

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

**RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES
TRADING LIMITED ON THE COMPANY’S FULL YEAR RESULTS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2015**

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 18 March 2016 in relation to the Company’s Full Year Results for the financial year ended 31 December 2015 that was announced on 26 February 2016:

Query by SGX-ST:

- 1) In paragraph 8 and 9 of the Company’s 2015 full year results (“FY2015 Results”), it was mentioned that net proceeds of S\$2.2mil raised from the issuance of convertible redeemable bonds were used for investments in debt securities which enabled the group to return to a profitable position for financial year 2015. It was also mentioned that revenue for FY2015 consist of management consultancy fees earned by a subsidiary.

Please reconcile the above.

Company’s Response:

- (a) The Company would like to clarify that that neither in paragraphs 8 nor 9 of the Company’s 2015 full year results were it mentioned that “net proceeds of S\$2.2 million raised from the issuance of the convertible redeemable bonds...”. What was mentioned on net proceeds raised is as stated in part III of paragraph 8 of the Company’s announcement for its FY2015 Results under “ Update on the use of the **net proceeds of approximately S\$2.7 million raised** from the issuance of the convertible redeemable bonds in the last quarter of 2015”.
- (b) The Company however has allocated S\$2.2 million out of the S\$2.7 million net proceeds raised in investment activities, which was mentioned in paragraph 8 “...the Company allocated approximately S\$2.2 million for investments in debt securities...”.
- (c) The Company would like to clarify that neither in paragraphs 8 nor 9 of the Company’s 2015 full year results did the Company expressly state that “net proceeds of S\$2.2 million raised from the issuance of convertible redeemable bonds were used for investments in debt securities *which enabled the group to return to a profitable position for financial year 2015*”

In paragraph 8 in so far as the Company made statement on the use of net proceeds for investment, please refer to the Company’s clarification in the Company’s response under note (a) above.

In paragraph 9, the Company mentioned that “The approval of the proposed issuance of convertible redeemable bonds by shareholders in September 2015 enabled the Group *to commence on business activities in the areas of deal structuring and debt securities*, thereby returning the Group to a profitable position for the financial year ended 31 December 2015.”

- (d) To elaborate, for FY2015, the issuance of convertible redeemable bonds which the Company received approval from shareholders in September 2015 enabled the Group to commence business activities principally in two areas, (1) deal structuring and (2) debt securities.
- (e) The Company has indeed mentioned that revenue for FY2015 consist of management consultancy fees earned by a subsidiary. Deal structuring is conducted by a subsidiary of the Company, which earns management consultancy fees that is categorised under the Group’s Revenue.
- (f) Debt securities, the other principal business activities of the Group, gives rise to coupon income, which the Group categorised under Other Income.

The Company trusts the above provides sufficient clarification to Query No. 1 raised.

Query by SGX-ST:

- 2) In the Balance Sheet, “Trade and other receivables” amounted to S\$3.13mil. Please provide a breakdown and the reason why the amount is more than the revenue recorded for FY2015 of S\$2.93mil. Please also elaborate on the nature of “other receivables” where significant.

Company’s Response:

The breakdown of "Trade and other receivables" as at 31 December 2015 is as follows:

Trade receivables	S\$2,825,116
<u>Other receivables</u>	<u>S\$ 306,919</u>
<u>Total</u>	<u>S\$3,132,035</u>

Other receivables include refundable deposits placed for office rental and utilities and office rental due from a sub-tenant as at 31 December 2015. The office rental was subsequently settled by the sub-tenant in January 2016.

Query by SGX-ST:

- 3) In paragraph 8 of the FY2015 Results, it was mentioned that “Trade and other receivables” increased mainly due to management consultancy fees receivable. Please provide details on the parties that the management consultancy fees should be received from and an explanation on why these fees have not been paid.

Company’s Response:

The Company, via its subsidiary, is bound by the confidentiality clauses in the agreements that were signed with these parties/clients, and unable to publicly disclose the identity and details of the clients. The clients are predominantly operating in the resource and energy space. The subsidiary received S\$300,000 subsequent to the balance sheet date. Collection of the trade receivables is in progressive development and is one of the key priorities of the Group. On the delayed fee payment, the Company understands from its clients that the economic environment remains challenging, however, has received assurance of payment in due course.

Query by SGX-ST:

- 4) In paragraph 9 of the FY2015 Results, it was mentioned that “(t)he approval of the proposed issuance of convertible redeemable bonds by shareholders in September 2015 enabled the Group to commence on business activities in the areas of deal structuring and debt securities”.

Please provide details and elaborate on the deal structuring undertaken by the Company.

Company’s Response:

The Company, via its subsidiary, has acted as management consultant to clients on the structuring of deals which involved the subsidiary assisting the clients in identifying other interested parties, negotiating and advising the clients on the form and structure of the deals, taking into account, *inter alia*, the interest of the clients, prevailing market sentiments and market conditions.

BY ORDER OF THE BOARD

Quah Su-Yin
Chief Executive Officer and Executive Director

22 March 2016