



ISOTEAM LTD.
(Company Registration No. 201230294M)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

PART 1 INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) Consolidated Income Statement and Comprehensive Income Statement

	Note	Group Six Months Ended		Change %
		31.12.2014 (Unaudited) \$'000	31.12.2013 (Unaudited) \$'000	
Revenue		38,954	31,895	22.1
Cost of sales		(30,368)	(26,543)	14.4
Gross profit		8,586	5,352	60.4
Other income	(a)	163	254	(35.8)
Marketing and distribution expenses		(386)	(365)	5.8
General and administrative expenses		(3,308)	(2,628)	25.9
Finance costs		(121)	(208)	(41.8)
Profit before tax	(b)	4,934	2,405	105.2
Tax expense		(867)	(276)	214.1
Net profit and total comprehensive income for the period		4,067	2,129	
Net profit and total comprehensive income attributable to:				
Equity holders of the Company		4,079	2,126	91.9
Non-controlling interest		(12)	3	N/M
		4,067	2,129	91.0

"N/M" denotes Not Meaningful if % of change is more than 300%

1(a)(ii) Notes to the Consolidated Income Statement and Comprehensive Income Statement

	Group		Change %
	Six Months Ended		
	31.12.14 (Unaudited) \$'000	31.12.13 (Unaudited) \$'000	
(a) <u>Other income</u>			
Government grants	49	4	N/M
Gain on disposal of property, plant and equipment	-	2	(100.0)
Interest income	4	9	(55.6)
Rental income	28	116	(75.9)
Others	82	123	(33.3)
	<u>163</u>	<u>254</u>	
(b) <u>Profit before tax</u>			
This is arrived at after charging:			
Audit fees payable/paid to auditor of the Company	69	65	6.2
Depreciation of property, plant and equipment	260	216	20.4
Loss on disposal of property, plant and equipment	24	-	N/M

"N/M" denotes Not Meaningful if % of change is more than 300%

1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

1(b)(i) Statements of Financial Position

	Group		Company	
	As at 31.12.14 (Unaudited) \$'000	As at 30.06.14 (Audited) \$'000	As at 31.12.14 (Unaudited) \$'000	As at 30.06.14 (Audited) \$'000
Assets				
<u>Non-current assets</u>				
Property, plant and equipment	5,361	5,111	-	-
Investment in subsidiaries	-	-	13,750	13,750
Investment securities	400	400	-	-
	<u>5,761</u>	<u>5,511</u>	<u>13,750</u>	<u>13,750</u>
<u>Current assets</u>				
Due from customers for contract work-in-progress	3,240	3,122	-	-
Inventories	115	135	-	-
Trade and other receivables	23,869	23,032	1,283	515
Cash and bank balances	22,475	17,560	4,411	7,004
Total current assets	<u>49,699</u>	<u>43,849</u>	<u>5,694</u>	<u>7,519</u>
Total assets	55,460	49,360	19,444	21,269
<u>Non-current liabilities</u>				
Finance lease liabilities	477	401	-	-
Deferred tax liabilities	200	89	-	-
Total non-current liabilities	<u>677</u>	<u>490</u>	<u>-</u>	<u>-</u>
<u>Current liabilities</u>				
Due to customers for contract work-in-progress	5,711	6,505	-	-
Bank borrowings	4,280	4,168	-	-
Trade and other payables	14,784	11,154	2,993	3,375
Finance lease liabilities	239	262	-	-
Tax payables	1,091	994	-	-
Total current liabilities	<u>26,105</u>	<u>23,083</u>	<u>2,993</u>	<u>3,375</u>
Total liabilities	26,782	23,573	2,993	3,375
Net assets	28,678	25,787	16,451	17,894

	Group		Company	
	As at 31.12.14 (Unaudited) \$'000	As at 30.06.14 (Audited) \$'000	As at 31.12.14 (Unaudited) \$'000	As at 30.06.14 (Audited) \$'000
Share capital and reserves				
Share capital	15,867	15,867	15,867	15,867
Accumulated profits	20,098	17,195	584	2,027
Merger reserve	(7,338)	(7,338)	-	-
Equity attributable to equity holders of the Company	28,627	25,724	16,451	17,894
Non-controlling interest	51	63	-	-
Total equity	28,678	25,787	16,451	17,894

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	Group			
	As at 31 December 2014 \$'000		As at 30 June 2014 \$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	4,519	-	4,430	-
Amount repayable after one year	477	-	401	-
	<u>4,996</u>	<u>-</u>	<u>4,831</u>	<u>-</u>

Details of any collaterals

- (a) Bank borrowings amounting to \$2.7 million are secured by pledged fixed deposits and corporate guarantee from the Company.
- (b) Bank borrowings amounting to \$1.6 million are secured by a legal mortgage over the leasehold property of a subsidiary, pledged fixed deposits and corporate guarantees from the Company.
- (c) Finance lease obligations of the Group are secured by the rights to the leased equipment, machinery and motor vehicles. Certain directors of the Company have provided personal guarantees for certain finance lease liabilities.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(c)(i) Consolidated Statement of Cash Flows

	Group	
	Six Months Ended	
Note	31.12.14	31.12.13
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Cash flows from operating activities		
Profit before income tax	4,934	2,405
Adjustment for:-		
Depreciation of property, plant and equipment	260	216
Loss / (gain) on disposal of property, plant and equipment	24	(2)
Interest income	(4)	(9)
Interest expense	107	194
Operating cash flows before working capital changes	<u>5,321</u>	<u>2,804</u>
Project work-in-progress	(912)	2,788
Inventories	20	(76)
Trade and other receivables	(837)	(1,998)
Trade and other payables	3,630	583
Cash generated from operations	<u>7,222</u>	<u>4,101</u>
Interest received	4	9
Interest paid	(107)	(194)
Tax paid	(659)	(199)
Net cash generated from operating activities	<u>6,460</u>	<u>3,717</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(351)	(466)
Proceeds from disposal of property, plant and equipment	16	-
Net cash used in investing activities	<u>(335)</u>	<u>(466)</u>
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	6,216
Dividend paid	(1,176)	(1,176)
Capital contributed by non-controlling interest	-	49
Repayment to related parties (non-trade)	-	(1,253)
Fixed deposits pledged to banks	-	(3)
Fixed deposits released from pledge	503	-
Drawdown of bank borrowings	169	-
Repayment of bank borrowings	(57)	(657)
Repayment of finance lease	(146)	(247)
Net cash (used in) / generated from financing activities	<u>(707)</u>	<u>2,929</u>
Net increase in cash or cash equivalents	5,418	6,180
Cash and cash equivalents at beginning of financial period	<u>15,659</u>	<u>6,907</u>
Cash and cash equivalents at end of financial period	<u>21,077</u>	<u>13,087</u>

1(c)(ii) Notes to the Consolidated Statement of Cash Flows

Cash and cash equivalents included in the consolidated statement of cash flows consist of the following:-

	Group	
	Six Months Ended	
	31.12.14	31.12.13
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Cash in hand and at bank	20,918	13,087
Fixed deposits	1,557	1,559
	<u>22,475</u>	<u>14,646</u>
Less: Fixed deposits pledged	(1,398)	(1,559)
	<u>21,077</u>	<u>13,087</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Attributable to equity holders of the Group				
	Share capital	Accumulated profits	Merger reserve	Non-controlling Interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	9,651	12,315	(7,338)	-	14,628
Profit and total comprehensive income for the period	-	2,126	-	3	2,129
Capital contribution by non-controlling interest	-	-	-	49	49
Issuance of ordinary share pursuant to the IPO	6,761	-	-	-	6,761
Share issuance expenses	(545)	-	-	-	(545)
Dividend	-	(1,176)	-	-	(1,176)
Balance at 31 December 2013	<u>15,867</u>	<u>13,265</u>	<u>(7,338)</u>	<u>52</u>	<u>21,846</u>
Balance at 1 July 2014	15,867	17,195	(7,338)	63	25,787
Profit and total comprehensive income for the period	-	4,079	-	(12)	4,067
Share issuance expenses	-	-	-	-	-
Dividend	-	(1,176)	-	-	(1,176)
Balance at 31 December 2014	<u>15,867</u>	<u>20,098</u>	<u>(7,338)</u>	<u>51</u>	<u>28,678</u>

Company	Attributable to equity holders of the Company				
	Share	Accumulated	Merger	Non-	Total
	capital	profits /	reserve	controlling	equity
	\$'000	(loss)	\$'000	Interest	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	9,651	1,305	-	-	10,956
Loss and total comprehensive income for the period	-	(288)	-	-	(288)
Issuance of ordinary share pursuant to IPO	6,761	-	-	-	6,761
Share issuance expenses	(545)	-	-	-	(545)
Dividend	-	(1,176)	-	-	(1,176)
Balance at 31 December 2013	15,867	(159)	-	-	15,708
Balance at 1 July 2014	15,867	2,027	-	-	17,894
Loss and total comprehensive income for the period	-	(267)	-	-	(267)
Dividend	-	(1,176)	-	-	(1,176)
Balance at 31 December 2014	15,867	584	-	-	16,451

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the share capital of the Company since the end of previous period reported on till 31 December 2014 and there were no outstanding convertibles or treasury shares held by the Company as at 30 June 2014 and 31 December 2014.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Company	
	As at 31.12.14	As at 30.06.14
Number of ordinary shares issued and fully paid (excluding treasury shares)	117,595,831	117,595,831

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no treasury shares as at 31 December 2014.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial information for the current financial period as those used in the audited financial statements for the financial year ended 30 June 2014, except for the adoption of certain revised Financial Reporting Standards ("FRS") which are effective for the financial period commencing 1 July 2014. The adoption of these FRS has no material impact on the Group's financial statements.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to paragraph 4 above.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per share ("EPS")	Group	
	Six Months Ended	
	31.12.14	31.12.13
Profit attributable to equity holders of the Company (\$'000)	4,079	2,126
Weighted average number of ordinary shares ⁽¹⁾	117,595,831	115,758,711
Basic and diluted EPS based on weighted average number of ordinary shares (cents)⁽²⁾	3.47	1.84

Notes:

(1) The calculation for the basic and diluted EPS for the respective financial periods is based on the weighted average number of ordinary shares in issue during the financial periods.

(2) The basic and diluted EPS were the same as the Group did not have any potentially dilutive instruments for the respective financial periods.

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

Net assets value ("NAV")	Group		Company	
	As at 31.12.14	As at 30.06.14	As at 31.12.14	As at 30.06.14
NAV (\$'000)	28,627	25,724	16,451	17,894
Number of ordinary shares	117,595,831	117,595,831	117,595,831	117,595,831
NAV per ordinary share (cents)	24.34	21.87	13.99	15.22

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF FINANCIAL PERFORMANCE

Revenue	Group				Change %
	Six Months Ended				
	31.12.14		31.12.13		
\$'000	%	\$'000	%		
R&R	29,321	75.3	21,434	67.2	36.8
A&A	8,153	20.9	10,030	31.5	(18.7)
Others ⁽¹⁾	1,480	3.8	431	1.4	243.4
	38,954	100.0	31,895	100.0	22.1

Note:

- (1) Others include revenue from home retrofitting business and green solutions business.

Revenue

The Group's revenue increased by \$7.1 million or 22.1% from \$31.9 million for HY2014 to \$39.0 million for HY2015 largely due to a substantial increase in the Group's Repairs and Redecoration ("R&R") business segment. Revenue from the Group's R&R business rose by \$7.9 million or 36.8% from \$21.4 million for HY2014 to \$29.3 million for HY2015. This was derived largely from projects awarded by Pasir Ris-Punggol Town Council, SKK (S) Pte Ltd and Moulmein-Kallang Town Council. The Group completed and delivered 10 R&R projects in HY2015.

Revenue contribution from the Group's Addition and Alteration ("A&A") business segment decreased by \$1.8 million or 18.7% from \$10.0 million for HY2014 to \$8.2 million for HY2015 mainly because of lower and slower revenue recognised from Neighbourhood Renewal Programme ("NRP") projects in HY2015 and was derived largely from NRP projects for Tampines Town Council and Chua Chu Kang Town Council.

Revenue contribution from the Group's Others business segment rose from \$0.4 million in HY2014 to \$1.5 million in HY2015. The increase was largely due to the Group's home retrofitting business under its subsidiary Zara @ ISOTeam Pte. Ltd., which has continued to gain traction since being established in September 2013.

Gross profit and gross profit margin

The Group's gross profit increased by \$3.2 million or 60.4% from \$5.4 million in HY2014 to \$8.6 million in HY2015 mainly due to higher revenue contributed by R&R works. Overall gross profit margin increased from 16.8% to 22.1% mainly due to better profit margin of R&R completed projects.

Other income

The Group's other income decreased by \$91,000 or 35.8% from \$254,000 in HY2014 to \$163,000 in HY2015. The decrease was mainly due to lower rental and other income after offsetting with the receipts of government grants. Other income consisted of mainly administrative fee for HY2015.

Marketing and distribution expenses

The Group's marketing and distribution expenses increased by \$21,000 or 5.8% from \$365,000 in HY2014 to \$386,000 in HY2015. The increase was mainly due to increase in depreciation of motor vehicles which is in line with the additional fixed assets purchased.

General and administrative expenses

The Group's general and administrative expenses increased by \$0.7 million or 25.9% from \$2.6 million in HY2014 to \$3.3 million in HY2015. The increase was mainly attributable to (i) increase in staff costs of \$0.3 million mainly due to expansion of the business; (ii) increase in directors' performance bonus of \$0.2 million; and (iii) increase in professional fees of \$0.2 million mainly due to legal costs.

Finance costs

The Group's finance costs decreased by \$87,000 or 41.8% from \$208,000 in HY2014 to \$121,000 in HY2015. The decrease was mainly attributable to lower interest rates charged for factoring and decrease in trust receipts interest due to early settlement.

Profit before tax

As a result of the above, the Group's profit before tax increased by \$2.5 million or 105.2% from \$2.4 million in HY2014 to \$4.9 million in HY2015.

REVIEW OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets increased by \$0.3 million or 4.5% from \$5.5 million as at 30 June 2014 to \$5.8 million as at 31 December 2014, mainly due to acquisition of new assets of \$0.6 million and offset by the depreciation of fixed assets of \$0.3 million during HY2015.

Current assets

The increase in current assets of \$5.9 million from \$43.8 million as at 30 June 2014 to \$49.7 million as at 31 December 2014 was attributed mainly to the increase in amounts due from customers for contract work-in-progress of \$0.1 million, the increase in trade and other receivable of \$0.9 million and the increase in cash and bank balances of \$4.9 million.

Non-current liabilities

The increase in non-current liabilities of \$0.2 million from \$0.5 million as at 30 June 2014 to \$0.7 million as at 31 December 2014 was mainly due to the drawdown of new finance lease of \$0.2 million after repayment of \$0.1 million during HY2015 and additional deferred tax liabilities of \$0.1 million.

Current liabilities

The increase in current liabilities of \$3.0 million from \$23.1 million as at 30 June 2014 to \$26.1 million as at 31 December 2014 was attributed mainly to the increase in bank borrowings and finance lease of \$0.1 million, the increase in trade and other payables of \$3.6 million and the increase in tax payable of \$0.1 million and offset by the decrease in amounts due to customers for contract work-in-progress of \$0.8 million.

REVIEW OF STATEMENT OF CASH FLOWS

Net cash generated from operating activities

The Group generated a net cash of \$5.3 million from operating activities before changes in working capital. Net working capital inflow amounted to \$1.9 million. This was mainly due to an increase in trade and other payables of \$3.6 million which was offset by a decrease in trade and other receivables of \$0.8 million and project work-in-progress of \$0.9 million. After payment of income tax of \$0.6 million and interest of \$0.1 million, the net cash generated from operating activities amounted to approximately \$6.5 million.

Net cash used in investing activities

Net cash used in investing activities amounted to \$0.3 million, which was mainly attributable to the purchase of plant and equipment.

Net cash generated from financing activities

Net cash used in financing activities of \$1.2 million was mainly due to dividend payment of \$1.2 million which was offset by the release of pledged fixed deposits of \$0.5 million.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to the shareholders.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group views that revenue will continue to be driven by awarded project which will in turn be dependent on there being no cancellation or delay in the commencement of awarded projects. In addition, the Group expects to benefit from the general increase in public sector upgrading, retrofitting and maintenance of buildings and facilities activities in Singapore and will continue to bid for these projects as well as projects in the private sector. Looking ahead, the Group continues to see healthy demand for its R&R and A&A services in view of on-going initiatives by the Singapore government to renew and rejuvenate middle-aged and mature estates. The Group intends to extend its services into other untapped sectors, including projects by public sectors entities such as education institutions and army camps, and non-public sector projects such as Management Corporation Strata Title, industrial and commercial projects.

Notwithstanding the aforesaid demand factors, the Group expects to face rising cost pressures in the next 12 months such as higher labour costs due to progressive increases in foreign workers' levies.

With the completion of the acquisition of Accom International, Accom, Rong Shun Landscape & Construction and International Contracts Marketing (2001) in January 2015, the Group now includes the above subsidiaries. The Group expects increase in revenue due to contribution from these subsidiaries.

The Group's order book as at 8 January 2015 stood at \$70.4 million (including \$22.2 million worth of new R&R, A&A and interior designs projects secured by the Group during first half of FY2015) which will be progressively delivered over the next two years. The Group is currently the lowest tenderer for four projects pending tender award confirmation, namely R&R Improvement works to multi-storey carpark, R&R to Blk 32 to 34 Market Road, NRP at Woodlands Street 81, 82 and 83 and NRP, electrical load upgrading and R&R to Blk 231 to 263 Serangoon Central, worth \$30.9 million.

11 Dividend

(a) Dividend declared (recommended) for the current financial period reported on

No.

(b) Dividend declared (recommended) for the corresponding period of the immediately preceding financial year

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for HY2015.

- 13 If the group has obtained a general mandate from shareholders for interested person transactions (“IPTs”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from shareholders for IPTs pursuant to Rule 920(1)(a)(ii).

- 14 Negative confirmation pursuant to Rule 705 (5)**

We, David Ng Cheng Lian and Anthony Koh Thong Huat, being two directors of the Company, do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial information for HY2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

David Ng Cheng Lian
Executive Chairman

Anthony Koh Thong Huat
CEO

12 February 2015

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“Sponsor”), Hong Leong Finance Limited for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Ms Joan Ling, Senior Vice President, Head of Corporate Finance, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.