

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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.

ISR CAPITAL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

1.2 Going concern (Continued)

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.

ISR CAPITAL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. Events occurring after balance sheet date

Completion of disposal of the entire share capital in Infiniti Asset Management Pte Ltd

Following the Group's announcement on 7 November 2014 entitled "*Proposed Disposal of a Subsidiary*", the disposal of the entire share capital in Infiniti Asset Management Pte Ltd (the "Disposal"), which has been classified as discontinued operation (Note 10) as at 31 December 2014 has been completed on 6 March 2015, for a cash consideration of \$400,000. Following the completion of the Disposal, Infiniti Asset Management Pte Ltd ceased to be a subsidiary of the Company.

ISR CAPITAL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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32. Events occurring since the last financial year

Investigation by Commercial Affairs Department

On 2 April 2014, the Company with five other wholly-owned subsidiaries of the Company and two funds (including two subsidiaries of one of the funds) that are managed by a subsidiary of the Company, were served notices by the Commercial Affairs Department of the Singapore Police Force ("CAD") for an investigation into an alleged offence under the Securities and Futures Act, Cap 289 which required the Company and those entities to provide CAD with access to certain data. Since then, the Company has been cooperating fully with CAD in its investigation. The CAD confirmed to the auditors that their investigation is still ongoing but has not provided the Company with any further details or updates of its investigation, apart from certain key personnel being requested to attend further interviews by CAD in late January 2015.

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For the financial year ended 31 December 2014

34. Comparative figures

The financial statements for the financial year ended 31 December 2013 were audited by another firm of auditors whose report dated 21 May 2014 expressed a Disclaimer of Opinion on those financial statements. Below is the modified opinion expressed by the prior year auditor.

Extracted from auditor's report for the year ended 31 December 2013

"Basis for Disclaimer of Opinion

We refer to Note 31 to the financial statements, which states that in April 2014, the Company, five of its wholly-owned subsidiaries, and two funds (including two subsidiaries of one of the funds) managed by one of the subsidiaries of the Company were served notices by the Commercial Affairs Department ("CAD") of the Singapore Police Force for an investigation into an offence under the Securities and Futures Act, Chapter 289 ("SFA").

The CAD has not provided the Company with details of its investigation.

We are unable to ascertain, whether the investigation, the outcome of which is unknown, would have an impact on the Group's ongoing business operations. We are also unable to ascertain the extent of pervasiveness and/or significance of any adjustments that may arise from the investigation, if any, on the financial statements of the Group and the Company.

Disclaimer of Opinion

Because of the significance of the uncertainty arising from the CAD's investigation as described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements."