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

RESPONSE TO QUERY RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LTD ON THE COMPANY'S ANNUAL REPORT 2014

The Board of Directors (the "**Board**") of ISR Capital Limited (the "**Company**") wishes to provide the following additional information in response to the query raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in their email dated 26 May 2015 in relation to the Company's Annual Report 2014:

Query

We note the Independent Auditor's Emphasis of Matter that there are factors that "indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern". For the purpose of determining if Rule 1303(3)(c) should apply, please provide the following information:-

(a) the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view; and

Company's Response:

With reference to page 35 of the Company's Annual Report 2014, which was announced and published on 13 April 2015, the Board provided its opinion that as of 6 April 2015, in view of the assumption stated in Note 1.2 to the financial statements for the year ended 31 December 2014, there were reasonable grounds to believe that the Company was able to pay its debts as and when they fall due, and was able to operate as a going concern.

The basis for the Board's view was stated in Note 1.2 to the financial statements for the year ended 31 December 2014 (on pages 47 to 49 of the Company's Annual Report 2014), which is reproduced below for easy reference:

> "*1.2 Going concern*
>
> *The Group incurred a net loss of S$8,766,997 (2013: S$43,182,559) and reported net cash outflows from operating activities of S$1,638,826 (2013: net cash inflows generated from operating activities of S$713,681) for the financial year ended 31 December 2014.*
>
> *As disclosed in Note 31, the Group had disposed of its 100% owned subsidiary, Infiniti Asset Management Pte Ltd on 6 March 2015 for a cash consideration of S$400,000. Infiniti Asset Management Pte Ltd is a subsidiary in the Group that is a fund management company registered with the Monetary Authority of Singapore, which can operate fund management business.*
>
> *Following the completion of the disposal, the Group has exited from its fund management business and is now left with its proprietary investment management business, which has been loss making for two consecutive financial years ended 31 December 2014 and 2013. The presence of these factors cast doubt on the Group and Company's ability to continue as a going concern.*

For the purpose of evaluating the Group and Company's going concern, the directors have considered the following:

Proposed issuance of convertible redeemable bonds

To ensure adequate working capital to explore for other business opportunities, the Company has entered into a subscription agreement with Premier Equity Fund (the "Subscriber") and Value Capital Asset Management Private Limited ("VCAM") to which the Company proposed to issue to the Subscriber 2% convertible redeemable bonds for up to S$35 million net of transaction costs to the Group. Further details of the convertible redeemable bonds are disclosed in the Company's Announcements dated 22 January 2015 and 18 November 2014.

Subject to approval from the Company's shareholders at an Extraordinary General Meeting ("EGM"), an application will be made to SGX-ST for the listing of and quotation of the new ordinary shares in the capital of the Company, to be allotted and issued upon conversion of the Bonds (the "Conversion Shares").

The Conversion Shares shall be issued unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable and shall rank pari passu in all respects with all other ordinary shares in the capital of the Company existing then (the "Shares") (except that such Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, the record date of which falls before the allotment and issuance of the relevant Conversion Shares), and will be listed on the Main Board of the SGX-ST.

The directors have evaluated that the proposed issuance of the convertible redeemable bonds will be successfully completed pending the clearance from SGX-ST and approval from the shareholders at an EGM. Accordingly, the directors are of the view that the going concern assumption is appropriate for the preparation of these financial statements.

As the going concern assumption is premised on, inter alia, the success of the proposed issuance of the convertible redeemable bonds, and should the proposed bond issue not be cleared by SGX-ST or approved by the shareholders of the Company, the Company and the Group may be unable to continue in operational existence for the foreseeable future. Accordingly, the Company and the Group may be unable to discharge its liabilities in the normal course of business and adjustments may 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 currently recorded in the balance sheet. In addition, the Company and the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements."

As at the date of this Announcement, the Board is of the view that it has reasonable grounds to believe that the Company will able to operate as a going concern, as it has entered into the Subscription Agreement with the Subscriber and VCAM, and is in the midst of implementing a fund raising exercise that, if approved, will provide the funds the Company needs over the medium term.

As disclosed in announcements dated 18 November 2014, 9 March 2015 and 17 April 2015, the Company has been working to obtain funding via the proposed issue of convertible redeemable bonds (the "**Bonds**") since entering into a subscription agreement (the "**Subscription Agreement**") with Premier Equity Fund (the "**Subscriber**") and Value Capital Asset Management Private Limited ("**VCAM**") on 18 November 2014.

As announced on 17 April 2015, the Company has been actively engaging the SGX-ST on its application in relation to the Bonds.

A chronology of the events relating to the Proposed Bond Issue (defined below) is as follows:

(i) 18 November 2014 – The Company entered into the Subscription Agreement with the Subscriber and VCAM pursuant to which the Company proposes to issue to the Subscriber 2.0% convertible redeemable bonds due 2018 with an aggregate principal amount of up to S$35,000,000 comprising seven (7) tranches of a principal amount of S$5,000,000 each (the "**Proposed Bond Issue**").

(ii) 9 December 2014 – The Company was ready to submit the draft Circular, Additional Listing Application and relevant checklists for SGX-ST's review but was informed by its legal advisers, Morgan Lewis Stamford LLC, that SGX-ST held a briefing on 9 December 2014 during which the SGX-ST stated that a minimum conversion price is required where convertible securities use a floating conversion price, in order to determine the maximum dilutive effect of such convertible securities.

(iii) 22 January 2015 – The Company entered into a supplemental agreement (the "**Supplemental Agreement**") with the Subscriber and VCAM to amend the terms of the Subscription Agreement to provide for a floor conversion price for the Bonds.

(iv) 11 February 2015 – The Company submitted a draft Circular, Additional Listing Application and relevant checklists for the Proposed Bond Issue to SGX-ST for review.

(v) 31 March 2015 – SGX-ST raised its first set of queries on the application.

(vi) 20 April 2015 – The Company submitted its responses to SGX-ST's first set of queries.

(vii) 6 May 2015 – SGX-ST raised its second set of queries on the application.

(viii) 12 May 2015 – SGX-ST raised its third set of queries on the application.

(ix) 26 May 2015 – The Company submitted its responses to SGX-ST's second set of queries.

The Board notes that it has been more than six months since the Company entered into the subscription agreement on 18 November 2014. The Company has dedicated substantial time and resources to pursue the Proposed Bond Issue, as the Company believes that it represents a unique opportunity to implement a three year funding programme to finance its future business plans.

Having dedicated its resources to the Proposed Bond Issue since November 2014, the Company believes that it would be onerous to backtrack on this exercise and embark on a new course to seek new funding through other avenues. The Company secured the Subscription Agreement for the Bonds at the end of 2014 as management had anticipated that the Company would require new funds by the middle of 2015 for its working capital and future investment operation needs.

(b) the Board's confirmation that all material disclosures have been provided for trading of the Company's shares to continue.

Company's Response:

The Board confirms that all material disclosures required under the SGX-ST Listing Rules have been provided for the trading of the Company's shares to continue.

BY ORDER OF THE BOARD

Quah Su-Yin
Chief Executive Officer and Executive Director
27 May 2015