



ISOTEAM LTD.

(Company Registration No: 201230294M)
(Incorporated in the Republic of Singapore on 12 December 2012)

RESPONSE TO QUERIES FROM SHAREHOLDERS ON THE ANNUAL GENERAL MEETING

The Board of Directors (the “**Board**” or “**Directors**”) of ISOTeam Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the shareholders of the Company in relation to the Company’s Annual General Meeting for the financial year ended 30 June 2020 (“**FY2020**”) and appends the replies as follows:

Question 1

“Provide a business update on your operations particularly in relation to the Group’s outlook and any exciting developments.”

Company’s response

The Company remains cautiously optimistic as Singapore enters phase three of its reopening. As disclosed in the Company’s annual report for the financial year ended 30 June 2020 (“**AR2020**”), the Company expects pent up demand from the private sector as well as an increase in tenders for infrastructure and upgrading projects from the public sector post-Circuit Breaker. The Company believes that it is well-positioned to leverage on its multi-disciplinary capabilities and established reputation to pursue any arising opportunities in the built environment industry moving forward.

In addition, as part of the Group’s effort to transform digitally, the Company is also accelerating the development of an ISOTeam app which will streamline its work processes and enable more optimal deployment of manpower resources.

Please refer to pages 8 and 9 of AR2020 for more details on the Group’s business outlook.

Question 2

“Singapore Exchange Regulation recently issued a trade with caution alert when dealing with shares of the Company. Is the Company or any of the Company’s directors involved? Will this affect the Company’s future contract bids and awards?”

Company’s response

The Company notes the trade with caution alert and would like to share that none of the directors and management of the Group are involved in the “cross trades”. The Company also observes a strict “blackout period” prior to the announcement of its financial results, and during this “blackout period”, the Group’s directors, management and employees do not, amongst others, trade in the Company’s shares.

The Group has an order book of \$165.7 million as at 30 September 2020, and has secured \$42.3 million in new contracts for the current financial year ended 30 June 2021 as announced on 7 December 2020. In this regard, the Company will continue to pursue all leads to boost its order book.

Question 3

“It is likely that as legal moratoriums, rental rebates and postponement of rental obligations lapse in 2021, there are likely to be more bankruptcies. Construction industry is likely to be one of the industries which will be affected, especially the weaker sub-contractors. Although ISOTeam operates in a slightly different industry, please provide insight on the following:

- a. *How does the Company bolster its balance sheet, cash flows and credit lines to operate in this post-COVID-19 environment?*
- b. *How does the Company protect itself from weak sub-contractors / weak customers etc?”*

Company’s response

- a. The Singapore Government has introduced and enhanced various support measures to help the built environment firms cope with challenges from the COVID-19 outbreak¹. The Group is actively tapping on these measures including manpower levies, grants for business development and aid with construction and supply contracts to facilitate its cash flow management. In addition, the Group has also secured temporary bridging loans from several banks and continues to exercise prudence in its cost control and balance sheet management. As at the date of this announcement, the Company wishes to assure shareholders that the Group has sufficient working capital to meet its operational needs and financial commitments.
- b. The Group has in place a robust credit management system to address payment and credit risk exposures from its sub-contractors and customers. In addition, approximately 65% of the Group’s customers are from the public sector where payment and default risks are lower. Nevertheless, the Group constantly reviews the credibility of all its customers, and will take the appropriate measures when necessary.

Question 4

“Costs are likely to rise in this post-COVID-19 environment.

- a. *For contracts which were clinched before COVID-19, how affected are they by such rising costs? Will these contracts be loss-making eventually?*
- b. *For contracts which were clinched after COVID-19, has the Company revised its pricing upwards to protect margins? Can your customers accept such mark up?*
- c. *Of the Company’s order book of \$165.7 million, what is the percentage of contracts clinched before and after COVID-19?*
- d. *Please provide a rough estimate of the Company’s gross profit margin before and after COVID-19.”*

Company’s response

- a. There has been a 3% to 5% rise in costs due to the COVID-19 pandemic and the Group expects margins for some projects to be under pressure. Nevertheless, the Group has factored in the cost

¹ <https://www1.bca.gov.sg/COVID-19/support-measures-for-built-environment-sector-firms/>

hike when tendering for such projects and these projects which the Company has secured remain profitable albeit at lower margins.

- b. Due to the confidential and commercial sensitivities associated with contract matters, the Company is unable to provide any comments at this point in time. However, as mentioned above, the Group will factor in the rise in costs when tendering for projects.
- c. The Group secured approximately \$53.4 million in new contracts between June 2020 and August 2020, representing approximately 32% of its order book of \$165.7 million as at 30 September 2020.
- d. While gross profit margins may vary from segment to segment, the Group is generally able to maintain a relatively stable overall gross profit margin. This is because costs are mostly locked-in with vendors for pre-Circuit Breaker projects while the higher costs are factored into post-Circuit Breaker tenders.

Question 5

“Are there any plans to privatise the Company?”

Company’s response

The Company currently has no plans to privatise. The management sees value in remaining as a listed company, as it presents more options for raising capital and also inculcates good corporate governance and discipline within the organisation. Nevertheless, if a suitable offer comes along, the Board would take into consideration all factors including but not limited to the financial position of the Group, and macroeconomic circumstances before determining whether privatisation is in the best interests of the shareholders.

By Order of the Board

Koh Thong Huat
Executive Director and Chief Executive Officer
28 December 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Exchange and the Exchange 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.

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