

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

**RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LTD
RELATING TO THE UNAUDITED HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR
THE PERIOD ENDED 30 JUNE 2014**

The Board of Directors (the “**Board**”) of ISR Capital Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to provide the following response to the queries raised by Singapore Exchange Securities Trading Limited (“SGX-ST”) in their email dated 15 August 2014 in respect of the Company’s Unaudited Half Year Financial Statements Announcement for the period ended 30 June 2014 released to SGX-ST on 12 August 2014 (“1H2014 Results Announcement”).

Query 1:

It is stated on Page 8 that Other losses of S\$3.61 million for HY2014 was due mainly to the loss on disposal of financial assets, available for sale and the impairment loss of S\$2.99 million on financial assets, available-for-sale. Please explain the reason(s) for the impairment loss on financial assets, available-for-sale.

Company’s response:

The impairment loss of S\$2.99 million on financial assets available-for-sale was due to the continued significant decline in the market values of financial assets, available-for-sale, since 31 December 2013.

Query 2:

It is stated that Other expenses increased mainly due to the impairment of certain trade and other receivables. Please furnish details on the nature of the impairment of certain trade and other receivables.

Company’s response:

An allowance for impairment of trade receivable was made on management fees that are assessed as irrecoverable. An allowance for impairment of other receivables was made on a non-trade receivable from a fund that is in the process of being liquidated.

Query 3:

Please explain the reason(s) for the significant decrease in (i) Trade and Other Receivables from S\$3,929,366 as at 30 June 2013 to S\$806,744 as at 30 June 2014; and (ii) Financial assets, available-for-sale from S\$34,667,967 to S\$3,140.

Company’s response:

- (i) The significant decrease in Trade and Other Receivables was mainly due to the interest receivable of approximately S\$1.75 million from convertible note as at 30 June 2013 as well as an amount of approximately S\$1.18 million due from a related party as at 30 June 2013,

whereas there were no such balances as at 30 June 2014. The interest receivable from the convertible note was subsequently settled and the convertible note was fully redeemed in the second half of FY2013. The outstanding amount due from the related party was also received in the second half of FY2013.

- (ii) The significant decrease in current financial assets, available-for-sale (“AFS Financial Assets”) from S\$34,667,967 as at 30 June 2013 to S\$3,140 as at 30 June 2014 was mainly due to tactical portfolio reinvestment, which resulted in the disposal of approximately S\$28.3 million financial assets classified as current AFS Financial Assets and the purchase of AFS Financial Assets classified as non-current on the Group’s balance sheet. In addition, the decrease was also due to impairment loss of approximately S\$6.6 million made on such financial assets as well as redemption of convertible notes classified as AFS Financial Assets amounting to S\$0.3 million between 1 July 2013 to 30 June 2014. The decrease was partially offset by the purchase of AFS Financial Assets amounting to S\$0.3 million during that period.

BY ORDER OF THE BOARD

Quah Su-Yin
Executive Director and Chief Executive Officer

19 August 2014