loan was treated as an inter-company loan within the Group and was fully eliminated on consolidation when preparing the Group’s consolidated financial statements for the financial year ended 31 December 2018. As at the date of this annual report, the loan and accrued interests remain unpaid and the Group may convert part or all of the loan outstanding into equity of THM.

Debt facility 3

In FY2017, the Group, through ISR Global Pte Ltd entered into a secured facility agreement with Tantalus Rare Earths AG (“TRE AG”) in August 2017 under which it granted a secured term loan facility of up to the Singapore dollar equivalent of Euro (“€”) 320,000 with the purpose of utilising the loan for TRE AG’s general corporate and working capital purposes. 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. A principal amount totalling S$518,560 (which is equivalent to €320,000) was extended to TRE AG in 2017 and 2018.

ISR Global Pte Ltd subsequently entered into a second secured facility agreement with TRE AG in June 2018 under which it granted a secured term loan facility of up to the Singapore dollar equivalent of €100,000. TRE AG provided a share pledge over its shareholding interest of 7% in THM in favour of ISR Global Pte Ltd. A principal amount totalling S$160,575 (which is equivalent to €100,000) was extended to TRE AG in 2018. The termination date and repayment terms were the same as the first facility agreement entered into in FY 2017. The rate of interest payable on the first and second secured facility agreements was 10% per annum, calculated on the basis of the number of actual days elapsed based on a 365-day year.

Both secured facility agreements terminated on 31 December 2018 where TRE AG, as the borrower, was required to repay the outstanding loans and accrued interests in full on 31 December 2018. TRE AG has since defaulted on the outstanding loans and accrued interests and accordingly, the Group has made an allowance for impairment on the total principal outstanding of S$679,135 and the total accrued interests of S$71,484 (Note 12) for FY2018. As at the date of this annual report the total principal and accrued interests remained unpaid and the Group is in the process of enforcing the share pledge agreement.

16. OTHER CURRENT ASSETS

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Prepayments	67,146	47,260	55,700	47,260

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	S$	S$
Equity investments - gross	349,167	349,167
Less: Allowance for impairment of investments in subsidiaries	(349,160)	(349,160)
Equity investments - net	7	7

The allowance for impairment of investments in subsidiaries are as follows:

	Company	
	2018	2017
	S$	S$
At 1 January and 31 December	349,160	349,160

During the year, management carried out an impairment review of the Company's investments in subsidiaries based on their value-in-use. There was no change in the impairment previously recognised. No discount rate was used as there were no positive cash flows expected.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2018 %	2017 %
Held by the Company				
Dynamic Return (Singapore) Pte Ltd [1]	Singapore	Investment holding and provision of consultancy services	100	100
Infiniti Advantage Pte Ltd [1]	Singapore	Investment holding	100	100
ISR China Limited [4]	British Virgin Islands	Investment holding	100	100
ISR Global Pte Ltd [1]	Singapore	Investment holding	100	100
Raintree Strategic Consultancy Limited [4]	British Virgin Islands	Provision of consultancy services	100	100
Held through ISR China Limited :				
ISR Shanghai Investment Advisory Co. Ltd [4]	People's Republic of China	Provision of consultancy services	100	100
Held through ISR Global Pte Ltd :				
Tantalum Holding (Mauritius) Ltd [2]	Republic of Mauritius	Investment holding	60	–
Held through Tantalum Holding (Mauritius) Ltd:				
Tantalum Rare Earth (Malagasy) S.A.R.L.U [3]	Republic of Madagascar	Prospection, research and mining exploration of rare earth minerals in Madagascar	60	–

(1) Audited by RT LLP, Singapore.
(2) Audited by Pricewaterhouse Coopers Mauritius
(3) Audited by Pricewaterhouse Coopers S.A.R.L., Madagascar
(4) Not required to be audited under the laws of the country of incorporation.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition Of Subsidiaries

The Group had completed its acquisition of a 60% shareholding interest in Tantalum Holding (Mauritius) Ltd ("THM") from REO Magnetic Pte. Ltd. (the "Vendor") (the "Acquisition"). The Vendor had on 28 December 2018, transferred its shares representing a 60% stake to ISR Global Pte. Ltd., a wholly-owned subsidiary of the Company (the "Transfer"). The consideration for the Acquisition, being 747,257,307 ordinary shares in the Company (the "Consideration Shares"), was also satisfied by the Company on the allotment and issue of the Consideration Shares to the Vendor on 3 January 2019.

Notwithstanding that the Consideration Shares were allotted and issued to the Vendor subsequent to 31 December 2018, the Group was deemed to have acquired control over THM and its wholly owned subsidiary, Tantalum Rare Earth Malagasy S.A.R.L.U. ("TREM") upon the transfer of THM shares by the Vendor to the Group on 28 December 2018 (the "Acquisition Date"). Accordingly, the assets and liabilities of THM and TREM have been included and consolidated in the Group's consolidated financial statements for FY2018 based on the carrying amounts in their management accounts as at 31 December 2018. The Group will embark on a Purchase Price Allocation ("PPA") exercise in respect of the Acquisition and expects to finalise the PPA exercise within one year from the Acquisition Date. Accordingly, the fair values of assets and liabilities of THM and TREM on Acquisition Date shall be adjusted upon finalisation of the PPA exercise.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The provisional fair values of the identifiable assets acquired and liabilities assumed of THM and TREM as at the Acquisition Date were:

	2018 S$
Property, plant and equipment (Note 19)	97,168
Intangible assets (Note 20)	1,785
Other receivables	1,666,345
Other current assets	11,444
Cash and cash equivalents	10,956
Total assets	1,787,698
Other payables	2,840,490
Amount owing to holding company	7,218,897
Total liability	10,059,387
Total identifiable net liabilities acquired at fair value	(8,271,689)
Add: Goodwill arising on acquisition (Note 20)	7,952,042
Less: Non-controlling interests measured at the NCI's proportionate value of THM's net identifiable liabilities	3,308,676
Purchase consideration	2,989,029
Less: Cash and cash equivalents in subsidiary acquired	(10,956)
Net cash payable on acquisition	2,978,073
Effect of acquisition of THM on cash flows:	
Total purchase consideration/ Other payables	2,989,029
Effect on cash flows of the Group:	
Cash paid	–
Less: Cash and cash equivalents in subsidiary acquired	(10,956)
Cash inflow on acquisition	(10,956)

Purchase consideration

The purchase consideration was subsequently satisfied fully by issuance and allotment of 747,257,307 new ordinary shares of the Company at an issue price each of S$0.004 on 3 January 2019.

Acquisition-related costs

Acquisition-related costs of S$384,681 are included in "other operating expenses" in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows for the financial year ended 31 December 2018.

Non-controlling interests

The Group has chosen to recognise the non-controlling interests at the non-controlling interest's proportionate share of THM's net identifiable assets.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Revenue and profit contribution

There are no contribution of revenue and profit to the Group from the acquired business from 28 December 2018 (date of acquisition) to 31 December 2018.

Had THM been acquired from 1 January 2018, the consolidated revenue and consolidated loss for the financial year ended 31 December 2018 would have been Nil and S$7.41 million respectively.

Goodwill

The goodwill of S$7,952,042 arising from the acquisition comprises the value of strengthening the Group's market position which is a strategic fit to the Group's business expansion plans and creates business synergy. This goodwill is not deductible for tax purposes.

The Group has the following subsidiary that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by noncontrolling interest	Profit/(Loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
			S$	S$
31 December 2018				
Tantalum Holding (Mauritius) Ltd	Mauritius	40%	–	3,308,676

Summarised financial information about subsidiaries with material NCI.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statement of financial position

	Tantalum Holding (Mauritius) Ltd
	As at 31 December 2018
	S$
Current	
Assets	23,402
Liabilities	10,059,387
Net current liabilities	(10,035,985)
Non-current	
Assets	1,764,296
Liabilities	–
Net non-current assets	1,764,296
Net liabilities	(8,271,689)

18. INVESTMENT IN A JOINT VENTURE

	Group	
	2018	2017
	S$	S$
Unquoted equity investment, at cost	670,000	–
Increase during the year	670,000	670,000
Group's share of post-acquisition losses	(66,232)	–
	1,273,768	670,000

Name of entity	Country of incorporation/ Principal place of business	Proportion of ownership interest	
		2018	2017
		%	%
Straits Hi-Rel Pte Ltd	Singapore	12.5	6.25

18. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Straits Hi-Rel Pte Ltd ("SHR") was set up to provide high reliability ("Hi-Rel") engineering services and had set up a Hi-Rel Technology Centre in Singapore, where the focus would 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. SHR commenced operations in March 2018.

Infiniti Advantage Pte. Ltd. ("Infiniti"), a wholly-owned subsidiary of the Company, had on 17 September 2017, entered into an Investment and Shareholders Agreement (the "Agreement") with the Original Shareholders of Straits Hi-Rel Pte Ltd ("SHR") and SHR 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 (the "Subscription Shares"), representing an equity stake of 25% in SHR on an enlarged basis (the "Investment").

Stage 1 and Stage 2 of the Investment have been completed in FY2017 while Stage 3A was completed during the financial year ended 31 December 2018. The remaining two stages of the Group's investment in SHR are dependent on SHR's meeting the milestones stipulated in the Agreement and upon completion, the Group will own 25% of SHR.

Pursuant to the Agreement:

(i) The shareholders of SHR shall procure that no action is taken or resolution passed by SHR or any of its group company, and SHR shall not take and shall procure that no SHR group company takes any action, in respect of any shareholder reserved matter without the approval of Infiniti.

(ii) Any meeting of the shareholders to approve a shareholder reserved matter shall be governed by the Constitution of SHR and applicable laws.

Based on the above, shareholder reserved matters shall be approved in accordance with the articles and applicable laws. In addition, the shareholder reserved matters must be approved by Infiniti as well, which means that without Infiniti's approval, the shareholder reserved matters cannot be passed. However, Infiniti with an eventual shareholding of 25% will also not be able to push through any resolution unilaterally without the approval of the other shareholders of SHR, which may result in a stalemate.

Further to the Agreement, the approval by directors are not required for board reserved matters if shareholders' approval has already been obtained.

Accordingly, the Group's investment in SHR has been accounted for as an investment in a joint venture as Infiniti has joint control with the Original Shareholders of SHR over SHR's relevant activities.

18. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Summarised financial information for joint venture

Set out below is the summarised financial information for Straits Hi-Rel Pte Ltd. prepared in accordance with SFRS(I)12 *Disclosures of Interest in Other Entities*.

Summarised balance sheet:

	2018 S$	2017 S$
Current assets	669,537	564,752
Includes:		
- Cash and cash equivalents	610,271	513,947
Non-current assets	180,356	111,372
Total assets	849,893	676,124
Current liabilities	(27,408)	(8,280)
Net assets	822,485	684,404

Summarised statement of profit or loss and other comprehensive income:

	2018 S$	09.06.2017 (date of incorporation) to 31.12.2017 S$
Revenue	48,856	85,002
Expenses		
Includes:		
- Depreciation	(34,610)	(5,000)
Loss before tax	(529,855)	(35,596)
Income tax expense	–	–
Net loss for the year/ period	(529,855)	(35,596)
Other comprehensive income	–	–
Total comprehensive loss for the year/ period	(529,855)	(35,596)

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture.

18. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint venture, is as follows

	2018 S$
Net assets	822,485
Group's equity interest	12.5%
Group's share of net assets	102,810
Goodwill	1,170,958
Carrying value	1,273,768

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fittings	Office equipment	Other equipment	Computers	Motor vehicle	Construction	Boat	Total
	S$	S$	S$	S$	S$	S$	S$	S$	S$
Group									
Cost									
At 1 January 2017	40,743	11,548	67,463	–	153,826	250,000	–	–	523,580
Additions	–	–	–	–	2,749	–	–	–	2,749
At 31 December 2017 and 1 January 2018	40,743	11,548	67,463	–	156,575	250,000	–	–	526,329
Additions	–	–	–	–	12,275	–	–	–	12,275
Acquisition of subsidiaries (Note 17)	–	9,116	2,724	57,286	1,306	–	11,760	14,976	97,168
At 31 December 2018	40,743	20,664	70,187	57,286	170,156	250,000	11,760	14,976	635,772
Accumulated depreciation									
At 1 January 2017	–	11,548	49,499	–	146,107	77,347	–	–	284,501
Depreciation charge for the year	20,371	–	6,280	–	4,025	21,337	–	–	52,013
At 31 December 2017 and 1 January 2018	20,371	11,548	55,779	–	150,132	98,684	–	–	336,514
Depreciation charge for the year	20,372	–	6,184	–	3,563	21,337	–	–	51,456
At 31 December 2018	40,743	11,548	61,963	–	153,695	120,021	–	–	387,970
Carrying amount									
At 31 December 2018	–	9,116	8,224	57,286	16,461	129,979	11,760	14,976	247,802
At 31 December 2017	20,372	–	11,684	–	6,443	151,316	–	–	189,815

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements S$	Furniture and fittings S$	Office equipment S$	Computers S$	Motor vehicle S$	Total S$
Company						
Cost						
At 1 January 2017	40,743	11,548	37,464	153,826	250,000	493,581
Additions	–	–	–	2,749	–	2,749
At 31 December 2017 and 1 January 2018	40,743	11,548	37,464	156,575	250,000	496,330
Additions	–	–	–	12,275	–	12,275
At 31 December 2018	40,743	11,548	37,464	168,850	250,000	508,605
Accumulated depreciation						
At 1 January 2017	–	11,548	37,000	146,107	77,347	272,002
Depreciation charge for the year	20,371	–	280	4,025	21,337	46,013
At 31 December 2017 and 1 January 2018	20,371	11,548	37,280	150,132	98,684	318,015
Depreciation charge for the year	20,372	–	184	3,563	21,337	45,456
At 31 December 2018	40,743	11,548	37,464	153,695	120,021	363,471
Carrying amount						
At 31 December 2018	–	–	–	15,155	129,979	145,134
At 31 December 2017	20,372	–	184	6,443	151,316	178,315

As at 31 December 2018, no property, plant and equipment (2017: S$151,316) was pledged as security for the related finance lease.

20. INTANGIBLE ASSETS

	Goodwill S$	Computer software S$	Total S$
Group			
Cost			
Acquisition of subsidiaries (Note 17)	7,952,042	1,785	7,953,827
At 31 December 2018	7,952,042	1,785	7,953,827
Accumulated impairment			
At 1 January 2018 and 31 December 2018	–	–	–
Carrying amount			
At 31 December 2018	7,952,042	1,785	7,953,827

21. OTHER PAYABLES

	Group		Company	
	2018 S$	2017 S$	2018 S$	2017 S$
Accrued operating expenses	1,749,454	302,480	146,075	151,683
Advances from bond subscriber*	600,000	–	600,000	–
Bond interest payable	10,467	303	10,467	303
Consideration payable to Vendor**	2,989,029	–	2,989,029	–
Other payables	1,610,653	146,823	201,787	146,823
	6,959,603	449,606	3,947,358	298,809

* The advances from bond subscriber are unsecured, interest-free and repayable on demand.

** The consideration payable to Vendor refers to the consideration of S$2,989,029 payable to REO Magnetic Pte. Ltd. for the Group's acquisition of 60% shareholding interest in Tantalum Holding (Mauritius) Ltd. The consideration was subsequently satisfied through the issuance and allotment of 747,257,307 new ordinary shares of the Company on 3 January 2019 at an issue price of S$0.004 per share.

22. FINANCE LEASE LIABILITIES

During the financial year ended 31 December 2017, the Group leased a motor vehicle and photocopiers from third parties under finance leases. The lease agreements provided the Group with an option to purchase the leased assets at a nominal value at the end of the lease terms. The finance lease liabilities were secured against the leased assets. There were no finance lease liabilities as at 31 December 2018.

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Minimum lease payments due				
- Not later than one year	–	9,344	–	9,344
- Later than one year but not later than five years	–	-	–	–
	–	9,344	–	9,344
Less: Future finance charges	–	(89)	–	(89)
Present value of finance lease liabilities	–	9,255	–	9,255

The present value of the finance lease liabilities is analysed as follows:

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
- Not later than one year	–	9,255	–	9,255

23. CONVERTIBLE REDEEMABLE BONDS

The proposed issuance of 2% convertible redeemable bonds due 2020 (the "Bonds") with an aggregate principal amount of up to S$35,000,000 comprising seven tranches of bonds of S$5,000,000 each was approved by shareholders at an Extraordinary General Meeting held on 8 September 2015. Each tranche comprises five equal sub-tranches of S$1,000,000 each. Tranche 1 Bonds aggregating S$5,000,000 were issued and subscribed in 2015 and 2016. Four sub-tranches of Tranche 2 Bonds aggregating S$4,000,000 were issued and subscribed in 2017. The last sub-tranche of Tranche 2 Bonds and two sub-tranches of Tranche 3 Bonds aggregating S$3,000,000 were issued and subscribed in 2018. As at 31 December 2018, Bonds with a face value of S$11,000,000 have been converted into 2,487,500,000 ordinary shares (at a conversion price of S$0.004 per share) and 333,333,333 ordinary shares (at a conversion price of S$0.003 per share). The present value of the remaining outstanding Bonds amounted to S$961,122, which was arrived at using 5.5% per annum, an average rate compiled from interest rate quotations of 10 leading banks and financial institutions. The Bonds outstanding as at 31 December 2018 were subjected to an interest rate of 2% per annum, payable in arrears on 31 December in 2018. Please refer to Note 21 for the amount of bond interest payable as at 31 December 2018.

The Company had, on 20 August 2018, entered into a supplemental agreement with Premier Equity Fund (the "Bond Subscriber") and Value Capital Asset Management Private Limited (the "Manager") to extend the Maturity Date (which was originally in September 2018), from three (3) years to five (5) years from the Closing Date of the first sub-tranche of Tranche 1 Bonds (i.e., the new Maturity Date of the Bonds will now be 16 September 2020).

24. DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Deferred income tax liabilities				
- To be settled	13,912	13,912	2,954	2,954

The movements in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

	Accelerated tax depreciation	Others	Total
	S$	S$	S$
Group			
Deferred income tax liabilities			
At 1 January 2017, 31 December 2017 and 31 December 2018	2,770	11,142	13,912

	Accelerated tax depreciation	
	2018	2017
	S$	S$
Company		
Deferred income tax liabilities		
At 1 January and 31 December	2,954	2,954

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately S$5,380,000 (2017: S$4,094,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred income tax asset was recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

25. SHARE CAPITAL

	Issued share capital	
	No. of ordinary shares	Amount
		S$
Group and Company		
2018		
Beginning of financial year	2,564,249,336	35,868,655
Shares issued	595,833,333	1,947,923
End of financial year	3,160,082,669	37,816,578
2017		
Beginning of financial year	1,564,249,336	32,074,968
Shares issued	1,000,000,000	3,793,687
End of financial year	2,564,249,336	35,868,655

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

Share capital increased in 2018 as the holder of the convertible redeemable bonds due 2020 (the "Bonds") issued by the Company has converted the Bonds with a present value of S$1,977,955 (face value totaling S$2,050,000) into 595,833,333 ordinary shares of the Company. Share issue expense of S$30,032 that was attributable to the issuance of new ordinary shares was deducted against share capital. The newly issued shares ranked pari passu in all respects with the previously issued shares.

For the financial year ended 31 December 2017, the share capital increased as the holder of the Bonds issued by the Company had converted the Bonds with a present value of S$3,823,880 (face value totaling S$4,000,000) into 1,000,000,000 ordinary shares of the Company. The newly issued shares ranked pari passu in all respects with the previously issued shares.

26. CAPITAL RESERVE

Capital reserve represents the equity component of the convertible redeemable bonds due 2020 issued by the Company where the Bonds carry an equity element as the Bond Subscriber has an option to convert the Bonds into ordinary shares of the Company.

27. FAIR VALUE RESERVE

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed or impaired.

28. CURRENCY TRANSLATION RESERVE

Currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

29. ACCUMULATED LOSSES OF THE COMPANY

	The Company	
	2018	2017
	S$	S$
- Balance at beginning of the year	(28,969,939)	(27,433,025)
- Loss for the year, representing total comprehensive loss for the financial year	(1,557,936)	(1,536,914)
- Balance at end of the year	(30,527,875)	(28,969,939)

30. COMMITMENTS

Operating lease commitment - lessee

At the end of the reporting period, the Group leases office from a third party landlord under a non-cancellable operating lease agreement. The lease has varying terms and renewal rights.

The future minimum lease payable under non-cancellable operating lease at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Not later than one year	92,970	86,772	92,970	86,772
Later than one year but not later than five years	92,970	–	92,970	–
	185,940	86,772	185,940	86,772

31. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Group	
	2018	2017
	S$	S$
Key management personnel compensation is as follows:		
Salaries, fees, bonuses and other short-term employee benefits	752,521	715,874
Employer's contributions to Central Provident Fund	34,680	33,766
	787,201	749,640

Other related party transactions

Certain of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year, the Group entered into the following non-trade transactions with related parties:

	Group	
	2018	2017
	S$	S$
Professional fees paid to an entity owned by a director for consultancy services	–	10,000
Payment of expenses on behalf of related parties*	7,595	10,084

* The non-trade amounts outstanding are unsecured, interest-free and repayable on demand. No guarantees have been given or received. The amounts owed by related parties totalling S$29,932 (2017: $22,337) have been fully impaired as at 31 December 2018.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	S$	S$	S$	S$
2018				
Financial assets at FVOCI				
- Debt securities (unquoted)	–	–	–	–

Group	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	S$	S$	S$	S$
2017				
Financial assets				
Available-for-sale financial assets:				
- Debt securities (unquoted)	–	–	1	1

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value of financial instruments that are carried at fair value (continued)

Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (i.e., unobservable inputs).

Determination of fair value

Fair value of quoted equity securities are determined directly by reference to their published market bid price at the end of the reporting period.

The fair values of the financial assets are determined as follows:

Financial assets, at FVOCI:

- Unquoted debt securities amounted to Nil (2017: S$1) as at 31 December 2018.

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3):

	Debt securities (unquoted) S$	Total S$
Group		
2018		
At 1 January 2018	1	1
Total loss recognised in other comprehensive loss	(1)	(1)
At 31 December 2018	–	–
Total losses for the year included in other comprehensive loss for assets held at 31 December 2018	1	1
2017		
At 1 January 2017 and 31 December 2017	1	1
Total losses for the year included in profit or loss for assets held at 31 December 2017	–	–

There has been no transfer from Levels 1 and 2 to Level 3 during the financial years ended 31 December 2018 and 2017.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amount is a reasonable approximation of fair value

Such financial instruments include cash and cash equivalents, trade receivables, other receivables, amounts due from subsidiaries, other payables and finance lease liabilities.

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values due to their short-term nature.

(c) Financial instruments by category

Set out below is a comparison by category of the carrying amounts of the Group's financial instruments that are carried in the financial statements:

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Financial assets				
Financial asset at amosrtised cost:				
- cash and cash equivalents	151,555	646,422	136,068	632,273
- trade receivables	–	576,075	–	–
- other receivables	33,624	43,998	32,622	43,998
- amounts due from subsidiaries	–	-	11,965,049	6,514,399
- debt securities	–	5,322,075	–	–
Financial assets at FVOCI:				
- financial assets at FVOCI	–	1	–	–
Total financial assets	185,179	6,588,571	12,133,739	7,190,670
Financial liabilities				
Amortised cost:				
- other payables	6,287,369	449,606	3,947,358	298,809
- finance lease liabilities	–	9,255	–	9,255
- convertible redeemable bonds	961,122	50,148	961,122	50,148
Total financial liabilities	7,248,491	509,009	4,908,480	358,212

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and price risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which it manages and measures the risks for the financial years ended 31 December 2018 and 31 December 2017.

Risk management is carried out in accordance with approved policies. In relation to investment risk, mandates that are above or beyond the management's limits of authority would be deliberated, resolved and approved by the Audit Committee and/or the Board.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

As the Company and the Group do not hold any collateral, except for the share pledge over TRE AG's shareholding interest totalling 15% in THM resulting from secured facility agreements between the Group and TRE AG, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty is unable to fulfil its contract or payment terms.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is unable to fulfill its contract or payment terms.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is > 60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

The Group

	Note	Category	12-month or lifetime ECL	Gross carrying amount S$	Loss allowance S$	Net carrying amount S$
31 December 2018						
Trade receivables	12	Note 1	Lifetime ECL (simplified)	2,739,579	(2,739,579)	–
Refundable deposits	13(a)	I	12-month ECL	36,507	–	36,507
Sundry receivables	13(a)	I	12-month ECL	1,002	–	1,002
Debt securities	15	III	Lifetime ECL	4,344,925	(4,344,925)	–
					(7,084,504)	
1 January 2018						
Trade receivables	12	Note 1	Lifetime ECL (simplified)	3,244,170	(2,668,095)	576,075
Refundable deposits	13(a)	I	12-month ECL	43,998	–	43,998
Debt securities	15	III	Lifetime ECL	8,987,865	(3,665,790)	5,322,075
					(6,333,885)	

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

The Company

	Note	Category	12-month or lifetime ECL	Gross carrying amount S$	Loss allowance S$	Net carrying amount S$
31 December 2018						
Refundable deposits	13(a)	I	12-month ECL	32,622	–	32,622
Amount due from subsidiaries	13(b)	I	12-month ECL	43,635,037	(31,669,988)	11,965,049
					(31,669,988)	
1 January 2018						
Refundable deposits	13(a)	I	12-month ECL	43,998	–	43,998
Amount due from subsidiaries	13(b)	I	12-month ECL	37,989,738	(31,475,339)	6,514,399
					(31,475,339)	

Trade receivables (Note 1)

The Group determines the ECL by using debtor by debtor basis, since the trade receivables of the Group solely comprised subsidiary and non-controlling interest.

Credit risk concentration profile

The Group determines concentrations of credit risk by business units on an on-going basis. The credit risk concentration profiles of the Group's loans and receivables that are neither past due nor impaired at the end of the reporting period are as follows:

	Group			
	2018 S$	2018 % of total	2017 S$	2017 % of total
By business unit				
Investment management	–	–	5,898,150	100.0

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Previous accounting policy for impairment of trade receivables (continued)

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue).

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits placed with banks that management considers as reputable banks.

Other receivables that are neither past due nor impaired are mainly goods and services tax receivables and refundable deposits placed as required.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired are disclosed in Notes 12 and 13 respectively.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's and the Company's exposures to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments.

The table below analyses the maturity profile of the financial assets and financial liabilities of the Group and the Company based on contractual undiscounted cash flows:

		Undiscounted cash flows	
	Effective interest rate	Less than 1 year S$	More than 1 year S$
Group			
2018			
Financial assets			
Trade receivables	–	–	–
Other receivables	–	33,624	3,885
Cash and cash equivalents	–	151,555	–
Total undiscounted financial assets		185,179	3,885
Financial liabilities			
Other payables	–	6,287,369	–
Convertible redeemable bonds	5.50%	–	1,000,000
Finance lease liabilities	5% - 6%	–	–
Total undiscounted financial liabilities		6,287,369	1,000,000
Total net undiscounted financial liabilities		(6,102,190)	(996,115)
2017			
Financial assets			
Trade receivables	–	576,075	–
Other receivables	–	43,998	–
Debt securities	–	5,322,075	–
Cash and cash equivalents	–	646,422	–
Total undiscounted financial assets		6,588,570	–
Financial liabilities			
Other payables	–	427,106	–
Convertible redeemable bonds	5.50%	50,000	–
Finance lease liabilities	5% - 6%	9,344	–
Total undiscounted financial liabilities		486,450	–
Total net undiscounted financial assets		6,102,120	–

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	Effective interest rate	Undiscounted cash flows Less than 1 year S$	Undiscounted cash flows More than 1 year S$
Company			
2018			
Financial assets			
Other receivables	–	32,622	–
Amounts due from subsidiaries	–	11,965,049	–
Cash and cash equivalents	–	136,068	–
Total undiscounted financial assets		12,133,739	–
Financial liabilities			
Other payables	–	3,320,575	–
Convertible redeemable bonds	5.50%	–	1,000,000
Finance lease liabilities	5%	–	–
Total undiscounted financial liabilities		3,320,575	1,000,000
Total net undiscounted financial assets/(liabilities)		8,813,164	(1,000,000)
2017			
Financial assets			
Other receivables	–	43,998	–
Amounts due from subsidiaries	–	6,514,399	–
Cash and cash equivalents	–	632,273	–
Total undiscounted financial assets		7,190,670	–
Financial liabilities			
Other payables	–	276,309	–
Convertible redeemable bonds	5.50%	50,000	–
Finance lease liabilities	5%	9,344	–
Total undiscounted financial liabilities		335,653	–
Total undiscounted financial assets		6,855,017	–

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk

The foreign currency risk of the Group and the Company arise mainly from entities operating in foreign countries, where the Group has currency exposures arising from transactions that are denominated in a currency other than the functional currency of the Company, primarily Euro and Malagasy Ariary ("MGA").

In addition to transactional exposures, the Group is also exposed to currency translation risks arising from its net investments in foreign subsidiaries. The Group and the Company do not use deriative financial instruments to protect against the volatility associated with foreign currency transactions. However, management of the Group monitors the fluctuation in exchange rates closely to ensure that the exposure to the risk is kept at a minimal level.

The Group's currency exposure based on the information provided to key management is as follows:

Group **2018**	**SGD** **S$**	**Euro** **S$**	**MGA** **S$**	**RMB** **S$**	**Total** **S$**
Financial assets					
Cash and cash equivalents	140,588	3,646	7,310	11	151,555
Other receivables	32,622	1,002	–	–	33,624
	173,210	4,648	7,310	11	185,179
Financial liabilities					
Other payables	3,492,330	1,764,949	1,030,090	–	6,287,369
Convertible redeemable bonds	961,222	–	–	–	961,222
	4,453,552	1,764,949	1,030,090	–	7,248,591
Net financial assets / (liabilities)	(4,280,342)	(1,760,301)	(1,022,780)	11	(7,063,412)
Less:					
Net financial (assets)/ liabilities denominated in the respective entities functional currencies	4,280,342	–	–	–	4,280,342
Foreign currency exposure	–	(1,760,301)	(1,022,780)	11	(2,783,070)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Group 2017	SGD S$	RMB S$	Total S$
Financial assets			
Trade receivables	576,075	–	576,075
Other receivables	43,998	–	43,998
Debt securities	5,322,075	–	5,322,075
Cash and cash equivalents	646,411	11	646,422
	6,588,559	11	6,588,570
Financial liabilities			
Other payables	449,606	–	449,606
Finance lease liabilities	9,255	–	9,255
Convertible redeemable bonds	961,222	–	961,222
	1,420,083	–	1,420,083
Net financial assets	5,168,476	11	5,168,487
Less: Net financial assets denominated in the respective entities functional currencies	(5,168,476)	–	(5,168,476)
Foreign currency exposure	–	11	11

If the Euro, MGA and RMB change against the SGD by 10% (2017: 10%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset (excluding equity instruments) that are exposed to currency risk will be as follows:

		Total loss Increase/(Decrease)	
The Group		**2018 S$**	**2017 S$**
EURO/SGD	- strengthened 10% (2017: 10%)	176,030	–
	- weakened 10% (2017: 10%)	(176,030)	–
MGA/SGD	- strengthened 10% (2017: 10%)	102,278	–
	- weakened 10% (2017: 10%)	(102,278)	–
RMB/SGD	- strengthened 10% (2017: 10%)	(1)	(1)
	- weakened 10% (2017: 10%)	1	1

The Company transacts mainly in Singapore Dollar and have minimal exposure to the changes in foreign exchange rates for the financial year ended 31 December 2017 and 31 December 2018.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group and the Company do not take on significant variable-rate interest-bearing financial assets and financial liabilities. The Group and the Company have no exposure to interest rate risks as the debt securities and convertible redeemable bonds are issued at fixed rates. The Group's and the Company's income and equity are not likely to be materially affected by changes in market interest rates had these occurred at the end of the reporting period and had these been applied to the risk exposures as at those at the end of the reporting period.

(e) Price risk

The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

34. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings, if any.

The Group has complied with the externally imposed capital requirements during the financial years ended 31 December 2018 and 2017. The Group's overall strategy remains unchanged for the financial years ended 31 December 2018 and 2017.

The Group deems its capital as follows:

	Group	
	2018	2017
	S$	S$
Equity attributable to the owners of the Company	6,771,784	6,978,128
Less: Currency translation reserve	30,905	(406)
Total capital	6,802,689	6,977,722

35. SEGMENT INFORMATION

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in three primary geographic areas namely, Madagascar, Mauritius and Singapore. From a business segment perspective, management separately considers the consultancy and investment management activities in these geographic areas.

For management purposes, the Group is currently organised into the following main business segments:

(a) Investment management

The Group seeks significant capital appreciation through making direct and indirect investments in companies and projects, both listed and unlisted, which the Group considers to be undervalued and with high growth prospects. Such investments may include investments in quoted and non-quoted equity or debt securities, pre-initial public offer ("IPO") shares which include late stage pre-IPO deals and early stage pre-IPO deals, IPO placement tranche shares, and other corporate finance deals, including without limitation, buyout deals and corporate restructuring deals.

(b) Minerals and Resources

The Group is deemed to have completed its acquisition of a 60% shareholding interest in Tantalum Holding (Mauritius) Ltd ("THM") on 28 December 2018 and legally completed the acquisition of its 60% stake in THM on 3 January 2019 subsequent to current reporting period. THM owns 100% of Tantalum Rare Earth (Malagasy) S.A.R.L.U. ("TREM"), which holds an exploration licence for a 238 km^2 concession that hosts rare earth oxides in Madagascar, Africa. The successful acquisition of THM enables the Group to diversify its business scope into the mineral and resources business segment.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, may be measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, trade and other receivables, debt securities, financial assets and cash and cash equivalents. Segment liabilities comprise trade and other payables, finance lease liabilities, income tax liabilities and deferred income tax liabilities.

35. SEGMENT INFORMATION (CONTINUED)

31 December 2018	Minerals and Resources S$	Investment Management S$	Adjustments and Eliminations S$	Group S$
Revenue				
- External revenue	–	745,572	–	745,572
Results				
Interest income	–	745,572	–	745,572
Unallocated interest income	–	–	–	225
Depreciation	–	(6,000)	–	(6,000)
Unallocated depreciation	–	–	–	(45,456)
Finance cost	–	–	–	(26,298)
Share of loss of joint venture	–	(66,232)	–	(66,232)
Income tax expense	–	–	–	(161,384)
Segment results	–	(623,006)	(1,477,301)	(2,100,307)
Assets				
Segment assets	1,787,699	12,339,877	(2,729,831)	11,397,745
Segment liabilities	10,059,388	46,573,490	(48,698,241)	7,934,637

2017	Investment Management S$	Adjustments and eliminations S$	Group S$
Revenue			
- External revenue	576,075	–	576,075
Results			
Interest income	576,075	–	576,075
Unallocated interest income	–	–	778
Depreciation	(6,000)	–	(6,000)
Unallocated depreciation	–	–	(46,013)
Impairment loss on financial assets, available-for-sale	(10,109)	-	(10,109)
Segment results	36,796	(1,383,889)	(1,420,685)
Assets			
Segment assets	6,593,790	907,259	7,501,049
Segment liabilities	40,911,359	(40,388,438)	522,921

35. SEGMENT INFORMATION (CONTINUED)

Geographical market of clients

The following details show the distribution of the Group's revenues and non-current assets from continuing operations based on the geographical segments in which the clients are located:

	Group			
	Revenues		Non-current assets	
	2018	2017	2018	2017
	S$	S$	S$	S$
Singapore	–	–	150,634	189,815
Germany	59,086	12,398	–	–
Mauritius	686,486	563,677	9,716,337	–
	745,572	576,075	9,866,971	189,815

With the exception of Mauritius (2017: Mauritius), no other geographical segments contributed more than 10% of the Group's consolidated revenue. Revenue is based on the geographical segment in which the clients are located.

36. EVENTS AFTER THE REPORTING PERIOD

(i) On 3 January 2019, the Group legally completed its acquisition of a 60% shareholding interest in Tantalum Holding (Mauritius) Ltd ("THM") from REO Magnetic Pte. Ltd. REO Magnetic Pte. Ltd. had on 28 December 2018, transferred its shares of THM representing a 60% stake to ISR Global Pte. Ltd., a wholly-owned subsidiary of the Company. The consideration for the Acquisition, being 747,257,307 ordinary shares in the Company was satisfied by the Company on the issue and allotment of the Consideration Shares to REO Magnetic Pte. Ltd. on 3 January 2019.

(ii) Subsequent to 31 December 2018, the bond subscriber converted the Bonds into 300,000,000 Conversion Shares at a conversion price of $0.003 per share, increasing the Company's issued share capital base to 4,207,339,976 shares and subscribed for $1.0 million in the third sub-tranche of Tranche 3 Bonds.

37. INVESTIGATIONS BY REGULATORY AUTHORITIES

Investigation by Commercial Affairs Department (the "2014 Investigation")

On 2 April 2014, the Company with five other wholly-owned subsidiaries of the Company then (one of which has since been disposed of) and two funds (including two subsidiaries of one of the funds) that are previously managed by the subsidiary of the Company that has since been disposed of, were served notices by the Commercial Affairs Department of the Singapore Police Force ("CAD") for an investigation into an alleged offence under the Securities and Futures Act, Cap 289 which required the Company and those entities to provide CAD with access to certain data. Since then, the Company has been cooperating fully with CAD in its investigation. The CAD confirmed to the auditors that their investigation is still ongoing but has not provided the Company with any further details or updates of its investigation, apart from certain key personnel being requested to attend further interviews by CAD in 2015.

37. INVESTIGATIONS BY REGULATORY AUTHORITIES (CONTINUED)

Joint investigation by the Monetary Authority of Singapore and Commercial Affairs Department (the "2016 Investigation")

The Company has been served a joint notice dated 7 December 2016 by the Monetary Authority of Singapore and the Commercial Affairs Department of the Singapore Police Force (hereinafter collectively referred to as the "Authorities") which states that the Authorities are investigating into an offence under the Securities and Futures Act (Chapter 289) and require access to certain documents and information pertaining to the Company. The Authorities have not disclosed to the Company any further details on their investigation. The Company has been cooperating fully with the Authorities in their investigation.

38. AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Group for the financial year ended 31 December 2018 were authorised for the issue in accordance with a resolution of directors on 6 June 2019.

SHAREHOLDERS' STATISTICS
AND DISTRIBUTION

As at 29 May 2019

Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share
Number of issued Shares	:	4,207,339,976 Shares
Issued and Fully Paid-Up Capital	:	S$42,502,494

The Company has no treasury shares and *subsidiary holdings as at 29 May 2019.

* Subsidiary holdings – Defined in the SGX-ST Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Cap 50.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 29 MAY 2019

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	67	4.12	57,355	0.00
1,001 - 10,000	312	19.16	2,142,500	0.05
10,001 - 1,000,000	1,038	63.76	241,575,700	5.74
1,000,001 and above	211	12.96	3,963,564,421	94.21
	1,628	100.00	4,207,339,976	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 29 MAY 2019

No.	Shareholder's Name	No. of Shares	%
1	REO MAGNETIC PTE. LTD.	747,257,307	17.76
2	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	621,452,933	14.77
3	UOB KAY HIAN PTE LTD	502,048,712	11.93
4	PHILLIP SECURITIES PTE LTD	383,876,700	9.12
5	RHB SECURITIES SINGAPORE PTE LTD	162,234,200	3.86
6	HO BENG SIANG	99,137,900	2.36
7	RAFFLES NOMINEES (PTE) LIMITED	86,485,700	2.06
8	DANNY LAI KONG SANG	66,000,000	1.57
9	CHIEW HOCK SENG (ZHOU FUCHENG)	58,000,000	1.38
10	LEOW LAY CHOO	56,600,000	1.35
11	OCBC SECURITIES PRIVATE LTD	52,337,000	1.24
12	ABDUL WAHID BIN ABDUL GHANI	50,000,000	1.19
13	DBS NOMINEES PTE LTD	49,571,200	1.18
14	CHEN JIAN	45,737,700	1.09
15	TAN YEO KEE	41,000,000	0.97
16	CHEW POH HONG	30,000,000	0.71
17	OOI WOOI JING	30,000,000	0.71
18	LEE SWEE LING	25,000,000	0.59
19	FINANCIAL FRONTIERS PTE LTD	23,529,412	0.56
20	TAN SOON KEE	22,000,000	0.52
	TOTAL	**3,152,268,764**	**74.92**

SHAREHOLDERS' STATISTICS
AND DISTRIBUTION

As at 29 May 2019

SUBSTANTIAL SHAREHOLDERS AS AT 29 MAY 2019

(As shown in the Company's Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct/Beneficial Interest		Deemed Interest [1]		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chen Tong	314,785,912	7.48	–	–	314,785,912	7.48
Reo Magnetic Pte Ltd	747,257,307	17.76			747,257,307	17.76
Value Capital Asset Management Private Limited [2]	449,212,533	10.68	–	–	449,212,533	10.68
Premier Equity Fund Sub Fund G [3]	–	–	449,212,533	10.68	449,212,533	10.68

Notes:

(1) Deemed interest refer to interests determined pursuant to Section 7 of the Companies Act.

(2) Value Capital Asset Management Private Limited is the Investment Manager of Premier Equity Fund Sub Fund G.

(3) Premier Equity Fund Sub Fund G is deemed to have an interest in 449,212,533 shares of the Company through Value Capital Asset Management Private Limited.

PUBLIC FLOAT

Based on information available to the Company as at 29 May 2019, approximately 63.86% of the issued ordinary shares of the Company is held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 51 Cuppage Road, #03-03 (Room Oasis 1 and 2), Singapore 229469 on Friday, 28 June 2019 at 10.00 a.m., to transact the following businesses:

AS ROUTINE BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Directors' Statements and Independent Auditors' Report thereon. *Resolution 1*

2. To approve the payment of Directors' fees of up to S$240,000/- for the financial year ending 31 December 2019, payable quarterly in arrears. (2018: up to S$240,000). *Resolution 2*

3. To re-elect Mr Chen Tong, a Director who is retiring by rotation pursuant to Article 89 of the Company's Constitution and who, being eligible, will offer himself for re-election. *Resolution 3*

   [See Explanatory Note (i)]

4. To re-elect Mr Lee Ka Shao, a Director who is retiring by rotation pursuant to Article 89 of the Company's Constitution and who, being eligible, will offer himself for re-election. *Resolution 4*

   Mr Lee Ka Shao will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee and he will be considered independent for purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   [See Explanatory Note (ii)]

5. To re-appoint Messrs RT LLP as Auditors of the Company to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration. *Resolution 5*

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions with or without modifications:

6. **Authority to allot and issue shares** *Resolution 6*

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Company's Constitution, authority be and is hereby given to the Directors of the Company to:-

   (A) (i) issue shares of the Company ("**Shares**") whether by way of rights, bonus or otherwise, and/or

   (ii) make or grant offers, agreements or options (collectively "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time this Resolution is passed, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the provisions of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares,

and, in sub-paragraph (a) above and this sub-paragraph (b), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments."

7. **Authority to offer and grant awards and to allot and issue shares under the ISR Performance Share Plan ("PSP")** *Resolution 7*

"That approval be and is hereby given to the Directors of the Company to offer and grant awards in accordance with the provisions of the PSP and to allot and issue from time to time such number of fully-paid new Shares as may be required to be allotted and issued pursuant to the vesting of awards under the PSP provided always that the aggregate number of Shares which may be issued or transferred pursuant to awards granted under the PSP, when added to (i) the number of Shares issued and issuable and/or transferred and transferable in respect of all awards granted thereunder; and (ii) all Shares issued and issuable and/or transferred and transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force shall not exceed 15% of the total issued share capital (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST"), if any) of the Company on the day preceding the relevant date of award, and provided also that subject to such adjustments as may be made to the PSP as a result of any variation in the capital structure of the Company."

8. **To transact any other ordinary business that may properly be transacted at an Annual General Meeting.**

BY ORDER OF THE BOARD

Vincent Lee Chung Ngee
Joanna Lim Lan Sim
Company Secretaries

13 June 2019
Singapore

Explanatory Notes:-

(i) The detailed information on Mr Chen Tong is set out in the section entitled "Board of Directors and Management" of the Company's Annual Report 2018. Mr Chen Tong is the Executive Chairman and a substantial shareholder of the Company.

(ii) The detailed information on Mr Lee Ka Shao is set out in the section entitled "Board of Directors and Management" of the Company's Annual Report 2018. Mr Lee Ka Shao has no shareholdings in the Company and its related corporations, and has no relationships with the Company, its substantial shareholders or its officers. Mr Lee is considered independent by the Board.

NOTICE OF
ANNUAL GENERAL MEETING

Statement Pursuant to Article 52 of the Company's Constitution

The effect of the resolutions under the heading "Special Business" in this Notice of the Annual General Meeting is:-

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company (unless varied or revoked by the Company in general meeting) from the date of this Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares and issue shares in pursuance of such instruments. The number of shares (including shares to be issued in pursuance of instruments made or granted) that the Directors of the Company may issue under Resolution 6 shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time of the passing of Resolution 6, of which up to twenty per centum (20%) may be issued other than on a *pro rata* basis to the shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 6 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

(ii) The Ordinary Resolution 7 proposed in item 7 above, will authorise the Directors of the Company to offer and grant awards under the ISR Performance Share Plan ("PSP") and to allot and issue new Shares pursuant to the PSP, provided that the aggregate number of Shares over which awards may be granted under the PSP on any date, when aggregated with the number of new shares allotted and issued and/or to be allotted and issued and issued shares (including treasury shares) delivered and/or to be delivered, pursuant to awards granted under the PSP, and any shares subject to any other share option or share incentive schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

Notes:

(a) A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("AGM"). A proxy need not be a member of the Company.

(b) Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be presented by each proxy, failing which, the first named proxy may be treated as representing 100% of the shareholding and the second name proxy as an alternate to the first named.

(c) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

"**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

(d) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

NOTICE OF
ANNUAL GENERAL MEETING

(e) An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

(f) The instrument appointing a proxy must be deposited at the registered office of the Company at 83 Clemenceau Avenue, #10-03 UE Square, Singapore 239920, at least 48 hours before the time set for the AGM or any postponement or adjournment thereof.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

ADDITIONAL INFORMATION ON **DIRECTORS SEEKING RE-ELECTION**

Mr Chen Tong and Mr Lee Ka Shao are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on Friday, 28 June 2019 (“**AGM**”) (collectively, the “**Retiring Directors**” and each a “**Retiring Director**”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR CHEN TONG	**MR LEE KA SHAO**
Date of Initial Appointment	27 October 2016	3 January 2017
Date of last re-appointment	28 April 2017	28 April 2017
Age	54	49
Country of principal residence	Singapore	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Chen Tong as Executive Chairman and Executive Director was reviewed by the Nominating Committee (“NC”) and the Board has accepted NC’s recommendation after taking into consideration his qualifications and experiences and concluded that he has the requisite experience and capability to assume the role of Executive Chairman and Executive Director.	The re-election of Mr Lee Ka Shao as the Non-Executive Independent Director was recommended by the Nominating Committee (“NC”) and the Board has accepted the recommendation after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Primarily involved in the oversight and management of the Group’s investments and corporate developments, as well as formulate the overall business and corporate policies and strategies for the Group.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Executive Director	Non-Executive, Independent Director, Chairman of Nominating and Remuneration Committees and a member of the Audit Committee.
Professional qualifications	Master of Engineering (majoring in Metallurgy) from Shanghai University. Bachelor of Engineering (majoring in Thermal Engineering) from Beijing University of Science and Technology.	Honours in Economics from the National University of Singapore

ADDITIONAL INFORMATION ON
DIRECTORS SEEKING RE-ELECTION

	MR CHEN TONG	MR LEE KA SHAO
Working experience and occupation(s) during the past 10 years	Having been involved in developing mineral resource assets and businesses in China, Australia, Canada, South Africa and the ASEAN region in the last 15 years, Mr Chen brings with him over 30 years of operational experience and related industry expertise as well as industrial network to the Group.	Mr Lee currently manages a family office, Phimattell Pte. Ltd., and also a consulting company, Skeel Advisors Pte. Ltd. Mr Lee began his career on Wall Street with J.P. Morgan as a market maker and proprietary trader in foreign exchange, interest rates and derivatives. He established and managed an internal absolute returns fund financed by the shareholders' equity of DBS Bank Group, and also advised on DBS's asset and liability management as the Managing Director in Central Treasury. He was previously the co-founder and chief investment officer of Cavenagh Capital, a global macro strategy hedge fund with offices in Amsterdam and Singapore. He was also a founding member of Abax Global Capital, a special situations hedge fund based in Hong Kong.
Shareholding interest in the listed issuer and its subsidiaries	314,785,912 shares	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries.	Shareholder of the Company	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON
DIRECTORS SEEKING RE-ELECTION

	MR CHEN TONG	MR LEE KA SHAO
Other Principal Commitments* Including Directorships		
Past (for the last 5 years)	BFS Metal International Pte. Ltd. Frontier Asia Resources Pte. Ltd. J.Y Super Heroes Holding Pte. Ltd. Kingsway Capital Pte. Ltd. SFE Resources Pte. Ltd.	Asia Fashion Holdings Limited Cavenagh Capital Pte. Ltd.
Present	Newview Resources Pte. Ltd. Harvest Minerals Pte. Ltd. Kings Park Resources Pte. Ltd. ISR Global Pte. Ltd. Infiniti Advantage Pte. Ltd. Dynamic Return (Singapore) Pte. Ltd. DSAFF (Singapore) Pte. Ltd. DSAFF Production Pte. Ltd. Daisuke Sasaki Asia Fashion Fund Pte. Ltd. Straits Hi-Rel Pte. Ltd. Tantalum Holding (Mauritius) Ltd ISR China Limited Raintree Strategic Consultancy Limited	Phimattell Pte. Ltd Kinetic Laboratory Pte. Ltd. Kinetic Lab Pte. Ltd. Skeel Advisors Pte. Ltd.

Messrs Chen Tong and Lee Ka Shao have each individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 to the Listing Manual of the SGX-ST, the answer is “No”.

The disclosure on prior experience as a director of an issuer listed on the Exchange and details of prior experience is not applicable as disclosure is applicable to the appointment of Director only.

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

PROXY FORM

ANNUAL GENERAL MEETING

IMPORTANT:
1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 of Singapore, Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

I/We, ______________________________

of ______________________________

being *a member/members of ISR Capital Limited. (the "Company"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings to be represented by proxy (%)

*and/or

Name	Address	NRIC/Passport No.	Proportion of Shareholdings to be represented by proxy (%)

or failing him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf, at the Annual General Meeting of the Company to be held at 51 Cuppage Road, #03-03 (Room Oasis 1 and 2), Singapore 229469 on Friday, 28 June 2019 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For#	Against*
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Directors' Statements and Independent Auditor's Report thereon.		
2.	To approve Directors' fees of up to S$240,000/- for the financial year ending 31 December 2019, payable quarterly in arrears. (2018: up to S$240,000/-).		
3.	To re-elect Mr Chen Tong as Director (Retiring under Article 89).		
4.	To re-elect Mr Lee Ka Shao as Director (Retiring under Article 89).		
5.	To re-appoint Messrs RT LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.		
6.	To authorise the Directors to allot and issue shares.		
7.	To authorise the Directors to offer and grant awards to allot and issue shares under the ISR Performance Share Plan.		

* Delete accordingly

\# If you wish to use all your votes "For" or "Against", please indicate with an "√" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.

IMPORTANT: PLEASE READ NOTES OVERLEAF.

Dated this __________ day of ______________ 2019

Total Number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

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Notes:-

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" means:

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its constitution and Section 179 of the Companies Act.

5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof (failing previous registration with the Company), must be deposited at the registered office of the Company located at 83 Clemenceau Avenue, #10-03 UE Square, Singapore 239920, not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

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Affix Postage Stamp

The Company Secretary
ISR CAPITAL LIMITED
83 Clemenceau Avenue
#10-03 UE Square
Singapore 239920

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6. A member of the Company should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to attend, speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.

Personal data privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 June 2019.

ISR CAPITAL LIMITED
威豪投资集团

Company Registration No. 200104762G

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