



ISOTEAM LTD.

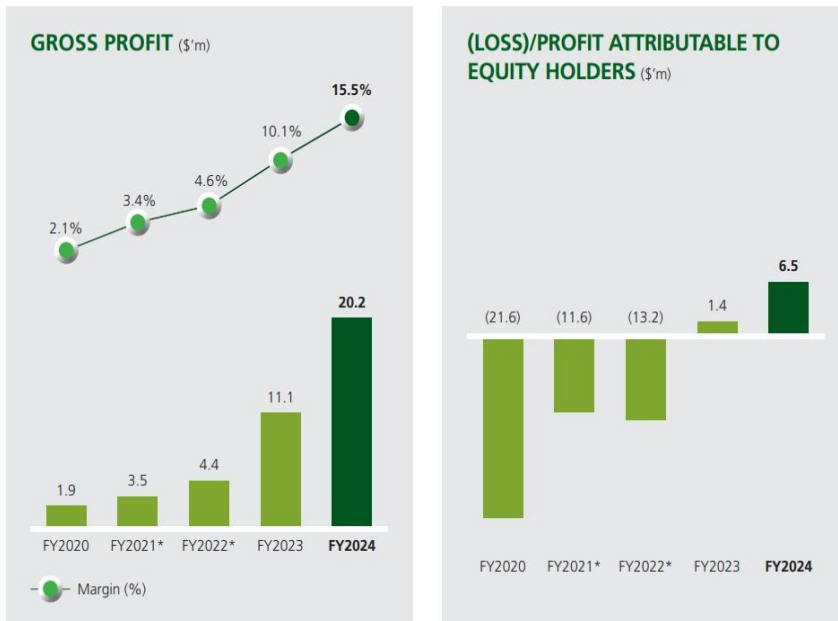
(Company registration number: 201230294M)
(Incorporated in the Republic of Singapore on 12 December 2012)

**RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) AND SHAREHOLDERS FOR ANNUAL GENERAL MEETING TO BE HELD ON 25
OCTOBER 2024**

The Board of Directors of ISOTeam Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to provide its responses to the queries received from the Securities Investors Association (Singapore) (“**SIAS**”) and shareholders in relation to the Company’s Annual Report for the financial year ended 30 June 2024 (“**FY2024**”) prior to the upcoming annual general meeting to be held on 25 October 2024 at 10.00 a.m., as set out below:

Questions from SIAS

- 1. The financial and corporate highlights in the annual report show the group achieving 18% increase in revenue to \$130.2 million, which is the highest in the past five years and close to the level reached in FY2019. However, gross profit margins, while improved at 15.5%, are still lower than the 17.9% pre-pandemic margin and significantly below the peak of over 25% achieved in FY2016).**



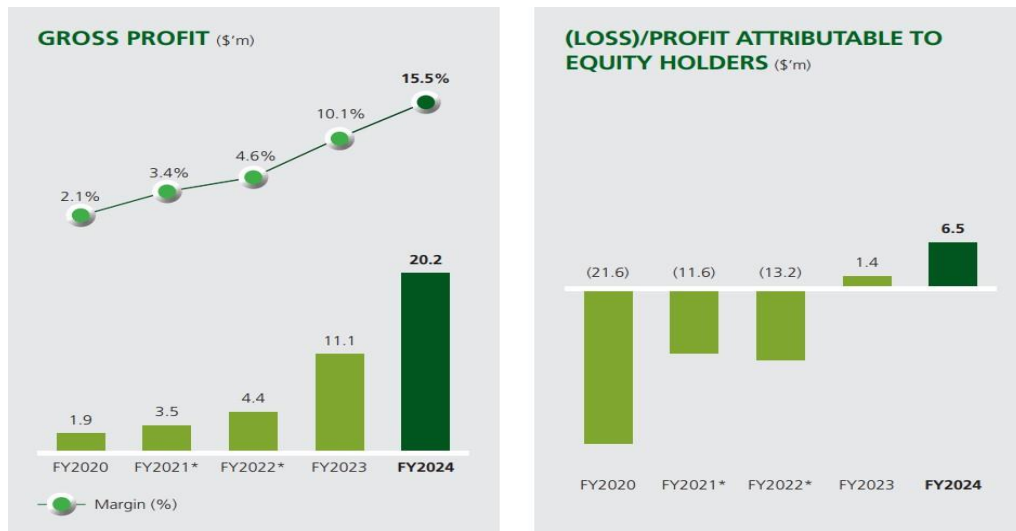
- (i) Can management clarify whether the group continues to face any ongoing supply chain disruptions related to the pandemic?**

The impact of the pandemic on our industry has largely stabilised. While we are not facing any major disruptions in our raw materials supply chain, there is some residual impact on labour supply, which has led to wage inflation. The cost of housing workers at dormitories has also risen due to post-pandemic regulations implemented by the Ministry of Manpower (MOM) to reduce density and improve the living conditions of workers.

To manage these issues, we have built a dormitory on two floors of our headquarters, which currently houses approximately 160 of our workers, translating into significant cost savings. In addition, we outsource some of our painting works to subcontractors while also investing in technology and automation such as washing and painting drones to reduce the manpower required for our operations over time. We expect to introduce such drones in the near future.

In the core Repair and Redecoration (R&R) segment, revenue increased by 41.6% to \$50.4 million. As at 30 June 2024, the group had 29 (2023: 29) ongoing R&R projects aggregating approximately \$86.3 million (2023: \$90.7 million) that are expected to be completed by 2025.

(ii) What are the key challenges in securing new R&R projects? Despite the increase in R&R segment revenue, segment profits were lower at \$5.17 million (2023: \$7.29 million). Can management elaborate on the factors impacting profit margins, and what measures are being taken to improve them?



The R&R segment in FY2024 contained a small percentage of lower-margin legacy projects from the pandemic period, which affected overall margins for the year. Our order book now comprises entirely of new projects with margins that are better than that of our projects secured in the prior 4 years.

In addition to the challenges stated in Q1(i) above, MOM removed the Man-Year Entitlement framework and reduced the foreign worker quota from 1:7 to 1:5 for the construction industry effective from 1 January 2024. Collectively, these factors have resulted in an increase of labour-related costs, impacting our profit margins. In addition, it has been announced that the Tier 1 S Pass Foreign Worker Levy rate will be progressively raised from \$330 to \$650 by 2025. This anticipated increase in labour costs will similarly impact our profit margins.

To protect our profit margins, we have enhanced our procurement strategies to optimise scale economies as well as adjusted our tendering strategy to account for the higher costs. We have also begun moving to technology and automation to reduce our reliance on manpower. By way of example, we have been using drones to conduct building facade inspections since 2022 and hope to commercialise and deploy our washing and painting drones by end 2025, subject to regulatory approvals.

Despite these challenges, we believe our strong track record for quality and on-time delivery will put us in a good position to secure more R&R projects in the coming year.

(iii) Can management provide a detailed breakdown of the \$1.723 million in impairment losses on receivables and contract assets? What factors led to these impairments, and how does the group intend to manage credit risk going forward?

We recognised impairment losses on certain contract assets and receivables that amounted to \$1.2 million and \$0.5 million respectively. The value of contract assets and receivables were impaired to reflect current condition with the consideration of future economic conditions.

We have in place a strong credit risk management framework such as performing customer due diligence, reviewing our customer base to minimise dependence on high-risk client and robust collection processes to protect against potential future defaults and to mitigate our credit risk.

Separately, as shown in the sustainability report, the group had 13 reportable work-related injuries and was fined by regulators for seven incidents. The group also reported accident frequency rates (AFR) and accident severity rates (ASR) that exceeded its own target, particularly, the reported FY2024 ASR was 89.35, more than 4 times the target of 20.

REPORTING FOR OCCUPATIONAL HEALTH AND SAFETY

FY2024 Goals	FY2024 Performance	FY2025 Goals
<ul style="list-style-type: none"> Achieve zero reportable incidents or non-compliance cases. AFR² of not more than 4.0. ASR³ of not more than 20.0. 	<ul style="list-style-type: none"> 13 reportable incidents. AFR = 4.81 ASR = 89.35 	<ul style="list-style-type: none"> Achieve zero reportable incidents or non-compliance cases. AFR of not more than 4.0. ASR of not more than 20.0.

² The Company's current targets are aligned to a metric used by Singapore's Workplace Safety and Health Council. The AFR measures the total number of workplace accidents reported per million man-hours.

³ The Company's current targets are aligned to a metric used by Singapore's Workplace Safety and Health Council. The ASR measures the total number of days employees are unable to work due to injuries per million man-hours.

(Adapted from Company Annual Report; emphasis added)

(iv) What specific practices or oversight mechanisms are being implemented by the management to ensure safety targets are met? How is the board providing oversight to ensure that safety targets are met? Given the ASR of 89.35—more than four times the group's target of 20—what immediate step is the board/management taking to address this significant shortfall in workplace safety?

The ASR are computed based on the man-days lost due to accidents. Out of the 13 accidents reported, 3 of them are major accidents that resulted in ASR of 89.35. We wish to assure that workplace safety is taken seriously and workplace safety policies and procedures are reviewed on a regular basis. We have stepped up on our safety measures and protocols, implementing enhanced actions to further safeguard the well-being of our workers. This includes revising our safety system to maintain "100 per cent tie-off", meaning that a worker must be secured to a fall protection system at any one point in time whilst working at elevated heights. We have also established an Operational Health & Safety ("OHS") team to audit the Group's sites to ensure compliance to the standards required. The OHS team will also conduct monthly training chaired by Safety Manager to all the site safety persons-in-charge to provide regular reminders and re-education of the safety standards of the Company that is to be complied with.

In addition to the above, there will also be a monthly safety committee meeting chaired by Project Director to review on safety issues and a quarterly sustainability committee meeting chaired by CEO to review and enhance the Group's sustainability strategic plans, initiatives and performance across the business and value chain.

2. Management has identified the HDB repainting market as the key growth driver going forward, and the group has outlined plans to leverage built technology and artificial intelligence (AI) to enhance operational efficiency in this segment.

- (i) Has the board identified and assessed the potential risks associated with the deployment of new technologies such as façade-washing drones and indoor painting robots? How does management plan to mitigate these risks, especially with regard to operational safety, reliability, and regulatory compliance?**

It is noted that the use of commercial drones in Singapore is regulated. Our soon-to-be-launched painting drone, which is currently undergoing commercial trials, has already received an operator's permit from Civil Aviation Authority of Singapore in September 2023 to take flight. Prior to launching of any drone or robot, we will ensure that it goes through the necessary trials to ensure that they meet all the regulatory requirements, including safety protocols.

The Group has also considered establishment of safety policies and procedures. For example, as a safety precaution, the area where the robots are working will be cordoned off to prevent inadvertent accidents.

We would also like to highlight that the use of such new technologies increases the safety of workers as it would reduce the need for them to work from height. We also believe that the safety and inconvenience of the public will be improved as the use of drones and robots is intended to reduce the margin for human error. For example, the machines are able to perform repetitive work with precision and without experiencing human fatigue. This could also enable work to be completed in a shorter period of time, thus reducing inconvenience to residents.

- (ii) What is the group's strategy for sourcing new technologies? Is the group collaborating with technology partners or engaging in R&D to tailor solutions to its specific needs?**

Our strategy is to identify potential areas of our operations that may benefit from new technologies and collaborate with like-minded partners from relevant fields that are able to each contribute their respective areas of expertise to the development of the prototype. For example, three partners were involved in the development of the painting drone. Our Group provided our expertise in painting methodologies and project management; Acclivis, a provider of AI-enabled solutions, is our technology partner who spearheaded the development of the drone; and Nippon Singapore, Asia Pacific's leading manufacturer and distributor of paint and coatings, contributed their extensive knowledge in this area.

- (iii) Can management provide details on ISOTeam BuildTech's experience in integrating and operationalising new technologies? How has the group's management demonstrated its ability to scale these solutions across various projects?**

ISOTeam BuildTech was recently incorporated in July 2024. It represents our foray into new technologies. Whilst this is a domain that is novel for us, we feel that new technologies will be highly relevant to our business operations. The Group intends to, through ISOTeam BuildTech assist clients in developing their own robotic workforce to maximise efficiency and enhance work productivity. With reference to our response in Q2(ii) above, we intend to collaborate with like-minded partners with the relevant expertise and experience to design and develop such robotic solutions.

- (iv) How much capital is earmarked for investment in drones, robots, and other technological advancements? What hurdle rates or financial metrics were used in the board's approval process to ensure these investments generate sustainable returns?**

As disclosed in our Annual Report for FY2024, our Group's commitment to capital expenditure as at 30 June 2024 is approximately \$1.47 million. In considering the capital for the Group's investment in drones, robots and other technological advancements, Management has taken into consideration, amongst others, its collaboration with like-minded partners (in terms of financial, experience and expertise), the costs required to develop such solutions, the potential returns in the future and existing cash and financial position of the Group. The Board is kept abreast of such considerations and developments and will typically deliberate on such factors.

In particular, the investment for our existing fleet of drones was jointly undertaken with our partner, Nippon Singapore, who is also one of our shareholders. For our investment into the

existing fleet of drones, we were able to secure government grants to reduce the investment amount. At this stage, we are of the view that funds invested/ earmarked for this purpose remain modest and balanced against potential returns in the future.

3. Mr Jeremiah Huang WeiQuan was appointed to the board on 1 June 2024. A snapshot of the announcement of appointment of the director is shown below:

CHANGE - ANNOUNCEMENT OF APPOINTMENT::APPOINTMENT OF MR JEREMIAH HUANG WEIQUAN AS INDEPENDENT DIRECTOR

Date Of Appointment

01/06/2024

Name Of Person

Jeremiah Huang WeiQuan

Age

36

Country Of Principal Residence

Singapore

The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)

The Board, on the recommendation of the Nominating Committee, having reviewed the curriculum vitae of Mr Jeremiah Huang WeiQuan and having considered his qualifications, work experience, suitability, independence and other relevant factors, is of the view that Mr Jeremiah Huang WeiQuan has the requisite experience and capabilities to assume the responsibilities of an Independent Director of the Company.

Mr Jeremiah Huang WeiQuan is considered independent for the purposes of Rule 704(7) of Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

Whether appointment is executive, and if so, the area of responsibility

Non-Executive

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)

Independent Director, Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee

(Source: <https://links.sgx.com/1.0.0/corporate-announcements/Y4V2EX661OE9LDUD/044ae369b67a420fe406cac4348028221d8cf313ae18cda9581ffd12aec2df03>; emphasis added)

The director's biography can be found on page 11 of the annual report. Additional information on directors seeking re-election can be found on pages 71 to 76 of the annual report.

- (i) **Would the nominating committee (NC) elaborate further on the rationale, selection criteria and search and nomination process, that led to the nomination and appointment of Mr Jeremiah Huang WeiQuan, as required in the SGX template?**

As part of its process of seeking candidates to be appointed as Directors to the Board, the Company and Board will typically tap on its available networks. Upon identification of potential candidates, Management, NC, the Board and Sponsor would conduct the necessary

background checks and interview the potential candidate to assess for suitability (as the case may be). Mr Jeremiah Huang was thus identified and assessed to be a suitable candidate to be appointed as Independent Director to the Board. He is a Singapore Institute of Directors-accredited director. In addition, as a founding Director of Icon Law LLC, we believe he is able to bring business perspective, commercial astuteness and corporate stewardship to the Group. He has also been appointed as Chairman of the Remuneration Committee due to his experience as management of Icon Law LLC, where he would be involved in his firm's decision-making regarding remuneration for employees based on level of contribution balanced with other considerations, such as the need for retention and motivation.

Mr Huang is an award-winning lawyer who has extensive experience in corporate law and as part of his legal practice, he provides counsel on capital markets, corporate finance, mergers and acquisitions, and funds; and advises on employment matters, post-IPO corporate governance and compliance issues. For further details on his expertise, experience and qualifications, please refer to his biography under the section on "Board of Directors" of the Annual Report FY2024.

As the Group focuses on future growth and expansion, we believe we will benefit from his legal experience.

(ii) As a first time director with over a decade of legal experience, can the director help shareholders better understand his experience in remuneration and his effectiveness as the chairman of the remuneration committee?

Please refer to the Company's response to Q3(i) above.

Information on Directors Seeking Re-Election

Mr Koh Thong Huat ("**Mr Koh**"), Dr Teo Ho Pin ("**Dr Teo**") and Mr Jeremiah Huang WeiQuan ("**Mr Huang**") are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 25 October 2024 ("**AGM**").

Pursuant to Rule 720(5) of the Catalyst Rules, the information relating to Mr Koh, Dr Teo and Mr Huang in accordance with Appendix 7F of the Catalyst Rules is set out below:

	KOH THONG HUAT	TEO HO PIN	JEREMIAH HUANG WEIQUAN
Date of appointment	12 December 2012	1 March 2021	1 June 2024
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Mr Huang is a director and shareholder of Icon Law LLC, which provides legal services to the Company from time to time. However, he is not otherwise involved with the relevant team or the provision thereof.
Conflict of interest (including any competing business)	Nil	Nil	Mr Huang does not have any conflict of interest with the Company. He was/is not involved in the appointment of Icon Law LLC or its provision of legal services to the Company.

(Adapted from annual report; emphasis added)

(iii) Can the company clarify if it has engaged Icon Law LLC after the appointment of Mr Jeremiah Huang WeiQuan?

Icon Law LLC was engaged as legal advisor to the Company in relation to the proposed amendments to the ISOTeam Performance Share Plan (the "**Proposed PSP Amendments**"), which will be tabled for shareholders' approval at the forthcoming AGM. This engagement was made subsequent to the appointment of Mr Jeremiah Huang and Mr Jeremiah Huang was not involved in the appointment of Icon Law LLC or in discussion on its provisions of legal services to the Company. Mr Jeremiah Huang is also not involved in the team from Icon Law LLC providing legal services to the Company.

The Company wishes to clarify that when Mr Jeremiah Huang was appointed, there was no relationship with any existing Director, existing Executive Officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries.

(iv) Would the board clarify if the current arrangement puts the director in a position of potential conflict of interest given his shareholdings in Icon Law LLC? What are the

thresholds and safeguards implemented to ensure that the director is able to exercise his independent business judgment in the best interest of the company?

The engagement, instructing and liaising of with any professionals is typically handled by Management on a day-to-day basis. Where the work done by any professional relating to matters requiring Board approval, Management would provide the relevant information and updates to the Board for their deliberation. In this instance, Icon Law LLC was engaged in relation to the Proposed PSP Amendments. Following the engagement and instructions to Icon Law LLC by Management (i.e. without the involvement of the Non-Executive and Independent Directors), the Proposed PSP Amendments had been presented to the Board, and after due deliberation, had been approved by the Board to be presented to shareholders at the forthcoming AGM for their approval. Mr Jeremiah Huang had declared his potential conflict of interest with respect to his role as director and shareholder of Icon Law LLC and as an Independent Director of the Company, and had recused himself from any decisions in connection with the engagement of Icon Law LLC. It is also noted that Mr Jeremiah Huang was not involved in the provision of legal services to the Company in respect of the Proposed PSP Amendments.

The Board reviews the independence of its Independent Directors no less than once a year and requires Directors to disclose any potential conflicts of interest from time to time, in line with Section 156 of the Companies Act 1967. In line with the Code of Corporate Governance 2018, Mr Jeremiah Huang had confirmed that he or companies in which he holds an interest in does not have any relationships with the Company or any of its related corporations, substantial shareholders or officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement (including that there were no significant payments or material services¹ received by any company in which he has a 10% or more interest in in the current or immediate past financial year). On that basis, the Board had considered that Mr Jeremiah Huang is independent.

(v) Separately, can the board elaborate further on its board diversity policy and the reasons for not setting any specific targets in this area? What progress has been made in terms of diversity, including diversity of age, background, experience, gender, skills, etc.?

The Board recognises the importance of the board diversity policy and appreciates the context of the industry which the Group is in. The construction industry historically has a reputation as being a traditionally male domain. The Group however, continues to work actively towards achieving a more balanced representation, in factors such as gender, age and ethnicity, in the context of its industry.

To balance Board stability with the abovementioned, the Board is in the process of progressive renewal. Most recently, the Board had appointed Mr Jeremiah Huang, who is our youngest Director at 36. Prior thereto, the age range of the Board had been between 49 to 65 years.

As part of the Nominating Committee's review process, diversity factors will be considered alongside the Board's composition, rotation and succession planning. We note that it remains important to consider a potential candidate's ability to contribute meaningfully to our Board in our director selection process. The NC and Board will consider the same as and when opportunities arise.

Questions from shareholders

- 4. From page 10 to 14 of the AR, I read that the 7 Board of Directors, 5 Executive Officers, 5 Business team heads are all male. Whilst I am not suggesting for women to be placed in the top leadership of the company purely on the basis of gender. However, for there not to be a single woman present in the top leadership is very shocking.**

¹ Pursuant to Guideline 2.3(d) of the Code of Corporate Governance 2018, it has provided guidance that payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant.

- (a) **Who is the most senior woman leader in Isoteam and her role, if any? Please advise and detail.**
- (b) **What are the reasons for the complete absence of women in the top leadership of ISOTeam? Why is it that not even a single woman is qualified to be a director, executive officer or business team head of the company? Please explain and elaborate.**
- (c) **What are the obstacles preventing women from rising to the top leadership of ISOTeam? Please explain and elaborate.**
- (d) **What are the steps, if any, ISOTeam is taking to groom women for senior positions in the company? Please detail and elaborate.**

Please refer to the Company's response in Q3(v) above. Please note that the Group had a female independent Director, Ms Ng Kheng Choo who sat on the board up until 2021 before she resigned to pursue other opportunities.

In FY2024, 5.9% of our senior management team were female, underscoring our dedication to promoting gender diversity, even in traditionally male-dominated sectors. We continue to actively work towards achieving a balanced representation not just in gender but also age and ethnicity diversity at the workplace.

- 5. I note that in January 2023, there was a workplace accident at Waterfront Isle condominium that resulted in one fatality. Can you please provide an update on it? What are MOM's findings and conclusions? What is MOM's decision on this matter? Please detail and elaborate.**

As announced by the Company on 24 April 2023, the investigation by the Ministry of Manpower (MOM) of the case has been deemed concluded. On 15 April 2023, ISOTeam C&P's three-month debarment from hiring new foreign workers officially ended. Additionally, the stop-work order pertaining to work-at-height activities at the worksite was lifted on 20 April 2023, allowing operations there to fully resume.

In addition, other enhanced actions have been put in place to safeguard the well-being of our workers. This includes that rope access technicians will now perform jobs in areas that are not accessible by the gondola while workers can stand on ledges to paint but only via rope access as well. Please refer to the Company's response in Q1(iv) above.

**BY ORDER OF THE BOARD
ISOTEAM LTD.**

Anthony Koh Thong Huat
Executive Director and Chief Executive Officer
22 October 2024

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.

The contact person for the Sponsor is Mr Kaeson Chui, Vice President, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.