

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 ANNUAL REPORT 2017

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 3 May 2018 in relation to the Company’s Annual Report 2017 announced on 10 April 2018 (the “**Annual Report 2017**”):

Query by SGX-ST:

1. Guideline 11.3 of the Code of Corporate Governance 2012 (the “Code”) states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company’s Annual Report. The Board’s commentary should include information needed by stakeholders to make an informed assessment of the company’s internal control and risk management systems. The Board should also comment in the company’s Annual Report on whether it has received assurance from the CEO and the CFO:
 - (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.

It was disclosed that the Executive Chairman and the Group Financial Controller “have evaluated the effectiveness of the Group’s risk management and internal controls and have discussed with the Group’s external and internal auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of risk management and internal controls which could adversely affect the Group’s ability to record, process, summarise or report financial data”. We note that the evaluation of the effectiveness of the Group’s risk management and internal controls is limited to “record, process, summarise or report financial data”.

As required under Listing Rule 710, please make disclosure as recommended in the Code; in particular, assurance from the Executive Chairman and the Group Financial Controller that the company’s risk management and internal control systems are effective or otherwise explain the reason(s) for the deviation from the following Code recommendations.

Company’s Response:

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.

Query by SGX-ST:

2. Paragraph 9.3 of the Code states that the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.

As required by Rule 1207(12) of the Listing Manual, please make disclosures as recommended in paragraph 9.3 of the Code or otherwise explain the reason(s) for the deviation from the following Code recommendations.

Company's Response:

The Group currently has only one key management personnel (who is not a director or the CEO) for the financial year ended 31 December 2017. The reasons for the deviation from the recommendations and guidelines of the Code of Corporate Governance 2012 have been set out on page 15 of the Annual Report 2017. As stated therein, the remuneration of each Director and other key management personnel have been disclosed in the respective bands (see page 16 of the Annual Report 2017), 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.

Query by SGX-ST:

3. Please confirm if the Company has complied with Listing Rule 716.

Company's Response:

Listing Rule 716 is not applicable to the Group as the Group did not appoint any other auditing firm apart from RT LLP (the “**Auditors**”), which is the external auditor of the Company.

Query by SGX-ST:

4. For the purpose of determining if Rule 1303(3)(c) should apply, please provide the following information:-
 - (i) the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view; and
 - (ii) the Board's confirmation that all material disclosures have been provided for trading of the Company's shares to continue.

Company's Response:

- (i) Subsequent to 31 December 2017, the Company has raised net proceeds of approximately S\$1,900,000 through the issuance of sub-tranche 5 of Tranche 2 and sub-tranche 1 of Tranche 3 convertible redeemable bonds to Premier Equity Fund (the “Subscriber”). As announced via SGXNET on 29 March 2018, pursuant to the terms and conditions of the Subscription Agreement dated 18 November 2014 and the Supplemental Agreement dated 22 January 2015, the Company has exercised its option to issue to the Subscriber the Tranche 3 convertible redeemable bonds of an aggregate principal amount of S\$5,000,000, comprising five equal sub-tranches of S\$1,000,000 each at the Bond Issue Price.

Taking into consideration the net proceeds to be raised from the issuance of the Tranche 3 convertible redeemable bonds and the estimated expenses of the Group, the Board of Directors is

of the opinion that the Company and the Group will be able to operate as a going concern for the next 12 months.

- (ii) The Board of Directors confirms that all material disclosures have been provided for trading of the Company's shares to continue.

Query by SGX-ST:

5. Please explain material deviations in the Company's cash flow statement, in particular, "Impairment loss on other receivables", "Trade receivables, other receivables and other current assets", "other payables" and "Purchase of property, plant and equipment".

Company's Response:

The variances/deviations in the line items between the audited consolidated statement of cash flows for the financial year ended 31 December 2017 as presented in the Company's Annual Report for FY2017 and the unaudited consolidated statement of cash flows for the financial year ended 31 December 2017 as presented in the Company's announcement dated 1 March 2018 are as follows:

	Audited 2017	Unaudited 2017	Variance / Deviation		Remarks
	S\$	S\$	S\$	%	
Cash flows from operating activities					
Impairment loss on other receivables	10,084	-	10,084	N/A	Please see Note 13(a) on page 58 of the Annual Report 2017. The Company does not consider this to be a material deviation.
Net (gain)/loss on disposal of financial asset, available-for-sale	(30,327)	(30,326)	(1)	0.0%	The Company does not consider this to be a material deviation.
Operating cash flows before changes in working capital	(1,882,752)	(1,892,835)	10,083	(0.5%)	The Company does not consider this to be a material deviation.
Changes in working capital: Trade receivables, other receivables and other current assets	117,765	127,892	(10,127)	(7.9%)	The variance was mainly due to the above disclosure of impairment loss on other receivables in the audited consolidated statement of cash flows for FY2017. The Company does not consider this to be a material deviation.

	Audited 2017	Unaudited 2017	Variance / Deviation		Remarks
	S\$	S\$	S\$	%	
Other payables	(48,613)	(61,046)	12,433	(20.4%)	The variance was mainly due to the variance in the purchase of property, plant and equipment in the audited consolidated statement of cash flows for FY2017 as explained below. The Company does not consider this to be a material deviation.
Cash flows used in operating activities	(1,813,600)	(1,825,989)	12,389	(0.7%)	The Company does not consider this to be a material deviation.
Interest received	778	734	44	6.0%	The Company does not consider this to be a material deviation.
Net cash used in operating activities	(1,812,822)	(1,825,255)	12,433	(0.7%)	The Company does not consider this to be a material deviation.
Cash flows from investing activities					
Purchase of property, plant and equipment	(15,182)	(2,750)	(12,432)	452.1%	Please refer to the explanation in Note B on page 41 of the Company's Annual Report for FY2017. The Company does not consider this to be a material deviation.
Net cash used in investing activities	(2,489,177)	(2,476,746)	(12,431)	0.5%	The Company does not consider this to be a material deviation.
Cash flows from financing activities					
Repayment of finance lease liabilities	(41,408)	(41,406)	(2)	0.0%	The Company does not consider this to be a material deviation.
Net cash provided by financing activities	3,725,289	3,725,291	(2)	(0.0%)	The Company does not consider this to be a material deviation.

As noted above, the Company together with the Auditors, did not consider the above variances/deviations to be material and consequently, no separate announcement pursuant to Listing Rule 704(6) was made in relation to the above variances/deviations.

BY ORDER OF THE BOARD

Chen Tong
Executive Chairman
7 May 2018