

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

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**RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY’S HALF YEARLY RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

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The Board of Directors (the “**Board**”) of ISR Capital Limited (the “**Company**”) wishes to provide the following additional information in response to the queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in their email dated 20 August 2015 in relation to the Company’s Half Yearly Results for the financial period ended 30 June 2015:

**Query**

- (1) In paragraph 8 of the Company’s Half Year 2015 Results Announcement (“**Announcement**”), the Company stated in the Announcement that “Other receivables increased by S\$321,000 or 219.6% from S\$146,000 as at 31 December 2014 to S\$467,000 as at 30 June 2015. The increase was due mainly to amounts receivable from a sub-tenant and related parties for expenses paid on their behalf”. Please

- (i) Disclose the identity of the related parties;

**Company’s Response:**

The related parties are a fund and its subsidiaries, in which the Group, through a subsidiary of the Company, holds redeemable preference shares in the fund and a director of the Company is also a director of the fund and its subsidiaries.

- (ii) Provide details on the related parties transactions and the reasons why the Company is paying expenses on behalf of the related parties; and

**Company’s Response:**

The fund and its subsidiaries are in negative equity positions as at 31 December 2014 and require financial support in order for them to remain as going concern entities to realise their residual values/assets. It is in the best interest of the Company’s subsidiary, being the largest redeemable preference shareholder, to extend financial support by paying some expenses on their behalf so as to enable the fund and its subsidiaries to remain solvent and be in a position to maximize the value of their residual assets.

- (iii) Quantify the payments and terms of the loans.

**Company’s Response:**

The payments made on the related parties’ behalf were approximately S\$175,000 and these non-trade balances are unsecured, interest-free and repayable upon demand.

- (2) In the Balance Sheet, “Financial assets, available-for-sale” amounted to S\$200,000.

Please provide reasons for the classification of “Financial assets, available-for-sale” as non-current assets.

**Company's Response:**

This consist of an equity stake in a closed-ended fund which has a charter life of three years. However, the charter life may be shortened or extended determined by the board of directors of that fund.

- (3) In the Cash Flow Statement, "Cash inflow on disposal of a subsidiary" amounted to S\$219,168.**

**On 7 November 2014, the Company disclosed that the sale consideration for the disposal of 100% of the equity interests in Infiniti Asset Management Pte Ltd is S\$400,000 and the purchaser had, on execution of the Share Purchase Agreement, paid S\$100,000 to the Company as deposit. The balance payable is S\$300,000. Please reconcile and explain why the payment made is only S\$219,168.**

**Company's Response:**

The proceeds from sale of the former subsidiary was S\$400,000. The cash position in the former subsidiary at the date of completion of the disposal was S\$180,832. As such, the net cash inflow on completion of the disposal of the former subsidiary was S\$219,168.

- (4) In paragraph 9, the Company is required to disclose whether there are any variance between the prospects disclosed in paragraph 10 of its previous results announcement. This disclosure is applicable. Please disclose accordingly.**

**Company's Response:**

The Group's net loss of approximately S\$459,000 for the period ended 30 June 2015 is not unanticipated and appears in line with the prospects statement mentioned in paragraph 10 of the Group's announcement of its full year results for FY2014 on 28 February 2015 as the Company had previously highlighted plans to restructure. However, funding was delayed as the Group has only recently, on 4 August 2015, obtained the approval-in-principle from the SGX-ST in relation to the listing and quotation of up to 11,666,666,667 Conversion Shares subject to shareholders' approval for the proposed issuance of convertible redeemable bonds at an extraordinary general meeting ("EGM") to be convened on 8 September 2015. The Group was therefore not in a position to execute its investment plans for the first half of 2015 as it was dependent on funding from the proposed issuance of convertible redeemable bonds, which is subject to shareholders' approval at an EGM on 8 September 2015.

- (5) Please provide details on the significant trends and competitive conditions of the industry in which the Company operates and any known factors or events that may affect the Company in the next reporting period and the next 12 months.**

**Company's Response:**

The recent macroeconomic highlights include China's capital market chaos, major world currency volatility, impending interest rate hike by the US and the slowdown in the ASEAN and North Asia economies, to name a few, have opened up numerous mergers and acquisition targets especially in the distressed assets investments. The sectors that have corrected substantially are mining and resources, property, consumer related and corporate debt sectors. The investment risks and stress levels in these sector are high but it also provide an opportunity for the bold to invest in these distressed assets and/or companies in the upcoming year to capitalise on the upturn when the cycle turns up.

BY ORDER OF THE BOARD

Quah Su-Yin  
Chief Executive Officer and Executive Director  
24 August 2015