



FORGING
AHEAD
ADVANCING
GROWTH

ANNUAL
REPORT
2 0 2 0

OUR MISSION

TO DELIVER EXCELLENT QUALITY, COST EFFICIENT, PROFESSIONAL SERVICES TO ACHIEVE TOTAL CUSTOMER SATISFACTION

OUR VISION

TO BE THE BEST AND PREFERRED PARTNER FOR COMPLETE SOLUTIONS IN THE BUILT ENVIRONMENT

CONTENTS

- 1** Corporate Profile
- 2** Our Business
- 4** Certifications and Accolades
- 5** Corporate Structure
- 6** Financial Highlights
- 8** Joint Chairman and CEO Message
- 10** Board of Directors
- 12** Executive Officers
- 14** Business Division Heads
- 15** Operating and Financial Review
- 20** Sustainability Report
- 33** Corporate Governance Report
- 57** Financial Report
- 129** Statistics of Shareholdings
- 131** Notice of Annual General Meeting
Proxy Form
- IBC** Corporate Information

OUR VALUES

PEOPLE DEVELOPMENT

We offer fulfilling career prospects and develop an individual's potential to build a highly committed and competent team that possesses integrity and adaptability.

PERFORMANCE AND ACCOUNTABILITY

We take ownership and initiative to achieve expected key performance indicators through continual learning and upgrading of our knowledge and skills.

CUSTOMER FOCUS

We offer high quality products and services with innovative and sustainable solutions to satisfy and exceed our customers' expectations.

RELATIONSHIP AND BONDING

We value and engage all stakeholders with trust, respect and care to achieve long term win-win situations.

TEAMWORK

We practise effective and open communication and seek cooperation and collaboration among stakeholders to achieve our desired goals.

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

CORPORATE PROFILE

Listed on Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 12 July 2013, ISOteam Ltd. (5WF) is an established and leading player in Singapore's building maintenance and estate upgrading industry. With more than two decades of Repairs & Redecoration ("**R&R**") and Addition & Alteration ("**A&A**") experience, we have successfully undertaken over 500 refurbishment and upgrading projects for over 5,000 buildings since inception in 1998.

ISOteam also offers a full range of services and solutions comprising specialist Coating & Painting ("**C&P**") services as well as complementary niche services ("**Others**") through our specialist waterproofing, commercial interior design and home retrofitting ("**ID**"), landscaping, access equipment leasing, green solutions and mechanical and electrical works ("**M&E**"), and project management and construction management services subsidiaries.

We are an eco-conscious company that integrates green methodologies in our projects, and actively work with strategic partners and technology companies to develop and commercialise green solutions/products such as solar panels installation and floating wetlands systems for the marine environment. Aligned to this, we are currently Singapore's largest bike sharing operator through SG Bike, an environmentally sustainable bike sharing service which is backed by geostation docking technology.

Our reputation for quality, speed, and safety, together with a winning edge in eco-conscious innovations and capabilities as a maintenance solutions provider, has won the trust and confidence of our customers, allowing us to repeatedly secure tenders over the years. ISOteam has a diverse clientele that include, amongst others, town councils, government bodies and private sector building owners.

In Singapore, ISOteam is the exclusive paint applicator for Nippon Paint Singapore and SKK Singapore in specific segments. They include public housing as well as industrial projects and army camps managed by government bodies such as Housing & Development Board ("**HDB**") and Jurong Town Corporation ("**JTC**").

For more information, please visit www.isoteam.com.sg.



Forested view of from Henderson Wave, Singapore.

OUR BUSINESS



Housing Development Board (HDB), Punggol District



YWCA



Lorong Halus Bridge at Punggol Waterway

Creating, Enhancing and Sustaining Singapore's Built Environment

Our Fully-Integrated Multi-Disciplinary Capabilities

CYCLICAL AND LIFE CYCLE MAINTENANCE

- Repainting, repairs, and redecoration
- Waterproofing and reroofing
- Improvement works
- Routine property maintenance
- Term contract works

ESTATE UPGRADING AND ENHANCEMENT PROGRAMME

- Neighbourhood Renewal Programme ("NRP")
- Hawker Centres Upgrading Programme ("HUP")
- Estate Upgrading Programme ("EUP")
- Home Improvement Programme ("HIP")
- Electrical Load Upgrading ("ELU")

SPECIALIST COATING AND BUILDING RESTORATION SYSTEMS

- New build painting
- Eco-friendly coating
- Architectural and protective coating
- Fireproofing coating
- Niche industrial coating



Upgraded Playground



Solar Panels

ARCHITECTURAL & ENGINEERING SOLUTIONS

- Commercial A&A works
- Engineering works
- Architectural and commercial interior construction solutions
- Advanced building technologies

INTERIOR DECORATION AND RETROFITTING

- Interior design and fitting-out
- Design and build works
- Home retrofit and fit-out services

PROJECT MANAGEMENT AND CONSTRUCTION MANAGEMENT SERVICES

- Design management
- Construction management
- Contract administration
- Turnkey design and build services
- Tenancy coordination and administration

M&E SERVICES

- Electrical and mechanical ventilation works
- Air conditioning works
- Sanitary and plumbing services
- Solar panel installation

ECO-FRIENDLY SOLUTIONS

- Thermal insulating plaster
- Anti-slip floor coating
- Green label intumescent fireproofing coating
- Composite timber decking
- Cockroaches and Odour Remover ("CnO")

HANDYMAN SERVICES

- Home care and upgrading
- General repairs and maintenance

LANDSCAPING & HORTICULTURE

- Vertical greening
- Horticulture services and maintenance
- Floating wetland systems
- Niche landscaping and gardening services

GREEN MOBILITY SOLUTION

- SG Bike, the largest bicycle sharing operator in Singapore
- Mobile app: SG Bike
- www.sgbike.com.sg

ACCESS EQUIPMENT SERVICES

- Leasing of boom lifts, scissor lifts, personnel lifts, forklifts, and telehandlers

CERTIFICATIONS & ACCOLADES



- ISO 14001:2004⁽¹⁾
- bizSAFE Level Star
- bizSAFE Level 3
- OHSAS 18001:2007⁽¹⁾
- ISO 9001:2008⁽²⁾
- OHSAS 18001:2007⁽²⁾



- One Asia Awards 2015
(Distinguished Award)
- 2011 Successful Entrepreneur
- BCA Green Mark Certification
- Singapore Green Building Council
- BCA Green and Gracious
Builder Award (Excellent)
- Singapore Health Award (Silver)



- General Building (CW01)
Grade B1 (≤\$40 million)
- Repairs and Redecoration (CR09)
Grade L6 (No limit)
- Housekeeping, Cleansing, Desilting
and Conservancy Service (MW02)
Grade L1 (≤\$0.65 million)
- Landscaping (MW03)
Grade L3 (≤\$4 million)
- Interior Decoration and
Finishing Works (CR06)
Grade L6 (No limit)
- Waterproofing Installation (CR13)
Grade L3 (≤\$4 million)
- General Builder (Class 1)
- Electrical Engineering (ME05)
Grade L5 (≤\$13 million)

(1) For general building construction and provision of suspended scaffolding works.

(2) For general building construction

CORPORATE STRUCTURE



**RAYMOND
CONSTRUCTION**

100%

- A&A



**ISO-TEAM
CORPORATION**

100%

- A&A
- R&R



**TMS
ALLIANCES**

100%

- R&R



**ISOTEAM
GREEN SOLUTIONS**

100%

- Eco-friendly solutions/products



**ISOTEAM
ACCESS**

100%

- Rental/sale of height access equipment



ISOTEAM C&P

100%

- Specialised coating & painting



ISO-LANDSCAPE

100%

- Niche landscaping & horticultural services



**ISOTEAM
PROJECTS***

100%

- Specialist A&A
- Architectural and commercial interior design



ISOTEAM HOMECARE

100%

- Handyman services



ISO-INTEGRATED M&E

100%

- Electrical works
- Renewables installation



**ISOTEAM
TMS MYANMAR**

90%

- R&R in Myanmar



ZARA@ISOTEAM

51%

- Interior fitting-out works



SG BIKE

51%

- Singapore's largest bike-sharing company

**PURE PROJECTS
PROJECT MANAGEMENT**

**PURE PROJECTS
PROJECTS MANAGEMENT**

100%

- Project management
- Construction management and tenancy coordination

* Formerly known as ISOTeam TMG.

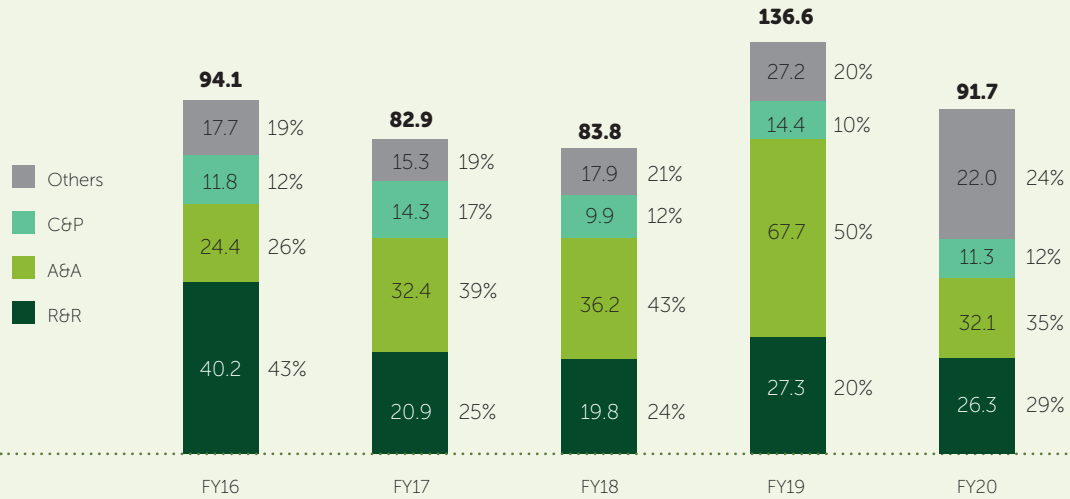
Note: Dormant companies – ISO-Seal Waterproofing Pte. Ltd., Industrial Contracts Marketing (2001) Pte. Ltd. and ISO-Homecare Pte. Ltd.

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 30 JUNE

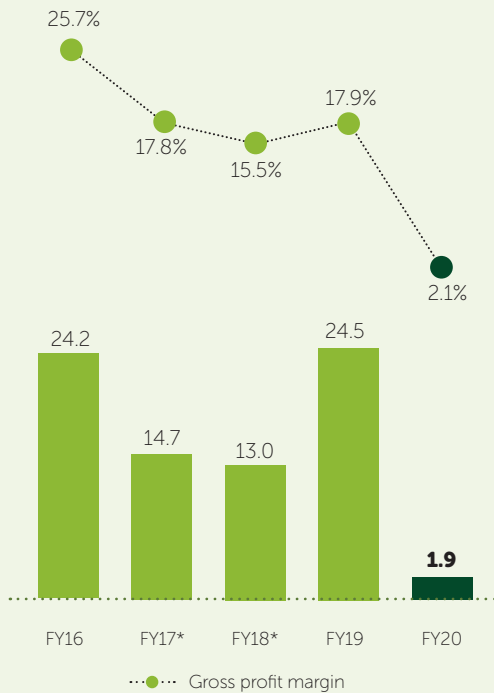
REVENUE

(\$'M)



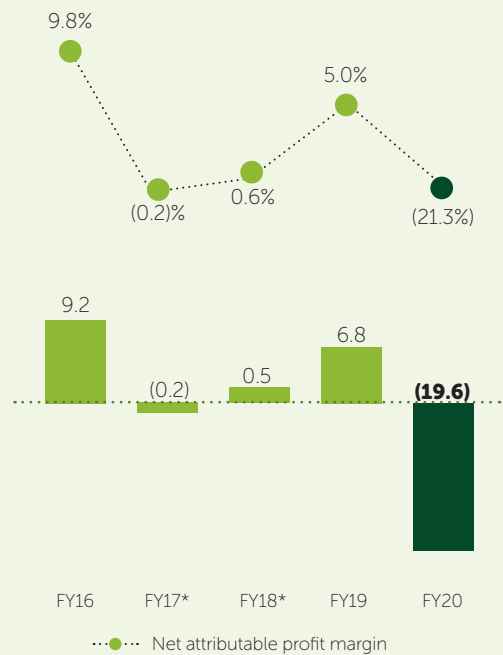
GROSS PROFIT

(\$'M)



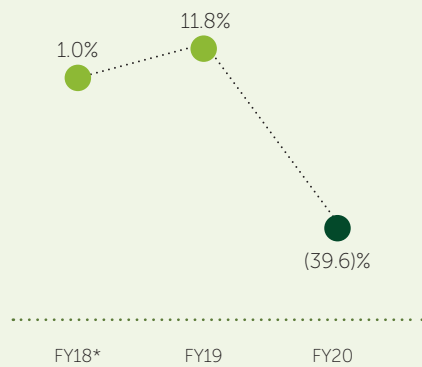
NET ATTRIBUTABLE PROFIT

(\$'M)

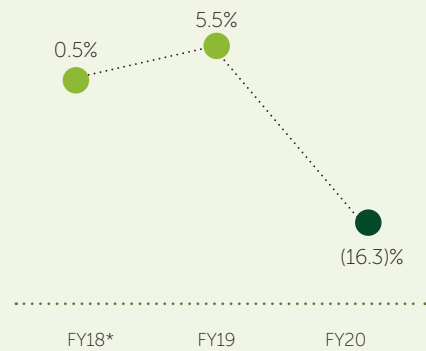


FINANCIAL HIGHLIGHTS

RETURN ON EQUITY (%)

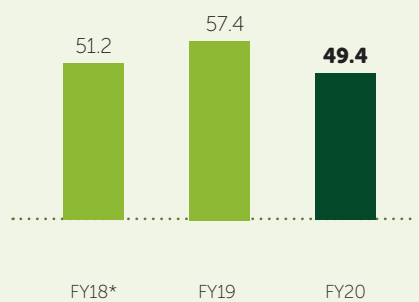


RETURN ON ASSETS (%)



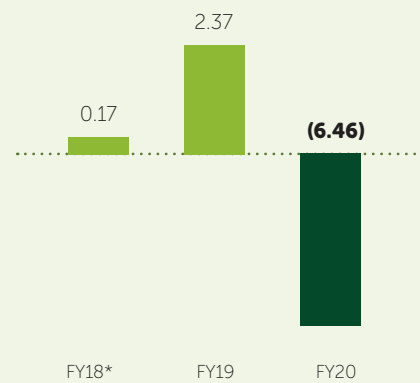
SHAREHOLDERS' EQUITY

(\$'M)



EARNINGS PER SHARE

(¢)



*FY2017 and FY2018 figures were restated to reflect the adoption of SFRS (I)

JOINT CHAIRMAN AND CEO MESSAGE

"...our core revenue stems from recurring business and we hold a strong track record with Town Councils for various estate upgrading projects. Based on our internal assessment, we are convinced of opportunities from key government initiatives..."

Dear Shareholders

When we last spoke to you in our annual report for the 12 months ended 30 June 2019 ("FY2019"), it was from a strong position having achieved a significant improvement in our performance for the financial year. Armed with a good set of results we entered FY2020 filled with optimism that the momentum would propel us into another good year.

But this was not to be.

Over the last 10 months, we have all been battling an unseen enemy, which unfolded events that were not only unprecedented in nature but had threatened to bring many industries and businesses to their knees. The impact of the COVID-19 pandemic and the resulting government-imposed Circuit Breaker to curb the spread of the virus among the population has been devastating to say the least.

During the Circuit Breaker, we were operationally hampered. The rapid spread of the COVID-19 virus among Singapore's migrant workers, led to stop-work orders on all our projects. For almost five months until August 2020, the workers' movements were significantly restricted, and we could only carry on work for the most essential maintenance jobs.

Like everyone else in the industry, our earnings took a beating during those months. Although government financial aid and subsidies did help to defray part of manpower costs, we still had to bear the remainder of staff costs and other overheads despite not having any revenue coming in. We also had to make provisions, which were one-off in nature, to account for the adverse changes in the operating environment. As a result, we ended FY2020

with a net attributable loss of \$19.6 million on the back of revenue which fell 32.9% to \$91.7 million.

With the gradual easing of COVID-19 health measures since 2 June 2020, we are hopeful that the worst is behind us. We expect some inconveniences due to ongoing safe distancing measures and border controls affecting our ability to replace workers who have gone home and also our access to materials. But our focus is on delivering projects on hand and securing new contracts rather than on what is beyond our control. To this end, our order book is healthy as at 30 September 2020, with \$165.7 million largely to be delivered over the next two years.

THE WAY FORWARD

The Group did not waste the operational standstill during the Circuit Breaker. As part of our efforts to transform digitally, we used the time to accelerate the development of an ISOteam app, which will streamline our work processes and enable more optimal deployment of manpower resources. With this app, workers on-site can take pictures and live-stream videos of the projects so that all records are online and the progress of each project can easily be scrutinised and tracked. This reduces the need for the project manager's physical presence, saves travel time and improves efficiency as each project manager can now oversee more projects. A side benefit to this app is that some of these stored media are then made into case studies, which we can use for e-learning to train new staff.

We also used the time to survey the industry landscape to assess our prospects in the year ahead. We are expecting some post-Circuit Breaker pent up demand from the private sector. We are also confident that the Singapore government will step in with more tenders for infrastructure and upgrading projects to give the beleaguered construction industry a leg up. Government subsidised relief measures and laws for the extension of contracts will alleviate some of the pain.

It is important to note that our core revenue stems from recurring business and we hold a strong track record with Town Councils for various estate upgrading projects. Based on our internal assessment, we are convinced of opportunities from key government initiatives such as:



David Ng



Anthony Koh

JOINT CHAIRMAN AND CEO MESSAGE

- The government sets aside an estimated annual budget of approximately \$150.0 million for R&R work, most of which goes into the repainting of HDB blocks which occurs once every five years per block. This segment has been the Group's bread and butter business since our inception, and we have a healthy market share in it.
- Yearly NRP contracts to rejuvenate and enhance estate amenities are worth approximately \$50.0 million to \$60.0 million. We enjoy a close relationship with the Town Councils and hold a successful track record in such jobs which have allowed us to secure many NRP contracts over the years.
- BCA's mandate to building owners to future-proof Singapore's infrastructure for safety and functionality and to add green elements as part of its green masterplan. As an early adopter of sustainable methods for the built environment, we are well-positioned to leverage on this.
- Huge potential from HDB's billion-dollar HIP I and HIP II programmes¹. There are more than half a million flats waiting to be completed within the next 10 years before HIP II kicks in, which will start another cycle of upgrading projects. We have secured three HIP projects to-date and believe we are in a good position to be invited to tender for more.
- Under NEA's HUP, about 80% of 120 markets and hawker centres have already been upgraded. ISOteam has upgraded more than 50 hawker centres through HUP and R&R and we believe as more new hawker centres are built, there will be more upgrading opportunities in the future.
- NParks plans to build a continuous coastal adventure corridor through its Round-Island route comprising about 500km of bike paths², which will need to be refurbished from time-to-time. This plan is also positive news for our subsidiary SG Bike, which became the largest bike sharing operator in Singapore after it acquired the assets from Singapore Mobike Pte Ltd in January 2020, as it will make round-island cycling possible for more enthusiasts.
- URA's Landscaping for Urban Spaces and High-Rises (LUSH) Programme, which includes plans to establish community gardens as well as urban farms on carpark rooftops³.
- Launch of the Solar Nova 4 programme, which will see another 70 MWP of solar energy requiring 600,000 solar panels to be installed across 2.4 million square metres of roof space⁴.
- LTA has started A&A works to rejuvenate aging MRT stations, rail, and bus depots. We are currently undertaking a project at Lentor MRT and we have been invited to tender for more projects in this new and growing revenue segment.

As a group with the multi-disciplinary capabilities and an established reputation to undertake all the aforementioned projects and work, ISOteam firmly believes that we can harness our strengths to enlarge our market share.

We are thankful for the vote of confidence from our Japanese partner, an established mechanical and electrical engineering firm, Taisei Oncho Co., Ltd, who became a significant shareholder of ISOteam with a 17.94% stake.

Moving forward, we will continue to exercise prudence in cash management and maintain a strong cash flow position. We have also set up an Operational Audit Committee to identify threats to our business and establish contingencies to manage these risks.

Notwithstanding our focus on growth, we will always put the health and safety of our workers above all. As Singapore enters Phase 3 of re-opening, our Group is committed to adhere to all the government-imposed guidelines and requirements that will safeguard the well-being of our workers.

APPRECIATION

In closing, we want to thank our fellow directors on the Board as well as the management and staff of ISOteam for your adaptability as we all adjust to working under this new normal.

We also want to thank our shareholders who have continued to believe in us and who remain confident in the future of the Group.

We will work closely as a team to ensure that ISOteam rises above this pandemic better, stronger, and more resilient than before.

We urge everyone to stay safe and sanitised. We can get through this together.

David Ng
Chairman

Anthony Koh
CEO

¹ TODAY Online article "All HDB flats to get upgrading twice during 99-year leases" published on 19 August 2018.

² The Straits Times article "Singapore's 2030 goal: More gardens, park connectors" published on 5 March 2020.

³ The Straits Times article "Nine multi-storey carpark rooftops in Singapore to be converted to urban farms" published on 12 May 2020.

⁴ The Straits Times article "Sunseap wins tender to install over 170,000 solar panels on HDB rooftops" published on 2 October 2019.



BOARD OF DIRECTORS

DAVID NG CHENG LIAN

Executive Chairman

First Appointed: 12 Dec 2012
Last Re-elected: 27 Oct 2017

With over 35 years of experience in the building refurbishment and estate upgrading industry, Mr Ng heads the Board, aids the CEO in the corporate and strategic development of the Group and supports and advises senior management. One of his areas of expertise lies in occupational safety and health.

Before he co-founded the Group in 1998, he was a director of ISO-Build Corporation Pte Ltd and a manager at D&C Builders Pte Ltd where he oversaw workplace safety and equipment management. Prior to that, Mr Ng managed the suspended scaffold rental business as a project executive of Safewell Equipment Pte Ltd. He was also a suspended scaffold technician with Selat Chemicals Pte Ltd where he was responsible for the repair and maintenance of site equipment.

Mr Ng was awarded a Certificate in Construction Supervision by the Construction Industry Development Board of Singapore in 1994.

ANTHONY KOH THONG HUAT

Executive Director and
Chief Executive Officer

First Appointed: 12 Dec 2012
Last Re-elected: 26 Oct 2018

One of the co-founders of the Group, Mr Koh has over 30 years of experience in the building refurbishment and estate

upgrading industry. An instrumental figure, he sets and implements the expansion plans and overall corporate and strategic development of the Group, as well as oversees key functions such as marketing and tendering strategies, budget and cost controls, and resource planning and allocation.

Before he co-founded the Group in 1998, Mr Koh was a director of ISOBuild Corporation Pte Ltd where he managed its projects and contracts and controlled budget and costs. He worked at D&C Builders Pte Ltd from 1989 to 1994 where he moved up the ranks from a site supervisor, to project coordinator and subsequently to project manager. Prior to that, he was the site supervisor for Hongplast General Contractor Pte Ltd for a year.

Mr Koh obtained a Diploma in Building from the Singapore Polytechnic in 1988 and a Diploma in Marketing Management from Ngee Ann Polytechnic in 1994.

DANNY FOO JOON LYE

Executive Director

First Appointed: 12 Dec 2012
Last Re-elected: 30 Oct 2019

Mr Foo, who is a co-founder of the Group, is responsible for matters concerning compliance with workplace and on-site safety rules and regulations for projects undertaken by the Group. With over 20 years of experience in the building refurbishment and estate upgrading industry, Mr Foo manages manpower planning and procurement of machinery and equipment for the Group.

He also administers quality assurance functions and ensures compliance with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards. In addition, he heads our Myanmar subsidiary, ISOTeam TMS Myanmar.

Prior to founding the Group, Mr Foo was a director of ISO-Build Corporation Pte Ltd managing project site work. From 1990 to 1994, he managed site work and coordinated suppliers and subcontractors for D&C Builders Pte Ltd where he started out as a site supervisor, was promoted to project coordinator and subsequently to project manager.

Mr Foo holds a Diploma in Building awarded by Singapore Polytechnic in 1988.

RYOTA FUKUDA

Non-Executive Director

First Appointed: 18 Feb 2020

Mr Fukuda, is a Non-Executive Director of the Group. He has 20 years of industry experience in investment banking and corporate finance and currently serves as Deputy Executive Officer of Taisei Oncho Co. Ltd. ("TOC"), where he manages the foreign subsidiaries of TOC's Overseas Business Division spearheading investment activities such as project sourcing, investment evaluation and execution and other corporate finance matters.

Mr Fukuda is responsible for building and maintaining the strong partnership between ISOTeam and TOC, its Japanese partner and substantial shareholder. He is the latter's nominee to be appointed to the Board pursuant to the binding term sheet dated 17 December 2019 entered between both parties.



David Ng Cheng Lian

Anthony Koh Thong Huat

Danny Foo Joon Lye

BOARD OF DIRECTORS

Mr Fukuda's other directorships include Taisei Oncho Shanghai Engineering, Taisei Oncho Hong Kong Engineering, Taisei Oncho India PVT., LTD, Alakai Mechanical Corporation, Searefico and Director of ISO Integrated M&E. He holds a Masters in Business Administration from Bellevue University, where he specialised in both Finance and Accounting.

TAN ENG ANN
Independent Director

First Appointed: 7 Jun 2013
Last Re-elected: 27 Oct 2017

Mr Tan is the Lead Independent Director and Chairman of the Group's Audit Committee. He was formerly the executive director and the chief financial officer of SGX-ST Mainboard listed R H Energy Ltd. He has over 20 years of experience in the financial field, having held managerial positions with Yamaichi Merchant Bank, AIB Govett (Asia) Ltd and Standard Chartered Bank from 1994 to 2002. In 2002, Mr Tan joined Technics Oil & Gas Limited as the group financial controller and was subsequently promoted to finance director in 2004 responsible for finance and corporate development. From 2005 to 2006, he was the chief financial officer of Beijing Concept Holdings Pte Ltd where he headed the finance department.

Mr Tan is a qualified Chartered Financial Analyst of the Association for Investment Management and Research and a fellow member of the Institute of Singapore Chartered Accountants. He holds a Bachelor of Accountancy (Honours) degree from Nanyang Technological University.

SOH CHUN BIN
Independent Director

First Appointed: 7 Jun 2013
Last Re-elected: 26 Oct 2018

Mr Soh is Chairman of the Group's Remuneration Committee. He has more than 20 years of experience in the corporate finance and legal sectors, specialising in capital markets and mergers and acquisitions. He is currently the Head of Capital Markets at ZICO Insights Law.

Mr Soh began his career as a corporate lawyer and was one of the pioneering lawyers at Stamford Law (now known as Morgan Lewis Stamford) during its inception in the early 2000s, and one of its youngest equity partners. In 2012, he left the legal profession to be the chief executive of several companies (including listed companies), before returning to legal practice in early 2017. He has advised on many Singapore and international initial public offerings of corporations and real estate investment trusts, as well as on post-listing fundraising. His expertise spans diverse industries, including real estate, resources, infrastructure, and technology. He has been recognised as a leading lawyer by legal publications such as Chambers and Partners, and Asialaw.

He graduated from the National University of Singapore with a Bachelor of Law (Honours) in 1999. He currently holds directorships at SGX-listed companies Geo Energy Resources Limited, Triyards Holdings Limited and Lorenzo International Limited.

NG KHENG CHOO
Independent Director

First Appointed: 7 Jun 2013
Last Re-elected: 30 Oct 2019

Ms Ng is Chairperson of the Group's Nominating Committee. She has deep-rooted expertise and track record in mergers and acquisitions, investments, portfolio management, financing, and accounting matters. She was the chief financial officer of SingHaiyi Group Ltd from July 2013 to July 2014 and its chief operating officer from July 2014 to September 2016.

Previously, Ms Ng was general manager of investment (Singapore) for Sichuan Chuan Wei Group Co., Ltd ("Chuan Wei") a company with related businesses in real estate development, mining of mineral resources, cement, manufacturing of vanadium and steel products and logistics. She was also in charge of investor relations for Hong Kong-listed China Vanadium Titano-Magnetite Mining Company Limited, a related corporation of Chuan Wei from 2012 to March 2013. Prior to this, Ms Ng was chief financial officer of SGX-ST Mainboard listed company, Sapphire Corporation Limited since 2007 and a financial controller with Unigold International Pte Ltd from 2004 to 2006. She started her career with Deloitte & Touche LLP and held the position of audit manager when she left in 2003.

Ms Ng holds a Bachelor of Accountancy from Nanyang Technology University and is a member of the Institute of Singapore Chartered Accountants.



Ryota Fukuda

Tan Eng Ann

Soh Chun Bin

Ng Kheng Choo

EXECUTIVE OFFICERS



OR THIAM HUAT
Projects Director

Mr Or has been the Group's Projects Director since 1999 and is responsible for its planning and projects execution. He also oversees project cost control and training of site personnel. Mr Or has more than 20 years of experience in the building maintenance and estate upgrading industry and had spearheaded some of the Group's biggest projects. Prior to joining the Group, he was the project coordinator of ISO Build Corporation Pte Ltd from 1995 to 1997; a site coordinator at D&C Builders Pte Ltd between 1993 and 1995 responsible for managing projects, suppliers and subcontractors; and a site supervisor with Ng Hai Liong Construction Pte Ltd from 1992 to 1993 supervising workers and coordinating subcontractors. Mr Or holds a Diploma in Civil Engineering awarded by Singapore Polytechnic in 1990.



LIM KIM HOCK
Contracts Director

Mr Lim has been the Group's Contracts Director since 2005 and is responsible for contract administration, project tenders and procurement. He also oversees the Group's staff training and development. Prior to joining the Group in 2001, he was the quantity surveyor cum project manager of EAC Corporation Pte Ltd from 1994 to 2001, where he was in charge of projects tendering, costs budgeting and supervising projects. Between 1989 and 1994, he was the contracts executive of EM Services Pte Ltd where he was responsible for project management of town council projects. From 1983 to 1989, he was with HDB as a technical officer where he handled the quantity survey and supervision of projects. Mr Lim obtained a Technician Diploma in Building from Singapore Polytechnic in 1981.



CHAN CHUNG KHANG
General Manager

Mr Chan, who joined the Group in 2002 as a project supervisor, has been the Group's General Manager since 2012. He is in charge of the management and coordination of the Group's operations including business expansion and diversification; planning and policies updates; the management and supervision of its corporate business development plans; the administration of its key performance indicators whilst monitoring and managing its overheads. He is also in charge of corporate affairs and investor relations, as well as responsible for the application and management of the Group's government grants. He graduated from Singapore Polytechnic in 1999 with a Diploma in Building and Property Management and from Royal Melbourne Institute of Technology in 2008 with a Bachelor of Business (Economics and Finance) with Distinction.



EXECUTIVE OFFICERS

**ALBERT TENG**

Chief Strategy Officer (CSO)
and Chairman (SG Bike)

Mr Teng became the Group's Chief Strategy Officer in August 2016 and is responsible for strategic planning, business and corporate development as well as evaluating and executing the Group's investments and acquisitions plans. In August 2017, he was appointed as the CEO of SG Bike Pte. Ltd., and was subsequently appointed as its Chairman to oversee the operation of the expanded fleet size after the acquisition of Mobike assets. Prior to his appointment to CSO, he was the General Manager of ISOTeam Projects Pte Ltd (formerly known as ISOTeam TMG). Before joining ISOTeam, Mr Teng was a Town Council general manager and HDB estate officer for more than 20 years where he was responsible for the implementation of many maintenance and upgrading projects. He was a member of Singapore Landscape Industry Council, the Sectoral Tripartite Committee for Manpower Plan for Landscaping and Conservancy in 2013 and the Association of Property and Facility Managers since 1998. He graduated from National University of Singapore in 1986 with a Bachelor Degree in Civil Engineering (Honours). Mr Teng also holds a Masters degree in Business Administration from Nanyang Technological University.

**BEN TEO TECK SING**

Chief Financial Officer (CFO)

Mr Teo joined ISOTeam as Chief Financial Officer in March 2020. With more than 20 years of experience in audit and accounting, Mr Teo is engaged in all corporate finance and treasury functions across the Group including compliance with SGX rules and financial reporting standards, financial planning and reporting, internal control and risk management, fund management, investor relations and merger & acquisition processes. Prior to ISOTeam, he had held senior managerial roles at several SGX-listed companies where he was tasked with a broad range of compliance and financial responsibilities including financial management, corporate governance, listing requirement compliance, and other finance related matters. Mr Teo is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and the Institute of Singapore Chartered Accountants.



BUSINESS DIVISION HEADS

JASON LIM CHIEW HOE

Managing Director
(ISOTeam Projects)

Mr Lim founded the Group's A&A, architectural and interior fitting out for hospitality, industrial, commercial and retail specialist unit, ISOTeam TMG, now known as ISOTeam Projects which was acquired by the Group in 2015. He has over 30 years of experience in the interior construction industry and was instrumental in the growth of ISOTeam Projects into an award-winning company. He oversees the unit's operations including tenders, management and review of project costs and budget, key materials procurement and the award of contracts to subcontractors. He also assists in the implementation of workflow and work processes and business development. He holds a certificate in Construction Regulations and Management for Licensed Builders.

SAM CHEN

Managing Director
(ISOTeam Access and
ISOTeam C&P)

Mr Chen joined ISOTeam Access in 2007 and worked his way up the ranks to his current position. Backed by over 25 years of experience in the building refurbishment and estate upgrading industry, he wears two hats in the Group, namely managing its height access equipment and machinery provision business as well as its specialised coating and painting business. He has spearheaded numerous C&P projects ranging from HDB housing blocks and private landed residential homes to institutional, industrial and commercial buildings. He is also a certified Safety Supervisor and a Work-At-Height Assessor and taps on this expertise to ensure a safe working environment.

CHUA HOI TEK

Managing Director
(ISO-Landscape) and
Joint Managing Director
(ISO Integrated M&E)

Mr Chua is the founder and head of ISO-Landscape and ISO Integrated M&E, formerly known as Rong Shun Landscape & Construction Pte. Ltd. and Rong Shun Engineering & Construction Pte Ltd respectively, which he founded. Prior to this, Mr Chua spent 22 years at a multinational corporation, 17 years of which were in senior managerial roles. He graduated with a Bachelor of Engineering (Mechanical and Production Engineering) from the former Nanyang Technology Institute (now known as the Nanyang Technological University) in 1986.

KELVIN TAN MENG SOO

Joint Managing Director
(ISO Integrated M&E)

Mr Tan joined Raymond Construction in 2015. When ISOTeam acquired Rong Shun Engineering & Construction Pte Ltd, now known as ISO Integrated M&E, in 2017, he was assigned to spearhead its expansion into a full-fledged M&E service provider. With 24 years of experience in the construction industry, he has completed projects for military and defence facilities; new build and A&A of schools; nursing homes; sports and swimming complexes; park connectors; BTO flats, ELLU, NRP and HUP programmes for HDB and various commercial and private projects. Mr Tan holds a Diploma in Electrical Engineering from Singapore Polytechnic in 1992 and is also a Licensed Electrical Worker.

DENNIS CHIN WAI TUCK

Projects Director
(Zara@ISOTeam)

Mr Chin joined as Projects Director of Zara@ISOTeam in 2013. Backed by over 20 years of experience in interior design, he provides design consultancy and is also responsible for end-to-end project management of interior design and fitting-out jobs undertaken by Zara@ISOTeam. He has been an instrumental figure in many major multi-sector projects including the landmark Aloha at Loyang renovation contract. He has a professional training certificate in Interior Design from Palin School of Arts & Design and holds a National Trade Certificate (Grade 2) from the Ang Mo Kio ITE which was conferred in 1993.

PREM KUMAR S/O ASOKUMA (PK)

Operations Manager
(ISO-Homecare)

Mr PK joined ISOTeam in 2013 and handled both A&A and R&R jobs for town councils, MCSTs and NEA's market upgrading works. He was appointed to his current role in 2018 to expand the handyman business especially in the HIP market. Mr PK holds a Bachelors of Arts in Organisational Psychology from Murdoch University Australia and has completed ISO 45001 certification.

GABRIEL CHIA

Operations Manager
(ISOTeam Green
Solutions)

Mr Chia joined the Group in 2015 and became the Business and Operations Manager of ITG Projects Sdn Bhd in 2016. With almost a decade of industry experience in project management and business development, he was appointed to his current role in 2018 and tasked to manage the unit's sales, operations and marketing functions. He specialises in innovative business development strategies and internet marketing. He graduated from PSB Academy with a Diploma in Business Administration in 2010.

OPERATING REVIEW



Waterway View Estate in Punggol

| Summary: Completed Projects | FY2019 | | FY2020 | |
|-----------------------------|--------|--------------|--------|--------------|
| | Number | Value (\$'m) | Number | Value (\$'m) |
| R&R | 12 | 11.6 | 19 | 26.7 |
| A&A | 5 | 52.5 | 4 | 10.6 |
| C&P | 23 | 7.2 | 35 | 14.0 |
| Others | 23 | 13.8 | 16 | 6.2 |
| Summary: Ongoing Projects | FY2019 | | FY2020 | |
| | Number | Value (\$'m) | Number | Value (\$'m) |
| R&R | 25 | 61.9 | 30 | 71.5 |
| A&A | 17 | 101.2 | 26 | 150.1 |
| C&P | 65 | 32.8 | 113 | 33.6 |
| Others | 47 | 39.5 | 38 | 56.4 |

The operations and financial performance of the Group in the second half of FY2020 was considerably impacted by COVID-19 and the various measures imposed by the Singapore government to control its spread. During the Circuit Breaker period from 7 April 2020 to 1 June 2020, the Group's workplace and its project sites in Singapore were shut down and only certain essential services could be provided. A Stay-Home Notice was issued to work pass and S-pass holders in the construction industry from 20 April 2020 to 18 May 2020. Even after the Circuit Breaker was lifted, the work stoppage was extended until the end of July due to COVID-19 control measures and work pass restriction controls.

Consequently, the Group experienced significant disruptions to its sources of sub-contract workers, raw material supplies and project execution and completion schedules during the affected period, while the backlog of projects in the order book began to build up.



Assisi Hospice

OPERATING REVIEW



Sengkang General Hospital

R&R

In FY2020, the Group completed 19 R&R projects compared to 12 projects in FY2019. They comprised R&R works for 131 HDB blocks in Marsiling-Yew Tee, Ang Mo Kio, Jalan Besar and Tampines town councils, three wet markets cum hawkker centres and five private commercial and residential projects.

As at 30 June 2020, the Group had 30 on-going R&R projects aggregating approximately \$71.5 million that are expected to be completed by 2021. They comprise mainly public sector repainting contracts for approximately 505 HDB blocks including blocks at Choa Chu Kang and Pasir Ris-Punggol Town Council, as well as private sector jobs for various industrial buildings and private residential properties including 888 Woodlands Plaza.

A&A

In FY2020, the Group completed four A&A projects compared to five projects a year ago. They included NRP works to 13 blocks in Marine Parade town council and work for a customer in the hospitality sector.

As at 30 June 2020, the Group had 26 ongoing A&A projects valued at approximately \$150.1 million most of which are expected to be completed by 2021. They included 10 NRP projects of approximately 129 blocks, three HIP projects of 80 blocks and several private residences.

C&P

In FY2020, the Group completed 35 C&P projects compared to 23 projects in FY2019. Key projects included the JTC CleanTech Park which is Singapore's first eco-business park and Dulwich College.

As at 30 June 2020, the Group had 113 ongoing C&P projects valued at approximately \$33.6 million, compared to 65 projects in FY2019. Significant projects include Changi Airport Terminal 2, Trinity Church and Rivervale Community Club.

OTHERS

In FY2020, the Group completed 16 projects under its Others business segment compared to 23 projects a year ago. As of 30 June 2020, the Group had 38 ongoing projects aggregating \$56.4 million compared to 47 projects totalling \$39.5 million in FY2019.

Interior Design and Retrofitting (collectively "ID")

The Group completed 14 ID projects in FY2020 including YWCA, the Commune showrooms in Singapore and Johor Bahru and private residences. As at 30 June 2020, ongoing ID projects included The Trump along with several corporate and residential customers.



Bendemeer Food Centre

Landscaping

The Group has seven existing term contracts from town councils that runs until March 2021 and derives recurring landscape maintenance income from private condominiums. While only one landscaping project was completed in FY2020, the Group had 17 ongoing projects as at 30 June 2020 including the installation of floating wetland modules to the Pekan Quarry Lake on Pulau Ubin, a habitat for herons with nesting and roosting sites and at a local university.

Eco-friendly Solutions

The Group completed three projects in FY2020. Other ongoing eco-projects as at 30 June 2020 included a private condominium at Dawson.

Mechanical and Electrical Engineering ("M&E")

In June 2020, ISO Integrated M&E Pte. Ltd. became a wholly owned subsidiary after the Group acquired the 34.1% interest held by Taisei Oncho Co., Ltd. via the issuance of 12.5 million Consideration Shares.

The Group completed one M&E project in FY2020. However as at 30 June 2020, the Group had 12 ongoing M&E projects. They included high-value projects like the installation of solar panels at Singapore's largest offshore floating solar farm in the Johor Straits as well as various M&E installation jobs for Bedok Market, Fernvale Childcare Centre and Temasek Polytechnic.

SG Bike

SG Bike completed its \$2.54 million acquisition of Mobike's bike sharing license and fleet of bicycles in January 2020. With this, SG Bike is currently the largest bike sharing operator in Singapore with a fleet of 25,000 bikes. About 60% of the bikes are strategically deployed across key estates in Singapore and is generating a stable and recurring income for the Group.



SG Bike

OPERATING REVIEW

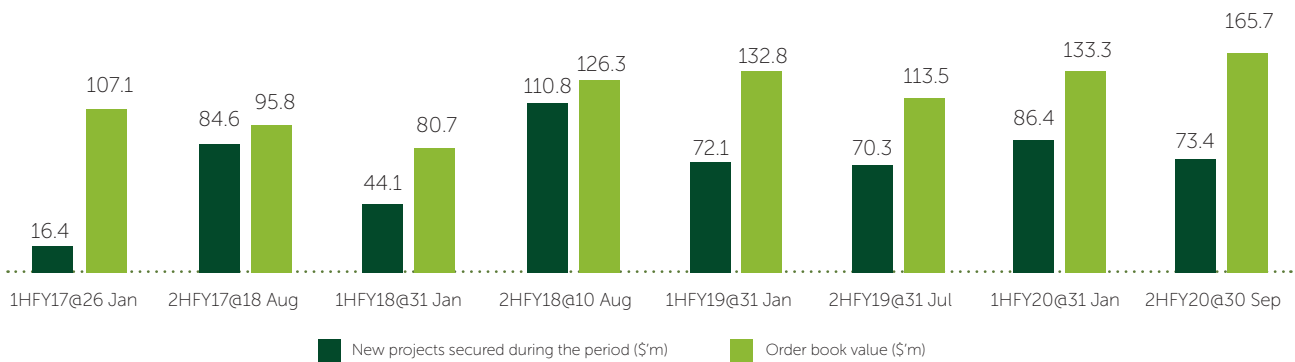
Project Management & Construction Management

The Group completed the acquisition of the six Pure Group entities in January 2020, which provide project and construction management services as well as commercial and retail fitting-out works in Singapore, the Philippines, China, Malaysia, and Thailand.

As of 30 June 2020, Pure Group was handling approximately 11 ongoing projects, excluding term contracts, across the region. These are expected to be completed 2022 including key projects such as the IKEA Mall of Asia in the Philippines, Swarovski Pavilion KL and several retail malls in Malaysia among others.

ORDER BOOK

The Group continued to grow its order book at a steady pace in FY2020 including new contracts with a total value of \$52.5 million secured in the second half of FY2020 between January and June 2020, which coincided with the height of the COVID-19 pandemic and measures in Singapore, and another \$20.9 million announced on 27 August 2020. With these, the Group's order book was lifted to a healthy \$165.7 million as at 30 September 2020, of which approximately 65% were public sector projects. While the Group expects the bulk of the orders to be progressively delivered over the next two years, construction progress could be hampered to some extent due to ongoing COVID-19 related restrictions in Singapore.



Floating Wetland at Pulau Ubin Pekan Quarry Lake

FINANCIAL REVIEW



One Fullerton

REVIEW OF INCOME STATEMENT

Revenue

Total revenue of the Group decreased by \$44.9 million or 32.9% from \$136.6 million in FY2019 to \$91.7 million in FY2020 due largely to control measures by the government to curb the spread of COVID-19 in Singapore. In the second half of FY2020, the Group's revenue declined by 56.0% to \$27.9 million, from \$63.5 million in FY2019, because of the closures of its project sites during the Circuit Breaker from 7 April 2020 to 1 June 2020.

This impact was felt across all its business segments. Revenue from A&A, C&P and Others recorded double-digit year-on-year ("**yo**y") declines of 52.6%, 21.5% and 19.2% to \$32.1 million, \$11.3 million and \$22.1 million respectively in FY2020 while R&R revenue dipped 3.6% to \$26.3 million. R&R, A&A, C&P and Others respectively accounted for 29%, 35%, 12% and 24% of total FY2020 revenue.

Profitability

ISOTeam remained profitable at the gross level with a profit of \$1.9 million and margin of 2.1% in FY2020 compared to \$24.5 million and 17.9% respectively in FY2019. However the Group recorded a loss before tax of \$21.7 million in FY2020, compared to a profit before tax of \$7.3 million in FY2019. This was due largely to the continued incurrence of expenses such as staff costs and fixed overheads despite stop-work orders during the Circuit Breaker period and several substantial one-off costs in FY2020.

Other Income and Expenses

Other income decreased by \$0.4 million or 14.3% from \$3.1 million in FY2019 to \$2.7 million in FY2020 mainly due to the decrease in fair value gain on investment in securities which was partially offset by increased government grants and bargain purchase from acquisition of assets of Mobike Singapore by SG Bike. There was also a decrease in marketing and distribution expenses of \$0.3 million or 24.7% from \$1.2 million in FY2019 to \$0.9 million in FY2020 mainly due to lower motor vehicle related expenses.

However, general and administrative expenses increased by \$0.6 million or 3.5% from \$17.6 million in FY2019 to \$18.2 million in FY2020. This was mainly due to an impairment allowance on trade receivables and contract assets of \$1.9 million and professional fees on acquisition of subsidiaries and assets of approximately \$0.7 million, both of which are one-off in nature.

At the same time, other operating expenses increased by \$4.8 million from \$0.4 million in FY2019 to \$5.2 million in FY2020 despite government support measures. This was due largely to several one-off costs that included, among others, the impairment of goodwill of \$4.8 million from adverse changes in market conditions and the impact on the Group's business.

Meanwhile, the Group's finance costs increased by \$0.6 million or 58.2% from \$1.2 million in FY2019 to \$1.8 million in FY2020 which was mainly from an increase in borrowings for working capital needs for certain sizeable projects.

FINANCIAL REVIEW



Swarovski outlet retrofitting



Niche landscaping services

Tax expenses of the Group decreased by \$1.1 million or 116.8% from \$1.0 million tax expense in FY2019 to \$0.1 million tax credit in FY2020, which was mainly due to the overprovision of income tax expense last year.

REVIEW OF FINANCIAL POSITION

Notwithstanding the impact of the pandemic, the Group's financial position remains healthy with sufficient liquidity to meet its financial commitments. As at 30 June 2020, the Group had higher cash and bank balances of \$12.6 million and a net gearing ratio of 0.91 times.

Assets

Non-current assets of the Group increased by \$5.0 million or 11.3% from \$44.0 million as at 30 June 2019 to \$49.0 million as at 30 June 2020, mainly due to the capitalisation of goodwill as a result of the acquisition of subsidiaries. The \$8.1 million or 10.3% decline in current assets value, from \$78.9 million as at 30 June 2019 to \$70.8 million as at 30 June 2020, was mainly from a decrease in contract assets resulting from contract fulfilment and the issuance of invoices to customers as well

as in trade and other receivables. This was offset by a \$3.6 million or 39.4% increase in cash and bank balances from \$9.0 million as at 30 June 2019 to \$12.6 million as at 30 June 2020.

Liabilities

While non-current liabilities of the Group remained stable at \$13.6 million, current liabilities increased by \$7.8 million or 15.5% from \$49.8 million as at 30 June 2019 to \$57.6 million as at 30 June 2020. This was mainly due to the increase in bank borrowings, trade and other payables and contract liabilities.

REVIEW OF CASH FLOW STATEMENT

Net cash from operating activities

Net cash generated from operating activities amounted to \$2.7 million in FY2020 compared to negative \$10.8 million a year ago. This was mainly due to decreases in contract assets, trade and other receivables, inventories as well as marginally higher trade and other payables. These were offset by a decrease in operating cash flows before changes in working capital.

Net cash used in investing activities

Net cash used in investing activities amounted to \$12.0 million in FY2020 mainly due to the purchase of property, plant and equipment and the acquisition of subsidiaries.

Net cash generated from financing activities

The Group generated net cash from financing activities of \$12.3 million in FY2020. This was mainly due to the proceeds of \$12 million from the issuance of 62.5 million ordinary shares and drawdown of bank borrowings, which were partially offset by repayment of bank borrowings and lease liabilities.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

In the pursuit of sustainable growth, ISOTeam Ltd. (the “**Company**” or “**ISOTeam**”) and its subsidiaries (the “**Group**”) maintains a high standard of corporate conduct to ensure business sustainability and to safeguard the interest of our stakeholders. We recognise the importance and value of aligning strategies to meet stakeholders’ needs as well as having an established and consistent sustainability reporting framework. In our third sustainability report (the “**Report**”), we continue to discuss the challenges and material issues that are important to our stakeholders; the strategies that we have adopted in managing these challenges and issues; and, how we position ourselves to capture future opportunities.

REPORTING PERIOD AND SCOPE

The data and information of this Report covers the Group’s operations in Singapore from 1 July 2019 to 30 June 2020 (“**FY2020**”) and discusses our initiatives and performance on Environmental, Social and Governance (“**ESG**”) issues. We have prepared the Report with reference to the Global Reporting Initiative (“**GRI**”) Standards: Core Option and its reporting principles, SGX Guide as well as in accordance with Listing Rule 711B of Singapore Exchange Securities Trading Limited (“**SGX-ST**”). We have chosen GRI as the sustainability reporting framework for its robust regime and adopted its principles of stakeholder inclusiveness, sustainability context, materiality, and completeness in preparing this Report. Making use of its quality, we have applied the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness. The GRI Content Index, which summarises disclosures made in this Report, has also been included.

We have not sought external assurance for the disclosures made in this Report but may consider doing so in the future.

ACCESSIBILITY

In line with ISOTeam’s efforts towards greater environmental conservation, an electronic version of this Report is made available on our corporate website, <http://isoteam.listedcompany.com/ar.rev>.

We value your feedback and you can reach us at: ir@isoteam.com.



SUSTAINABILITY REPORT

SUSTAINABILITY APPROACH

ISOTeam's core philosophy has always been to deliver long-term and sustainable value for all our stakeholders and the Group has been continually building on our sustainability efforts and progress. We recognise the importance of sustainable growth and are dedicated to working towards it. The Board oversees the policies and procedures relating to ESG factors together with the management and the assistance of external professional service providers. The Board will evaluate the effectiveness of the existing sustainability practices, review ESG performance and set goals on an annual basis.

With the outbreak of the Coronavirus Disease 2019 ("**COVID-19 Outbreak**") in early 2020, our normal course of work was disrupted. However, the wellbeing of our employees remained our top priority and we implemented a series of measures such as staggered work arrangements and provided our employees with the necessary telecommunication tools to work from home.

Despite the disruption, our management team continued to oversee, coordinate, monitor and revise the sustainability strategies and periodically reports to the Board during this period.



SUPPLY CHAIN MANAGEMENT

The Group is committed to sustainable growth and shared value creation. We place emphasis on sourcing for sustainable materials and actively engage in strategic partnerships with suppliers and subcontractors to explore ways to enhance efficiency in our work processes and customer service.



GREEN PROCUREMENT

ISOTeam established the Green Procurement Guidelines which promotes environmental management across the entire supply chain to provide more environmentally responsible products. The guidelines allow us to identify and differentiate products and methods which are more sustainable and environmentally-friendly. These practices are embedded within our procurement and vendor evaluation processes to align our sustainability approach with our business partners. We are determined to contribute to Singapore's Built Environment, and we will continue to innovate and forge positive relationships to provide greener products, systems and practices. The COVID-19 Outbreak had temporarily caused a major disruption to our supply chain, especially in relation to overseas supplies from Malaysia and China. To mitigate this, we have started to source products and other resources from local companies that meet our Green Procurement Guidelines.



ACCREDITATIONS, ACCOLADES, MEMBERSHIPS AND LICENSES

Having established an industry track record for quality, speed and safety, we are honored to be part of organisations, societies, associations, charters and to have received numerous awards in recognition of our efforts. Please refer to page 4 for full details of the Group's accreditations, accolades, memberships and licenses.

SUSTAINABILITY REPORT

STAKEHOLDER GROUPS AND ENGAGEMENT ACTIVITIES

STAKEHOLDERS

| Stakeholder | How We Engage | Expectation and Interests |
|----------------------------------|--|--|
| Employees | <ul style="list-style-type: none"> Employee appraisals Employee trainings | <ul style="list-style-type: none"> Employee welfare and benefits Personal development |
| Customers | <ul style="list-style-type: none"> Enquiry and feedback channels Direct customer meetings | <ul style="list-style-type: none"> Good customer service Price advantage |
| Suppliers | <ul style="list-style-type: none"> Supplier evaluations Periodic meetings | <ul style="list-style-type: none"> Prompt payment Compliance with terms and conditions of transactions |
| Investors | <ul style="list-style-type: none"> Annual meetings, bi-annual briefings and ad-hoc investor meetings Circulars, reports and news release to shareholders | <ul style="list-style-type: none"> Profitability and dividends Transparency and timely reporting |
| Government and Regulators | <ul style="list-style-type: none"> Discussions with relevant authorities Timely reporting to regulators and government agencies | <ul style="list-style-type: none"> Compliance with regulations Proper reporting procedures and channels in place |
| Communities | <ul style="list-style-type: none"> Corporate social responsibility activities Environmentally friendly product/service launches | <ul style="list-style-type: none"> Social responsibility to relevant communities |

SHAREHOLDERS AND INVESTOR ACTIVITIES

Despite the challenges arising from the COVID-19 Outbreak, the Group continued to generate long-term value for our shareholders through good corporate governance practices and maintained a healthy and transparent internal control system over the financial, operational and compliance aspects of our business. We were ranked 145th in the 2020 Singapore Governance and Transparency Index ("SGTI 2020") among the 577 companies listed in Singapore that were evaluated. Our ranking within the top 30% of SGTI 2020 reflects our effort in good corporate governance, which we would continue to uphold in the future.

The Group continues to enforce timely and accurate corporate disclosures and transparency. As part of this, we actively engage shareholders, the investing community, and the media and provide the latest information on the Group's operations, financial performance and strategic business updates via the following platforms:

- Singapore Exchange www.sgx.com and our corporate website www.isoteam.com.sg;
- IR contact email: ir@iso-team.com;
- An e-mail alert service via our IR website, that informs subscribers whenever an announcement is posted on the website;
- Annual General Meetings, a platform where our Directors and Executive Officers engage shareholders directly;
- Analyst and investor briefings every half-year in relation to our financial results.

| FYE 30 June 2020 | |
|--|---|
| Financial Calendar | Analyst, Investor and Media Event |
| 14 November 2019 1QFY2020 financial results announcement* | 15 November 2019 1QFY2020 financial results briefing |
| 13 February 2020 HY2020 financial results announcement | 14 February 2020 HY2020 financial results briefing |
| 30 October 2020 FY2020 financial results announcement | 30 October 2020 FY2020 financial results briefing |

* The Company is not required to release its financial statements on a quarterly basis following the amendments to the Listing Manual Section B: Rules of Catalyst of the SGX-ST with effect on 7 February 2020.

SUSTAINABILITY REPORT

MATERIAL SUSTAINABILITY TOPICS**MANAGEMENT APPROACH AND MATERIAL TOPICS**

The Group recognises the need to continuously develop our business approach in order to address growing stakeholder expectations. As such, we periodically engage with our stakeholders to assess the issues that are most relevant to them and the Company on an ongoing basis.

| No. | Topics | Description | Stakeholder Group in Concern | Reference |
|-----|--------------------------------|--|---|---|
| 1 | Economic Performance | Distribution of economic value to stakeholders | Employees, Customers, Suppliers, Investors, Government and Regulators | Financial Highlights (Page 6), Order Book (Page 17), Financial Review (Page 18) |
| 2 | Employment | Fair employment practices in aspects of hiring, benefits and welfare | Employees, Government and Regulators | Page 24 |
| 3 | Occupational Health and Safety | Measures in place to ensure health and safety of our people | Employees, Customers | Page 26 |
| 4 | Training and Education | Practices in place to develop our people's potential and talent management | Employees | Page 27 |
| 5 | Community Engagement | Community outreach activities | Communities, Government and Regulators | Page 30 |
| 6 | Green-value and Initiatives | Practices in place to introduce environmentally friendly solutions in delivering products and services | Customers, Suppliers, Government and Regulators, Employees | Page 28 |
| 7 | Governance and Compliance | Policies and practices in place to uphold good corporate governance | Government and Regulators, Employees, Customers, Suppliers, Investors | Corporate Governance Report (Page 33) |

The materiality of the abovementioned factors has been reassessed and endorsed by the Sustainability Committee which comprises key executives and heads from all major business functions. Please refer to the respective sections for details on the individual material topics.

SUSTAINABILITY REPORT

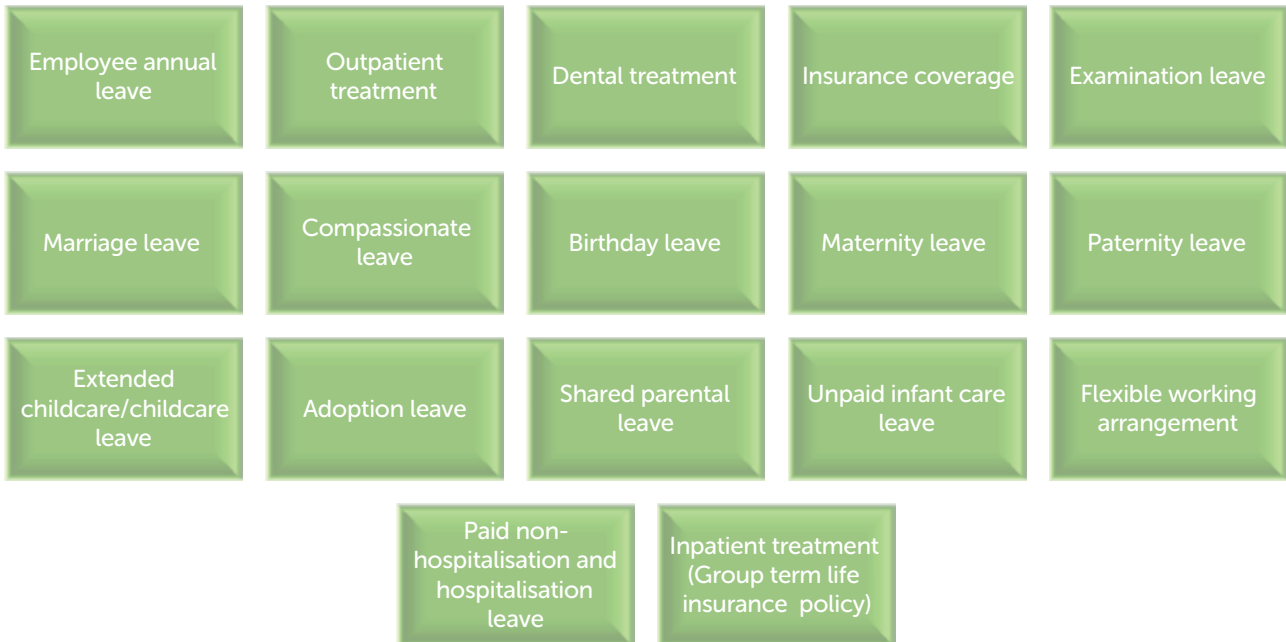
EMPLOYMENT

We recognise our people as our most valuable resource as they are vital to the Group's sustainability. Employees are the key drivers of the Group's vision to be the best and preferred partner for complete solutions in the built environment, which refers to buildings, structures, and infrastructure in our surroundings that is the landscape for the community's activities. We have continuously reviewed and updated our employee benefits and revised our remuneration package for all our staff to promote a positive working environment.

Policies on Employment

At ISOTeam, we aim to create a "ISOTeam Family" built on respect, common goals and communication. We have developed and established our human resource management principles and policies based on fair employment practices with the goal of attracting, developing and retaining a robust and motivated workforce. We have procedures such as orientations to assimilate new employees into the ISOTeam Family, interviews and appraisals as well as an employee handbook for our staff to know more about the Group. We conduct annual review on our remuneration and benefits package for our employees. We have gathered feedback from our employees on the desired benefits and try to implement them into our employee benefits.

Employee benefits include the following:



SUSTAINABILITY REPORT

New Employees and Turnover of Employees

The table below shows the proportion of males and females in our workforce. Given the laborious nature of the construction and built-environment management industry, our employee gender mix comprises of a larger proportion of male employees. However, the Group does not discriminate against any gender or age group and opportunities are given based on meritocratic criteria and performance. With our continuing efforts towards building an ISOTeam Family, we have successfully lowered our employee's turnover percentage in FY2020 as compared with FY2019.

| New Employees By Age Group (Number) | | |
|--|---------------|---------------|
| Year | FY2019 | FY2020 |
| Under 30 years old | 30 | 27 |
| Between 30 to 60 years old | 61 | 81 |
| Above 60 years old | 5 | 5 |

| Category of Employees and Turnover | | | | |
|---|---------------|---------------|---------------|---------------|
| Year | FY2019 | | FY2020 | |
| Gender | Male | Female | Male | Female |
| Number of Employees | 256 | 112 | 276 | 90 |
| Number of New Employees | 71 | 25 | 82 | 31 |
| Number of Employees who have resigned | 59 | 25 | 11 | 7 |
| Turnover percentage | 18.04% | 18.25% | 3.07% | 5.79% |

Parental Leave

The Group values a good working environment and recognises that parental bonds bring about positivity. As such, employees are strongly encouraged to make use of the parental leave benefits extended to them. The below table shows the utilisation of different categories of parental leave by employees:

| Category of Parental Leave Utilised (Days) | | |
|---|---------------|---------------|
| Leave Type | FY2019 | FY2020 |
| Childcare | 16 | 16 |
| Maternity | 1 | 1 |
| Paternity | 1 | 0 |
| Extended Childcare | 0 | 2 |
| Shared Parental | 0 | 0 |

Since the COVID-19 Outbreak and during the Circuit Breaker Period ("CB") from 7 April 2020 to 1 June 2020, the Group implemented strict measures in terms of operational discipline to ensure the safety of our staff. We developed a Business Continuity Plan and offered flexible working arrangement to all our staff, where possible. Employees who could work from home were encouraged to do so and personnel who must enter the office were required to wear a mask and adhere to the safe-distancing measures at all times.

During the CB, our foreign workers staying in affected dormitories were not allowed to go to work in compliance with the various directives issued by the government. Salaries were paid during the duration of quarantine and daily needs such as food and essential items were provided by the Group. We also worked closely with dormitory operators to monitor the health of our workers, which we continue to do today.

We strive to retain all our employees during this challenging period as they are our most valuable resource. The Group was able to protect the jobs of employees in FY2020 with the support of Government measures including waiver of foreign worker levy and levy rebates.

Targets

Going forward, the Group will continue to adhere to advisories and regulations relating to employee and workplace arrangement and strive to retain our workforce. We will also continue to take care of our employees' health and wellbeing as well as promote work life balance and healthy lifestyles among them. To attract, motivate and retain employees, we will also ensure that our remuneration packages, pay levels and employee benefits package match or even exceed our principal competitors.

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH & SAFETY

People are our greatest assets and their health and safety are of utmost importance to us. We are responsible and obligated to provide a safe and healthy environment for our employees, subcontractors and customers. We are committed to ensuring that our Health and Safety procedures are in place, including proactive tracking and monitoring of incidents.

Health and safety briefings and trainings are periodically conducted by the Group to ensure that all employees and workers fully understand the hazards associated with their work and are fully equipped with the knowledge, skills and equipment required to safely perform such work.

ISOTeam carries out internal monitoring and collaboration with local regulatory bodies on a consistent and regular basis for all our projects to ensure a high standard of occupational health and safety.

Through our health and safety management framework, we provide constant safety briefings and trainings at our worksite and there were zero fatalities in FY2020.

We managed to significantly lower our workplace Accident Severity Rate ("**ASR**") from 73.84 in FY2019 to 44.87 in FY2020. Our Accident Frequency Rate ("**AFR**"), however, has increased from 10 workplace accident cases in FY2019 to 17 cases in FY2020. From the outcome of comprehensive safety risk investigation, we have tightened measures to prevent future injuries and accidents. For instance we reinforced education and reminders to our workers on the safety procedures and ensured routine maintenance of machinery and equipment was conducted as planned.

It remains our commitment to continue educating, monitoring and improving our health and safety protocols to reduce or prevent any future occurrences. Our employees are covered under the Group's collective insurance scheme and those who have served for more than a year are entitled to regular health screenings paid for by the Group.

In view of the COVID-19 Outbreak, we will continue to work with the relevant authorities and obtain all the necessary clearances and approvals before resuming work for all our on-site workers.

| Period | Workplace Accident Frequency Rate ¹ | Workplace Accident Severity Rate ² | Number of reported workplace accidents |
|------------------------|--|---|--|
| July 2017 to June 2018 | 2.78 | 27.83 | 4 |
| July 2018 to June 2019 | 1.39 | 73.84 | 10 |
| July 2019 to June 2020 | 4.01 | 44.87 | 17 |

1 – Workplace Accident Frequency Rate ("AFR") = (No. of workplace accidents reported X 1,000,000)/Total man hours worked

2 – Workplace Accident Severity Rate ("ASR") = (No. of Man days lost to workplace accidents X 1,000,000)/Total man hours worked

Targets

Our industry has a higher risk of workplace accidents as compared to other industries. We strive to further reduce our AFR and ASR with the end goal of preventing workplace accidents, by minimally complying with all applicable regulations, codes of practice and other guidelines issued by the authorities and committing to practice good controls to provide a safe and healthy workplace for all our employees.



SUSTAINABILITY REPORT

TRAINING & EDUCATION

ISOTeam believes investing in training is a crucial factor in retaining and developing high-quality human capital as it enhances quality and productivity of all employees by equipping them with the necessary skillset to perform their duties in an ever-changing environment.

We have developed policies and procedures on training that will allow our employees to further their abilities and skills. We empower our staff with skills and experience through a range of learning and development programmes coordinated by the Group's Human Resource department or initiated by staff themselves. We regularly send our employees to attend seminars, conferences and courses to improve their technical and functional skills, broaden their knowledge, and ultimately increase their productivity and efficiency at work.

Our employees are also financially supported to attend external courses to meet training needs that have been identified or are mandatory during their course of work. We have identified the key aspects which are of most important and relevant to the different departments and levels of our employees in their daily work and sent our employees for trainings based on these aspects. A few of the aspects identified are Workplace Safety and Health and Leadership.

Average training hours for our employees are depicted in the below data:

| Average Training Hours for Employees (Hours) | | | | |
|--|--------|--------|--------|--------|
| | FY2019 | | FY2020 | |
| Average hours | 10.96 | | 13.06 | |
| By Gender | Male | Female | Male | Female |
| | 16.79 | 4.26 | 13.42 | 12.13 |

For FY2020, we met our target of providing more training hours to our employees as compared to FY2019. This was mainly due to the increase in trainings conducted during the CB period when most of our employees worked from home. This ensured that the downtime was fully utilised.

As the Group is in the construction and built-environment management industry, our on-site workers are briefed on the in-house safety rules and regulations during their first day of induction and at regular intervals.

Besides mandatory training such as the "Apply Workplace Safety and Health in Construction Sites", on-the-job training is provided by the employees' immediate supervisors, who share their experiences and knowledge, provide guidance and advices, as well as monitor performance of individual employees.

All our employees take part in our annual appraisal process where employee performance and career development reviews are conducted through the Group's E-appraisal system. The appraisal practice serves as a two-way communication channel between the management and employees while enabling them to identify skills and opportunities for future growth.

Targets

The Group will continue to equip all our employees with the knowledge and skills required. We will also provide them with the relevant training for their personal and career development with plans to increase the total training hours.



SUSTAINABILITY REPORT

GREEN-VALUE AND INITIATIVES

Environmental sustainability is one of the key tenets to construction industries worldwide and the Group recognises that we can contribute positively and tackle issues such as water scarcity and global warming.

We take pride in being a recipient of the BCA Green Mark Award and the BCA Green and Gracious Builder Award (Excellent). We have always incorporated eco-friendly and sustainable materials into our building materials, and the accolades we received affirm our commitment to reduce the impact our business activities have on the environment.

We are also a registered corporate member of the Singapore Green Building Council ("**SGBC**"), which forms part of the World Green Building Council ("**WGBC**"). This is in line with our green initiatives to create green buildings for our projects. Some of the products we use such as Thermal Plaster, Composite Timber Decking System, and Diamond Fusion ("**DFI**") Coating System are already SGBC certified. These certifications serve as a mark of our commitment to the environment through sustainable products and practices.

Other initiatives that showcase our sustainable practice is the utilisation of composite timber for our building materials despite higher cost. Composite timber can achieve the conventional aesthetics of natural timber while having better properties in multiple aspects such as slip resistance, heat resistance, splinter-free, termite free and it is 100% recyclable and environmentally friendly.

Some of our other products that use renewable materials include Eco Pressure grout, Eco Screed, Eco Skim Plus, and Eco Tile Bond. All these form part of our efforts to incorporate eco-friendlier products into our production mix without compromising on the desired properties.

ISOTeam has been involved in the construction of a floating solar farm the size of five football fields along the Straits of Johor. This project is considered to be the largest in the world to-date and it will go a long way to fulfil Singapore's clean energy aspirations. This floating solar farm will be able to generate about 6,388 MWh of renewable energy annually, which is equivalent to powering about 1,250 four-room flats. At the time of writing, the project is near to completion and is expected to contribute positively to the environment with expected benefit of reducing significant greenhouse gas emissions annually with the use of solar power.

Another green initiative we have in place is the installation of solar panels in our new office building to reduce the dependency on traditional energy sources such as purchased electricity to power the building. Solar energy is a renewable free source of energy, which is sustainable and inexhaustible. It is also a non-polluting source of energy as it does not emit any greenhouse gases during power generation. The solar panels also reduce costs of utilities as the surplus generated from the panels will be sold back to the supplier, and the Group will be able to utilise additional income generated from the surplus.

The table below depicts our energy consumption data in FY2020. Renewal energy refers to the electricity generated by solar panels installed at the rooftop of our Headquarters and non-renewable energy refers to purchased electricity.

| Source of Energy | FY2020 ¹ | |
|---------------------------------|---------------------|---------------|
| | Renewable | Non-renewable |
| Electricity consumption (kWh)** | 95,774 | 170,186 |

1. Data covered the period from September 2019 to June 2020

** Available data on solar energy is quoted in kWp. The typical solar panel yield ranges from 1,000kWh/kWp to 2,000kWh/kWp, and is affected by a multitude of factors. We have opted to use the lowest range for our estimate.

Targets

We will continue to research and develop more environmentally sustainable products that can replace the current production mix without comprising on the quality of products. We hope to do our part for the environment by introducing more of such eco-friendly products to the market in the future, thus allowing us to further reduce our consumption of electricity, bringing us cost savings as well as reducing our carbon footprint. The Company also expects the Proportion of Renewable Energy Consumption Mix to increase significantly over the next few years.

SUSTAINABILITY REPORT



Composite timber



Composite timber decking in Punggol estate



Composite timber decking

SUSTAINABILITY REPORT



COMMUNITY ENGAGEMENT

The Group is dedicated to our role of being a force that brings positive changes to the local communities it operates in. Besides directly engaging communities through charitable projects, the Group strongly believes that an alternative and yet effective way of giving back to society is through the introduction of sustainable products and solutions which have long lasting positive impact on the lifestyle and environment of the communities we operate in. Green initiatives undertaken by ISOTeam, are also viewed as an effort in our community contribution.

In FY2020, the Group had planned for several Corporate Social Responsibility ("CSR") programmes but most were put on hold due to the COVID-19 Outbreak. During the first half of the financial year in November 2019, the Company had a Goodie Bag event where we donated essential items to more than 1,000 needy households in Singapore.

The Group also carried out environmental impact assessments to reduce and control negative environmental impact to the communities areas where our projects are located at. Before the commencement of our projects, we will assess the physical, chemical, biological and environmental impacts by engaging with the local council, customers, as well as our employees working on site. As at the date of this report, the Group had not received any complaints from local communities about its work.

Targets

The Group has always been at the forefront of CSR activities and giving back to the society every year. The current year's plan was unexpectedly disrupted by the COVID-19 Outbreak and CB but going forward, the Group will continue to support the less fortunate and underprivileged through various activities and donations.



SUSTAINABILITY REPORT

GRI CONTENT INDEX

| GRI Standard | Disclosure Title | Page Reference & Remarks |
|-------------------------------|--|--|
| Organisation Profile | | |
| 102-1 | Name of the organisation | Corporate Profile (Page 1) |
| 102-2 | Activities, brands, products, and services | Our Business (Page 2) |
| 102-3 | Location of headquarters | Corporate Information (IBC) |
| 102-4 | Location of operations | Corporate Information (IBC) |
| 102-5 | Ownership and legal form | Corporate Profile (Page 1) |
| 102-6 | Markets served | Corporate Profile (Page 1) |
| 102-7 | Scale of the organisation | Our Business (Page 2) Employment (Page 24) Financial Highlights (Page 6) |
| 102-8 | Information on employees and other workers | Employment (Page 24) |
| 102-9 | Supply chain | Corporate Profile (Page 1) Supply Chain Management (Page 21) |
| 102-10 | Significant changes to the organization and its supply chain | There were no significant changes to the organisation and its supply chain |
| 102-11 | Precautionary Principle or approach | Green-value and Initiatives (Page 28) |
| 102-12 | External initiatives | Community Engagement (Page 30) |
| 102-13 | Membership of associations | Accreditations, Accolades, Memberships and Licenses (Page 4) |
| Strategy | | |
| 102-14 | Statement from senior decision-maker | Joint Chairman and CEO's Message (Page 8) |
| Ethics and Integrity | | |
| 102-16 | Values, principles, standards, and norms of behaviour | IFC |
| Governance | | |
| 102-18 | Governance Structure | Board of Directors (Page 10) |
| Stakeholder Engagement | | |
| 102-40 | List of stakeholder Groups | Stakeholders (Page 22) |
| 102-41 | Collective bargaining agreements | Not Applicable |
| 102-42 | Identifying and selecting stakeholders | Stakeholders (Page 22) |
| 102-43 | Approach to stakeholder engagement | Stakeholders (Page 22) Shareholders and Investor Activities (Page 22) |
| 102-44 | Key topics and concerns raised | Material Sustainability Topics (Page 23) |
| 102-45 | Entities included in the consolidated financial statements | Corporate Structure (Page 5) |
| 102-46 | Defining report content and topic boundaries | Reporting Period and Scope (Page 20) |
| 102-47 | List of material topics | Material Sustainability Topics (Page 23) |
| 102-48 | Restatements of information | Not applicable |
| 102-49 | Changes in reporting | Not Applicable |
| 102-50 | Reporting period | Reporting Period and Scope (Page 20) |
| 102-51 | Date of most recent report | 14 October 2019 |
| 102-52 | Reporting cycle | Annual |
| 102-53 | Contact point for questions regarding the report | Accessibility (Page 20) |
| 102-54 | Claims of reporting in accordance with the GRI Standards | Reporting Period and Scope (Page 20) |
| 102-55 | GRI content index | GRI Content Index (Page 31) |
| 102-56 | External assurance | Reporting Period and Scope (Page 20) |

SUSTAINABILITY REPORT

| GRI Standard | Disclosure Title | Page Reference & Remarks |
|---|---|---|
| Management Approach | | |
| 103-1 | Explanation of the material topic and its Boundary | Page 23 to 30 |
| 103-2 | The management approach and its components | Page 23 to 30 |
| 103-3 | Evaluation of the management approach | Page 23 to 30 |
| Economic Performance | | |
| 201-1 | Direct economic value generated and distributed | Financial Highlights (Page 6), Order Book (Page 17), Financial Review (Page 18) |
| Employment | | |
| 401-1 | New employee hires and employee turnover | Page 25 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Page 24 |
| Occupational Health and Safety | | |
| 403-1 | Workers representation in formal joint management – worker health and safety committees | Page 26 |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | Page 26 |
| Training and Education | | |
| 404-1 | Average hours of training per year per employee | Page 27 |
| 404-2 | Programs for upgrading employee skills and transition assistance programmes | Page 27 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | Page 27 |
| Community Engagement (Local Communities) | | |
| 413-1 | Operations with local community engagement, impact assessments, and development programmes | Page 30 |
| Green Value and Initiatives (Energy) | | |
| 302-1 | Energy consumption within the organisation | Page 28 |

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**" or the "**Directors**") of ISOTeam Ltd. (the "**Company**") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "**Group**") to maximise the long-term shareholder value, protect the interests of stakeholders as well as promote investors' confidence.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the requirements of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). This report outlines the main corporate governance practices and procedures adopted by the Group in the financial year ended 30 June 2020 ("**FY2020**"), with reference made to each of the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**").

The Board confirms that the Group has complied with all principles outlined in the Code and generally adhered to the provisions of the Code for FY2020. In respect of any deviation from the provisions of the Code, appropriate disclosures and explanations are provided in this report.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective board which is collectively responsible and works with management for the long-term success of the company.

Provision 1.1: Directors are fiduciaries who act objectively in the best interests of the company and hold management accountable for performance. The board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group and to protect and enhance long-term shareholders' value. The Board works with the management of the Company (the "**Management**") to achieve this and the Management remains accountable to the Board.

Besides carrying out its statutory responsibilities, the Board's role is to:

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and Company's assets;
- review the performance of the Management;
- identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- consider sustainability issues as part of its strategic formulation; and
- oversee the processes for evaluating the adequacy and effectiveness of internal control, financial reporting and compliance.

Every Director, in the course of carrying out his or her duties, acts in good faith and considers at all times, the interest of the Group.

Any Director facing an actual, potential or perceived conflict of interest in relation to any matter will declare such interest and will recuse himself or herself from participating in discussions and abstain from making any decisions or voting on resolutions regarding the matter.

CORPORATE GOVERNANCE REPORT

Provision 1.2: Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.

In accordance with revisions to the Catalist Rules with effect from 1 January 2019, the Nominating Committee will ensure that any new Director appointed by the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, undergoes mandatory training in the roles and responsibilities of a director as prescribed by the SGX-ST.

Mr Ryota Fukuda was appointed as a Non-Executive Director of the Company on 18 February 2020. As he has no prior experience as a director of an issuer listed on the SGX-ST, the Company will be making arrangement for him to receive training in the roles and responsibilities of a director of an issuer listed on the SGX-ST as prescribed by the SGX-ST within one year from his date of appointment.

In addition to the mandatory training (if applicable), the Company has in place an orientation programme and materials to ensure that every newly appointed Director is familiar with the business and organisation structure of the Group. To get a better understanding of the Group's business, the newly appointed Director will also be given the opportunity to visit the Group's operational facilities and meet with the Management. Every newly appointed Director will also receive a formal letter of appointment setting out the duties and obligations of the Director upon appointment.

When necessary, the existing Directors are provided with updates on changes to the relevant new rules and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. As part of training for the Board, the Directors are briefed either during Board and Board committee meetings or at specially convened sessions on changes to regulations and accounting standards, as well as industry-related matters. The Directors are also encouraged to keep themselves updated on changes to the financial, legal and regulatory requirements or framework and the business environment through reading relevant literature, and may attend appropriate courses, conferences and seminars conducted by bodies such as the SGX-ST and Singapore Institute of Directors, at the Company's expense.

Provision 1.3: The board decides on matters that require its approval and clearly communicates this to management in writing. Matters requiring board approval are disclosed in the company's annual report.

The Company has adopted internal guidelines setting forth matters that require board approval. The matters which specifically require the Board's approval are those involving:

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment or re-appointment to the Board and appointment of key management personnel;
- announcement of half year and full year results, the annual report and audited financial statements;
- material acquisition and disposal of assets;
- corporate or financial restructuring;
- share issuances and dividends; and
- all matters of strategic importance.

The Company documents the materiality threshold(s) and matters reserved for Board's approval in its policies.

CORPORATE GOVERNANCE REPORT

Provision 1.4: Board committees, including executive committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the board. The names of the committee members, the terms of reference, any delegation of the board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.

Board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), have been established to assist the Board in the discharge of specific responsibilities. These committees are chaired by Independent Directors and function within clearly defined terms of reference and functional procedures. The compositions, principle functions and roles of the Board committees are described in subsequent sections of this report. While these committees are delegated with certain responsibilities, the ultimate responsibility for the final decision lies with the entire Board.

Provision 1.5: Directors attend and actively participate in board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

The Board meets at least twice a year at regular intervals. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Telephonic attendance at Board meetings is allowed under the Company's Constitution. The Board and Board committees may also make decisions by way of circulating resolutions in writing.

During FY2020, the number of Board meetings, Board committee meetings and general meetings held and attended by each member of the Board are as follows:

| | Board | Board Committee | | | General Meeting | |
|--------------------------------|------------------------------------|-----------------|----------------|----------------|-----------------|---------------|
| | | AC | NC | RC | Annual | Extraordinary |
| Number of Meetings Held | 3 | 3 | 1 | 1 | 1 | 1 |
| | Number of Meetings Attended | | | | | |
| Ng Cheng Lian | 3 [#] | 3 [*] | 1 [*] | 1 [*] | 1 | 1 |
| Koh Thong Huat | 3 | 3 [*] | 1 [*] | 1 [*] | 1 | 1 |
| Foo Joon Lye | 3 | 3 [*] | 1 [*] | 1 [*] | 1 | 1 |
| Tan Eng Ann | 3 | 3 [#] | 1 | 1 | 1 | 1 |
| Soh Chun Bin | 3 | 3 | 1 | 1 [#] | 1 | 1 |
| Ng Kheng Choo | 3 | 3 | 1 [#] | 1 | 1 | 1 |
| Ryota Fukuda** | – | – | – | – | – | – |

Notes:

[#] Chairman

^{*} By invitation

^{**} Mr Ryota Fukuda was appointed as a Non-Executive Director on 18 February 2020.

Notwithstanding that some of the Directors have multiple listed company board representations, the Board is satisfied that each Director is able to and has been adequately carrying out his or her duties as a Director of the Company. The Board is of the view that the assessment of whether each Director is able to devote sufficient time to discharge his or her duties should not be restricted to the number of board representations. Holistically, the contributions by the Directors during the meetings and attendance at such meeting should also be taken into consideration.

The NC will continue to review from time to time the listed company board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

CORPORATE GOVERNANCE REPORT

Provision 1.6: Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.

The Directors are furnished with timely and adequate information from the Management to enable them to discharge their duties effectively. Such information includes budgets, forecasts, quarterly and annual financial statements, as well as information relating to matters to be tabled at Board or Board committee meetings for approval. The Directors are entitled to request from the Management and should be provided with such additional information as needed to make informed decisions and the Management shall provide the same in a timely manner.

Provision 1.7: Directors have separate and independent access to management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the board as a whole.

The Directors are provided with the contact details of the Management and the Company Secretaries to facilitate separate and independent access.

Together with the Management, the Company Secretaries are responsible for ensuring that appropriate procedures are followed and the requirements of the Companies Act, Chapter 50 (the "Companies Act") and Catalist Rules are complied with. Either one of them is required to attend the Board and Board committee meetings. The appointment and the removal of the Company Secretaries is a matter for the approval of the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his or her duties and responsibilities as a Director.

Board Composition and Guidance

Principle 2: The board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1: An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.

The independence of each Independent Director is reviewed annually and as and when circumstances required by the NC, based on the guidelines set forth in the Code, and the Catalist Rules to ensure that there is strong independent element on the Board such that the Board is able to exercise objective judgement on corporate affairs independently and the Board consists of persons who, together, will provide the core competencies necessary to meet the Company's objectives. The Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations for the current or any of the past three financial years, and they also do not have any relationships with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company. The NC is of the view that Mr Tan Eng Ann, Mr Soh Chun Bin and Ms Ng Kheng Choo are independent in character and judgement, and that there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

The three Independent Directors were first appointed to the Board on 7 June 2013 and would have served on the Board for more than nine years from 7 June 2022. In anticipation of Rule 406(3)(d)(iii) of the Catalist Rules which will take effect from 1 January 2022 and provides that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the directors and the CEO of the company, and their respective associates, Mr Tan Eng Ann who is seeking re-election as a Director at the forthcoming annual general meeting (the "AGM"), is proposing to seek, at the same time, the requisite approvals from shareholders for his continued appointment as an Independent Director.

The Board is of the view that the independence of the Independent Directors must be based on the substance of their professionalism, integrity and objectivity, and not merely based on form such as the number of years which they have served on the Board. The Board conducted rigorous review by examining any conflicts of interest, their review and scrutiny of matters and proposals put before the Board, their exercise of independent judgement, the effectiveness of their oversight role as a check and balance on the acts of the Executive Directors and the Management as well as their role in enhancing and safeguarding the interests of the Company and its shareholders. Upon review, the Board considers Mr Tan Eng Ann to remain independent.

CORPORATE GOVERNANCE REPORT

Provision 2.2: Independent directors make up a majority of the board where the chairman is not independent.

The Board currently comprises seven members, three of whom are Independent Directors as follows:

Executive Directors

Mr Ng Cheng Lian (Executive Chairman)
Mr Koh Thong Huat (Chief Executive Officer ("CEO"))
Mr Foo Joon Lye

Independent Directors

Mr Tan Eng Ann (Lead Independent Director)
Mr Soh Chun Bin
Ms Ng Kheng Choo

Non-Executive Director

Mr Ryota Fukuda

Notwithstanding that the Independent Directors do not make up a majority of the Board where the Chairman of the Board is not independent, the Board, through the NC, has examined its size and composition and is of the view that the current Board size and composition are appropriate for the time being for the facilitation of effective decision-making on the part of the Board. The Board is of the opinion that, given the scope and nature of the Group's operations, it is neither necessary nor cost-effective to have Independent Directors making up majority of the Board. To address the issue of independence, the Board has put in place a Lead Independent Director, who is available to shareholders where they have concerns. The Board is of the view that the Independent Directors demonstrate a strong level of independence and judgement in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual and independent viewpoints, debated issues, and objectively scrutinised and challenged the Management.

Provision 2.3: Non-executive directors make up a majority of the Board.

The Board comprises seven members, four of whom are Non-Executive Directors representing a majority of the Board.

Provision 2.4: The board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.

The Board, through the NC, has examined its size and composition and is of the view that it is of an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group and the wide spectrum of skill and knowledge of the Directors. The Board also includes one female Director in recognition of the value of gender diversity. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Board and the Board committees comprise Directors, who, as a group, provide core competencies such as accounting, finance, business, legal, management and strategic planning, which are complementary and enhance the effectiveness of the Board.

The Board recognises the benefits of having a diverse Board to help bring in new ways of thinking, insights and different perspectives to the Board, which will result in productivity and quality of Board deliberations. While the Board and NC have not implemented a fixed diversity policy, the composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective in reviewing the issues that are brought before the Board and enable it to make decisions in the best interests of the Company. This assists the NC in identifying and nominating suitable candidates for appointment to the Board.

Provision 2.5: Non-executive directors and/or independent directors, led by the independent chairman or other independent director as appropriate, meet regularly without the presence of management. The chairman of such meetings provides feedback to the board and/or chairman as appropriate.

The Independent Directors confer regularly with the Executive Directors and the Management to develop strategies for the Group, review the Management's performance, assess remuneration and discuss corporate governance matters. Where warranted, the Independent Directors, led by the Lead Independent Director, discuss or meet amongst themselves on the Group's affairs without the presence of the Executive Directors and the Management. The Lead Independent Director will also provide feedback to the Executive Chairman after such discussions or meetings.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the board and management, and no one individual has unfettered powers of decision-making.

Provision 3.1: The chairman and the CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the board for independent decision-making.

The Company adopts a dual leadership structure whereby the roles of Chairman and CEO are distinct, each having their own areas of responsibilities and functions, thus ensuring an appropriate balance of power and authority, and allowing for increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the CEO are thus separate persons and the Chairman is not related to the CEO.

Provision 3.2: The board establishes and sets out in writing the division of responsibilities between the chairman and the CEO.

The Executive Chairman, Mr Ng Cheng Lian, plays a key role in promoting high standards of corporate governance. He, with the assistance of the Company Secretaries, sets the agenda for Board meetings and ensures that adequate time is available for discussion of all agenda items. He promotes an open environment for debate, and ensures that Independent Directors are able to speak freely and contribute effectively. He also ensures that the Board receives complete, adequate and timely information. In addition, he plays a pivotal role in ensuring effective communication with shareholders at general meetings of the Company, and encouraging constructive relations within the Board and between the Board and the Management.

The CEO, Mr Koh Thong Huat, formulates and implements the Group's expansion plans and the overall corporate and strategic development of the Group, and ensures conformance by the Management to such plans.

Provision 3.3: The board has a lead independent director to provide leadership in situations where the chairman is conflicted, and especially when the chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the chairman or management are inappropriate or inadequate.

In view that the Chairman of the Board is not an Independent Director, Mr Tan Eng Ann who is the Chairman of the AC, has been appointed as the Lead Independent Director of the Company. Mr Tan Eng Ann is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman of the Board, the CEO or the Chief Financial Officer has failed to resolve or is inappropriate. No request or query on any matter which requires the Lead Independent Director's attention has been received from shareholders in FY2020.

Board Membership

Principle 4: The board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the board.

Provision 4.1: The board establishes a NC to make recommendations to the board on relevant matters relating to:

- (a) the review of succession plans for directors, in particular the appointment and/or replacement of the chairman, the CEO and key management personnel;**
- (b) the process and criteria for evaluation of the performance of the board, its board committees and directors;**
- (c) the review of training and professional development programmes for the board and its directors; and**
- (d) the appointment and re-appointment of directors (including alternate directors, if any).**

The NC has written terms of reference that describe the responsibilities of its members. The principal functions of the NC are as follows:

- (a) to review and recommend to the Board, all Board appointments and re-appointments;
- (b) to determine, on an annual basis, whether a Director is independent, guided by the independent guidelines contained in the Catalist Rules and the Code;

CORPORATE GOVERNANCE REPORT

- (c) to decide whether a Director is able to and has been adequately carrying out his or her duties as a Director, particularly when the Director has multiple board representations;
- (d) to assess the effectiveness of the Board as a whole and the Board committees, and the contribution of each Director to the effectiveness of the Board;
- (e) to make plans for succession, in particular for the Chairman of the Board and CEO;
- (f) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary; and
- (g) to recommend to the Board comprehensive induction training programmes for new Directors and review the training and professional development programmes for the Board.

Provision 4.2: The NC comprises at least three directors, the majority of whom, including the NC chairman, are independent. The lead independent director, if any, is a member of the NC.

The NC comprises three Independent Directors, namely Ms Ng Kheng Choo, Mr Tan Eng Ann and Mr Soh Chun Bin. The Chairman of the NC is Ms Ng Kheng Choo.

Provision 4.3: The company discloses the process for the selection, appointment and re-appointment of directors to the board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board. The NC will generally assess suitable candidates for appointment to the Board based on the requisite qualification, expertise and experience. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion and NC's assessment of the candidates.

The Company's Constitution provides that one-third of the Directors shall retire from office by rotation at each AGM, and all Directors shall retire from office at least once every three years. A retiring Director is eligible for re-election by the shareholders at the AGM. The Company's Constitution also provides that any new Director appointed by the Board shall hold office only until the next AGM and is eligible for re-election by the shareholders at the AGM.

The NC will assess and recommend to the Board whether retiring Directors are suitable for re-election. In considering the re-election of a Director, the NC will evaluate such Director's contributions in terms of experience, business perspective, attendance at meetings of the Board and/or Board committees and pro-activeness of participation in meetings. Each member of the NC shall abstain from recommending his or her own re-election. The NC has recommended the re-election of three retiring Directors, namely Mr Ng Cheng Lian, Mr Tan Eng Ann and Mr Ryota Fukuda at the forthcoming AGM. The Board has accepted the NC's recommendation.

Provision 4.4: The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the board. If the board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.

The NC determines, on an annual basis, the independence of each Independent Director, taking into consideration the circumstances set forth in the Catalist Rules and the Code. For FY2020, the NC has assessed and affirmed that the Independent Directors are independent (within the meaning of the Code and the Catalist Rules).

The Independent Directors have confirmed that they and their respective associates do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.

CORPORATE GOVERNANCE REPORT

Provision 4.5: The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and board's reasoned assessment of the ability of the director to diligently discharge his or her duties.

In accordance with recent revisions to Catalist Rules, with effect from 1 January 2019, the NC will ensure that newly appointed Directors who do not have prior experience as a director of an issuer listed on the SGX-ST, attend mandatory training in the roles and responsibilities of a director as prescribed by the SGX-ST.

All Directors declare their board representation as and when practicable. The NC has reviewed and is satisfied that all Directors have devoted sufficient time and attention to the affairs of the Company to adequately perform their duties as Directors of the Company.

The dates of initial appointment and re-election of the Directors as well as the directorships of the Directors in other listed companies are set out below:

| Name of Director | Date of Initial Appointment | Date of Last Re-election | Directorships in Other Listed Companies | |
|------------------|-----------------------------|--------------------------|--|--|
| | | | Present | Past (Last Five Years) |
| Ng Cheng Lian | 12 December 2012 | 27 October 2017 | Nil | Nil |
| Koh Thong Huat | 12 December 2012 | 26 October 2018 | Nil | Nil |
| Foo Joon Lye | 12 December 2012 | 30 October 2019 | Nil | Nil |
| Tan Eng Ann | 7 June 2013 | 27 October 2017 | Nil | <ul style="list-style-type: none"> • AM Group Holdings Limited# • GCCP Resources Limited • Hiap Tong Corporation Ltd. • SingAsia Holdings Limited* |
| Soh Chun Bin | 7 June 2013 | 26 October 2018 | <ul style="list-style-type: none"> • Geo Energy Resources Limited • Lorenzo International Limited • Triyards Holdings Limited | Nil |
| Ng Kheng Choo | 7 June 2013 | 30 October 2019 | OKH Global Ltd. | Eagle Hospitality Trust |
| Ryota Fukuda | 18 February 2020 | – | Nil | Nil |

Notes:

Listed on the Mainboard of the Stock Exchange of Hong Kong Limited

* Listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited

The academic and professional qualifications and the principal commitments of each Director, as well as the information on shareholdings in the Company held by each Director are set out in the "Board of Directors" and "Directors' Statement" sections of this annual report respectively.

Notwithstanding that some of the Directors have multiple board representations, the Board is satisfied that each Director is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC took into account attendance and contribution at Board and Board committees meetings and ad hoc discussions by each Director in deciding the capacity of the Directors. As such, the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises. There is no alternate Director on the Board.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: The board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1: The NC recommends for the board's approval the objective performance criteria and process for the evaluation of the effectiveness of the board as a whole, and of each board committee separately, as well as the contribution by the chairman and each individual director to the board.

Provision 5.2: The company discloses in its annual report how the assessments of the board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the Board committees, and for assessing the contribution from the Chairman of the Board and each individual Director to the effectiveness of the Board. The performance criteria do not change from year to year.

Assessment checklists which include evaluation factors such as Board composition and structure, conduct of meetings, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, training and recruitment, compensation, financial reporting and communicating with shareholders, are disseminated to each Director for completion and the assessment results are discussed at the NC meeting. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his or her performance or re-nomination as Director.

No external facilitator was engaged by the Company for assessing the effectiveness of the Board in FY2020.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1: The board establishes a RC to review and make recommendations to the board on:

- (a) a framework of remuneration for the board and key management personnel; and**
- (b) the specific remuneration packages for each director as well as for the key management personnel.**

The RC has written terms of reference that describe the responsibilities of its members.

The principal functions of the RC are as follows:

- (a) to review and recommend to the Board a general framework of remuneration for the Board and key management personnel and the specific remuneration packages and terms of employment (where applicable) for each Director, key management personnel and employees related to the Directors and substantial shareholders of the Company;
- (b) to function as the committee referred to in the ISOTeam Performance Share Plan (the "ISOTeam PSP") and shall have all the powers as set out in the ISOTeam PSP; and
- (c) to review all aspects of remuneration, including but not limited to the Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

CORPORATE GOVERNANCE REPORT

Provision 6.2: The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC chairman, are independent.

The RC comprises three Independent Directors, namely Mr Soh Chun Bin, Mr Tan Eng Ann and Ms Ng Kheng Choo. The Chairman of the RC is Mr Soh Chun Bin.

Provision 6.3: The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.

The RC reviews all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

The RC also reviews the Company's obligations arising from termination clauses and termination processes in relation to the Executive Directors and key management personnel's contracts of service to ensure that such clauses and processes are fair and reasonable.

Each member of the RC shall abstain from voting on any resolutions in respect of his or her own remuneration and the remuneration of employees related to him.

Provision 6.4: The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.

The RC did not seek any external professional advice on the remuneration of the Directors in FY2020. Where necessary, the RC would seek independent professional advice on remuneration matters at the expense of the Company, and ensure that any relationship between the appointed consultant and the Company or any of its Directors will not affect the independence and objectivity of the remuneration consultant.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1: A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.

The Company has its own designated remuneration policy for the Executive Directors and key management personnel which comprises a fixed component and a variable component. The fixed component is in the form of a base salary and allowance while the variable component is the annual bonus, based on the performance of the Group and the individual Director or key management personnel, as well as the market rates. The performance-related elements of remuneration are designed to align the Executive Directors and key management personnel's interests with those of the shareholders and link rewards to corporate and individual performance. In structuring the compensation framework, the Company also takes into account its risk policies, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

The Executive Directors, namely Mr Ng Cheng Lian, Mr Koh Thong Huat and Mr Foo Joon Lye are paid based on their respective service agreements with the Company. The service agreements are subject to review and renewal upon expiry, unless terminated by a notice in writing of not less than six months by either party. The service agreements also provide that the Company shall be entitled to recover from the Executive Directors the relevant portion of the bonus and any sum paid under their service agreements in the event that there is a restatement of the financial statements of the Company made to reflect the correction of a misstatement due to error or fraud (not change in accounting principle) during the financial year of the Company, or misconduct of the Executive Directors resulting in financial loss to the Company.

Provision 7.2: The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.

The Independent Directors and the Non-Executive Director do not have service agreements with the Company. The Independent Directors are paid fixed Directors' fees, which are recommended by the RC and determined by the Board, appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of each Independent Director. The Directors' fees are subject to approval by shareholders at the AGM. The Independent Directors do not receive any other remuneration from the Company. The Non-Executive Director is not paid fixed Directors' fees, but is reimbursed in accordance with the administrative and travel expenses incurred in the course of his contributions to the Company.

CORPORATE GOVERNANCE REPORT

Provision 7.3: Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.

The Board ensures that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholders' value.

The Company has adopted the ISOTeam PSP in June 2013. The ISOTeam PSP is administered by the RC. Please refer to the "Directors' Statement" section of this annual report for more information on the ISOTeam PSP.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1: The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

- (a) each individual director and the CEO; and**
- (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.**

Provision 8.3: The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.

The Company has its own designated remuneration policy for the Executive Directors and key management personnel which comprises a fixed component and a variable component. The fixed component is in the form of a base salary and allowance while the variable component is the annual bonus, based on the performance of the Group and the individual Director or key management personnel, as well as the market rates. The performance-related elements of remuneration are designed to align the Executive Directors and key management personnel's interests with those of the shareholders and link rewards to corporate and individual performance. In structuring the compensation framework, the Company also takes into account its risk policies, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

There were no termination, retirement and post-employment benefits that may be granted to the Directors, CEO and key management personnel of the Group.

The Company has adopted the ISOTeam PSP in June 2013. The ISOTeam PSP is administered by the RC. Please refer to the "Directors' Statement" section of this annual report for more information on the ISOTeam PSP.

A breakdown, showing the level and mix of each Director's remuneration for FY2020 is set out below:

| Remuneration Band and Name of Director | Fee | Salary* | Bonus | Allowance | Total |
|--|-----|---------|-------|-----------|-------|
| | % | % | % | % | % |
| Below \$500,000 | | | | | |
| Ng Cheng Lian | – | 91 | – | 9 | 100 |
| Koh Thong Huat | – | 92 | – | 8 | 100 |
| Foo Joon Lye | – | 87 | – | 13 | 100 |
| Below \$250,000 | | | | | |
| Tan Eng Ann | 100 | – | – | – | 100 |
| Soh Chun Bin | 100 | – | – | – | 100 |
| Ng Kheng Choo | 100 | – | – | – | 100 |
| Ryota Fukuda | – | – | – | – | – |

CORPORATE GOVERNANCE REPORT

A breakdown, showing the level and mix of each key management personnel's remuneration for FY2020 is set out below:

| Remuneration Band and Name of Key Management Personnel | Fee | Salary* | Bonus | Allowance | Total |
|--|-----|---------|-------|-----------|-------|
| | % | % | % | % | % |
| Below \$250,000 | | | | | |
| Or Thiam Huat | 10 | 73 | – | 17 | 100 |
| Lim Kim Hock | 10 | 73 | – | 17 | 100 |
| Chan Chung Khang | – | 85 | 15 | – | 100 |
| Teo Teck Sing | – | 81 | – | 19 | 100 |
| Teng Ann Boon | – | 73 | 12 | 15 | 100 |
| Lwin Lwin Aung# | – | 80 | 12 | 8 | 100 |

Notes:

* These amounts are inclusive of employee's CPF contribution.

Ms Lwin Lwin Aung ceased to be the Chief Financial Officer on 16 March 2020.

The Group operates in a highly competitive human resources environment where the detailed disclosure of the remuneration packages of each Director and key management personnel will be detrimental to the best interest of the Company and the Group, given the confidential and commercial sensitivities associated with remuneration matters. However, the Company adopts the disclosure of remuneration in bands of \$250,000 which would provide a good overview and is informative of the remuneration of each Director and key management personnel.

The aggregate remuneration paid to the above key management personnel amounted to \$806,731 for FY2020.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

Provision 8.2: The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.

There was no employee of the Group who is an immediate family of the Directors, CEO or substantial shareholders of the Company in FY2020.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1: The board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The board sets up a board risk committee to specifically address this, if appropriate.

The Company does not have a risk management committee. However, the Board is responsible for governance of risk management, and determining the Company's levels of risk tolerance and risk policies. The Board consults the external auditor and internal auditor to determine the risk tolerance level and corresponding risk policies. The Board also oversees the Management in implementing and monitoring the risk management and internal control systems. The Management regularly reviews and improves the Group's business and operational activities to identify areas of significant business and operational risks and implements appropriate measures to control and mitigate such risks. The Management also reviews significant control policies and procedures and highlights significant matters to the Board and the AC.

CORPORATE GOVERNANCE REPORT

To enhance the Group's system of internal controls, the Board has appointed an external professional firm, namely Nexia TS Risk Advisory Pte Ltd, to review, recommend and have subsequent rectifications follow-up on the Group's internal control system, and to expand and enhance its policies and procedures manual on an annual basis.

Provision 9.2: The board requires and discloses in the company's annual report that it has received assurance from:

- (a) the CEO and the chief financial officer ("CFO") 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) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.**

The Board has received assurance from the CEO and the CFO that (a) the financial records have been properly maintained and the financial statements for FY2020 give a true and fair view of the Group's operations and finances; and (b) the Group has put in place and will continue to maintain a reasonably adequate and effective system of risk management and internal controls.

In addition, the Board has received assurance from the Executive Directors and key management personnel that the Group has put in place and will continue to maintain a reasonably adequate and effective system of risk management and internal controls in respect of their respective areas of responsibilities.

Based on the internal controls established and maintained by the Group, work performed by the internal auditor, and reviews performed by the Management, the Board and its committees, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems maintained by the Group, addressing the financial, operational, compliance and information technology risks of the Group are adequate and effective as at 30 June 2020. The Board and the AC note that all internal control systems contain inherent limitations and no system of risk management and internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Company's internal control system.

Audit Committee

Principle 10: The board has an AC which discharges its duties objectively.

Provision 10.1: The duties of the AC include:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;**
- (b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;**
- (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;**
- (d) making recommendations to the board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;**
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and**
- (f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.**

The AC has written terms of reference that describe the responsibilities of its members.

CORPORATE GOVERNANCE REPORT

The AC will meet periodically to perform, *inter alia*, the following functions:

- (a) to review with the external auditor the audit plan, the audit report, the management letter and the management's response;
- (b) to review with the internal auditor the internal audit plan and their evaluation of the adequacy of the internal controls and risk management system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report;
- (c) to review the financial statements and the external auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with the Financial Reporting Standards in Singapore, and concerns and issues arising from the audit including any matters which the external auditor may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- (d) to review and discuss with the external auditor and internal auditor, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- (e) to review the co-operation given by the Management to the external auditor and internal auditor;
- (f) to consider the appointment or re-appointment, and remuneration and terms of engagement of the external auditor and matters relating to the resignation or dismissal of the external auditor;
- (g) to review and ratify any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;
- (h) to review any potential conflicts of interests (if any);
- (i) to review the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (j) to undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (k) to undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

In addition, the AC has explicit authority to investigate any matter within its terms of reference, full access to and the co-operation of the Management and full discretion to invite any Executive Director or key management personnel to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditor and the cost effectiveness of the audit. It has also undertaken a review of the fees payable to the external auditor for the non-audit services in FY2020. The non-audit services performed by the external auditor relate to tax services and in the AC's opinion, would not affect the objectivity and independence of the external auditor. The AC is of the view that Baker Tilly TFW LLP is suitable for re-appointment and it has accordingly recommended to the Board that Baker Tilly TFW LLP be nominated for re-appointment as auditor of the Company at the forthcoming AGM.

The aggregate amount of fees paid or payable to the external auditor for the audit and non-audit services for FY2020 is reflected in Note 6 to the audited financial statements of the Group for FY2020.

The Company has complied with Rules 712 and 715 of the Catalist Rules in appointing the audit firm for the Group.

The Company has in place a whistle-blowing policy, endorsed by the AC, which provides an accessible channel for employees of the Group to raise concerns to the AC about possible corporate improprieties or possible fraudulent activities in matters of financial reporting or other matters. Details of the whistle-blowing policies and arrangements have been made available to all employees. It has a well defined process which ensures independent investigation of issues or concerns raised and appropriate follow-up action, and provides assurance to the whistle-blowers that all actions in good faith will not affect them in their work and staff appraisal. There were no whistle-blowing reports received in FY2020.

CORPORATE GOVERNANCE REPORT

Provision 10.2: The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC chairman, are independent. At least two members, including the AC chairman, have recent and relevant accounting or related financial management expertise or experience.

The AC comprises three Independent Directors, namely Mr Tan Eng Ann, Mr Soh Chun Bin and Ms Ng Kheng Choo. The Chairman of the AC is Mr Tan Eng Ann. As Mr Tan Eng Ann and Ms Ng Kheng Choo are trained in accounting and financial management, the Board is of the view that the AC has the necessary expertise and experience required to discharge its responsibilities.

Provision 10.3: The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

None of the AC members was a previous partner or director or has any financial interest in the Company's existing auditing firm.

Provision 10.4: The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. The Group has therefore appointed Nexia TS Risk Advisory Pte Ltd to undertake the functions of an internal auditor for the Group. The internal audit function has adequate resources, led by Ms Pamela Chen who has 14 years of relevant experience and qualification. Nexia TS Risk Advisory Pte Ltd is a member of the Institute of Internal Auditors. The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal auditor reports directly to the AC and, administratively to the Executive Directors, and has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC. The role of the internal auditor is to assist the AC in ensuring that the Group's controls are adequate, effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.

The AC has reviewed and is satisfied that the Group's internal audit function is independent, effective and adequately resourced, staffed by suitably qualified and experienced professionals with the relevant experience, and has an appropriate standing within the Company. Such review is carried out on an annual basis.

Provision 10.5: The AC meets with the external auditors, and with the internal auditors, in each case without the presence of management, at least annually.

The AC had met with the internal and external auditors, without the presence of the Management to review the adequacy of audit arrangements for FY2020, with emphasis on the scope and quality of their audits, and the independence, objectivity and observations of the internal and external auditors.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1: The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.

All shareholders are entitled to attend the general meetings of the Company and are afforded the opportunity to participate effectively at such meetings. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducts poll voting for all resolutions tabled at the general meetings. The rules, including the voting procedures, will be clearly explained by the scrutineers at such general meetings.

CORPORATE GOVERNANCE REPORT

Provision 11.2: The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are “bundled”, the company explains the reasons and material implications in the notice of meeting.

The Company has separate resolutions at general meetings on each substantially separate issue. This is to ensure that shareholders are given the right to express their views and exercise their voting rights on each resolution separately. Where the resolutions are “bundled”, the reasons and material implications for doing so will be provided in the annual report and related documents, including the notice of general meeting.

Provision 11.3: All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report. Directors’ attendance at such meetings held during the financial year is disclosed in the company’s annual report.

All Directors are required to attend general meetings. The external auditor will also be present at the AGM to address shareholders’ queries about the conduct of audit and the preparation and content of the auditor’s report. Please refer to Provision 1.5 for details on the Directors’ attendance at general meetings held during FY2020.

Provision 11.4: The company’s constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.

The Company’s Constitution allows any shareholder of the Company, if he is unable to attend any general meetings, to appoint not more than two proxies to attend and vote on his behalf at the meetings through proxy forms sent in advance. Corporate shareholders of the Company who provide nominee or custodial services are entitled to appoint more than two proxies to attend and vote on their behalf at general meetings provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such corporate shareholders.

Voting in absentia, which is currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of shareholders through the web are not compromised.

Provision 11.5: The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the board and management.

The Company prepares minutes of general meetings which incorporate substantial and relevant comments and queries from shareholders and responses from the Board and the Management. These minutes will be made available to shareholders upon their request.

Provision 11.6: The company has a dividend policy and communicates it to shareholders.

The Company has adopted a dividend policy whereby the Company shall recommend the distribution of at least 20% of the Company’s consolidated profit after tax and minority interests, excluding non-recurring, one-off and exceptional items, to its shareholders.

As the Group has reported a net loss for FY2020 and in view of the present uncertainty in the market outlook and business environment, the Board has decided that it would be prudent not to declare dividend in respect of FY2020.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1: The company provides avenues for communication between the board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. In line with the continuous disclosure obligations of the Company pursuant to the Catalist Rules, it is the Board’s policy to ensure that all shareholders are informed on a timely basis of every significant development that has an impact on the Group via SGXNET.

CORPORATE GOVERNANCE REPORT

The Company does not practise selective disclosure. Price-sensitive information is first publicly released before the Company meets with any group of investors or analysts. The Company's results and annual report are announced or issued within the mandatory period.

All shareholders will also receive the Company's annual report and notice of general meetings. Shareholders will be given the opportunity and time to voice their views and ask Directors or the Management questions regarding the Company at such general meetings.

Provision 12.2: The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.

The Company conducts its investor relations on the following principles:

- (a) Information deemed to be price-sensitive is disseminated without delay via announcements and/or press releases via SGXNET;
- (b) Discuss only publicly-available and publicly known information during dialogues with investors and analysts, principally following announcements of financial results;
- (c) Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions; and
- (d) Operate an open policy with regard to shareholders or investors' enquiries, such as through encouraging the active participation of shareholders during AGMs or any other general meetings of the Company.

Regular media and analyst briefings are organised to enable a better appreciation of the Group's performance and developments. The Company holds investor briefings, inviting the media and analysts, after the release of its half year and full year financial results.

Provision 12.3: The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.

The Company has engaged August Consulting to address any queries that the investors, analysts, press or public might have on the Company's affairs. The investor relations team can be reached at isoteam@august.com.sg.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1: The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

The Company recognises the importance of close collaboration with its key stakeholders such as employees, investors and media, suppliers and service providers, and customers, in order to achieve sustainable business goals. The Company has in place a process to identify its various stakeholders and understand their viewpoints as well as actively communicate with them to align the Company's expectation and goals. Both Executive and Independent Directors meet or speak with shareholders at general meetings to gather their views and address concerns.

Provision 13.2: The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

The Group engages with the key stakeholders through various platforms. Details of the stakeholders engaged by the Group, areas of focus, approaches to stakeholder, including frequency of engagement by type and by stakeholder group and key feedback or issues that have been raised through stakeholder engagement and can be found in the Company's Sustainability Report 2020.

CORPORATE GOVERNANCE REPORT

Provision 13.3: The company maintains a current corporate website to communicate and engage with stakeholders.

The Company maintains its corporate website (<https://isoteam.com.sg/>) providing information about the Company such as the Board of Directors and Management, products or services, as well as all disclosures and announcements of the Company submitted via the SGXNET. Stakeholders can also contact the Company through phone or via the contact form, details of which can be found on the Company's website.

ADDITIONAL INFORMATION

Dealing in Securities

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Catalist Rules on dealings in the Company's securities.

The Company and its officers are prohibited from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished trade or price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the date of the announcement of the Company's half year and full year results, and ending on the date of the announcement of the relevant results.

In addition, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for its review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders.

Details of the interested person transaction entered into by the Group for FY2020 as required for disclosure pursuant to Rule 1204(17) of the Catalist Rules are set out below:

| Name of interested person | Aggregate value of all interested person transactions during FY2020 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|--|--|---|
| Testing fees paid to Green Pest Management Pte. Ltd. | \$156,000 | Nil |

The Board confirms that the above interested person transaction was entered into on an arm's length basis and on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid or payable to the Company's sponsor, Hong Leong Finance Limited, for FY2020.

Material Contracts and Loans

Pursuant to Rule 1204(8) of the Catalist Rules, the Company confirms that except as disclosed in the "Directors' Statement" section of this annual report and the audited financial statements of the Group for FY2020, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

CORPORATE GOVERNANCE REPORT

Use of Proceeds

The Company, on 15 January 2020, allotted and issued 50,000,000 new ordinary shares in the share capital of the Company (the "Shares") to Taisei Oncho Co., Ltd., at a placement price of S\$0.24 per Share, under the placement exercise undertaken by the Company which was completed on 15 January 2020 (the "Placement"). The Company raised net proceeds of approximately S\$11.64 million (the "Net Proceeds"), after deducting estimated expenses pertaining to the Placement of approximately S\$0.36 million.

As announced on 17 December 2019, the initial placement was for the placement of up to 84,000,000 new Shares. On the basis that all 84,000,000 new Shares would be fully subscribed, the Company had intended to use S\$12.0 million or 61.7% of the net proceeds to fund any current or future mergers and acquisitions and the balance of S\$7.44 million or 38.3% for general working capital purposes. However, the Company only completed the Placement for 50,000,000 new Shares, raising net proceeds of S\$11.64 million.

In light of the above, the Net Proceeds had been re-allocated and fully utilised to fund the acquisition of the Pure group of entities as set out in the Company's announcement dated 19 February 2020.

Information on Directors Seeking Re-Election

Mr Ng Cheng Lian, Mr Tan Eng Ann and Mr Ryota Fukuda are the Directors seeking re-election at the forthcoming AGM of the Company. Pursuant to Rule 720(5) of the Catalist Rules, the information relating to Mr Ng Cheng Lian, Mr Tan Eng Ann, and Mr Ryota Fukuda in accordance with Appendix 7F of the Catalist Rules is set out below:

| | NG CHENG LIAN | TAN ENG ANN | RYOTA FUKUDA |
|---|--|---|---|
| Date of appointment | 12 December 2012 | 7 June 2013 | 18 February 2020 |
| Date of last re-appointment (if applicable) | 27 October 2017 | 27 October 2017 | – |
| Age | 61 | 52 | 51 |
| Country of principal residence | Singapore | Singapore | Japan |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board, having considered the recommendation of the NC and assessed Mr Ng's overall contributions and performance, is of the view that he is suitable for re-appointment as an Executive Director of the Company. | The Board, having considered the recommendation of the NC and assessed Mr Tan's overall contributions and performance, is of the view that he is suitable for re-appointment as an Independent Director of the Company. | The Board, having considered the recommendation of the NC and assessed Mr Fukuda's overall contributions and performance, is of the view that he is suitable for re-appointment as a Non-Executive Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Executive. As set out in Mr Ng's profile write-up in the "Board of Directors" section of this annual report. | Non-Executive | Non-Executive |
| Job title (e.g. Lead ID, AC Chairman, AC Member etc.) | Executive Chairman | Lead Independent Director, Chairman of the AC and member of the NC and RC | Non-Executive Director |
| Professional qualifications | Nil | 1. Chartered Financial Analyst (Association for Investment Management and Research) 2. Chartered Accountant, Singapore (Institute of Singapore Chartered Accountants) | Master of Business Administration, Belluue University (USA) |

CORPORATE GOVERNANCE REPORT

| | NG CHENG LIAN | TAN ENG ANN | RYOTA FUKUDA |
|--|---|---|---|
| Working experience and occupation(s) during the past 10 years | As set out in Mr Ng's profile write-up in the "Board of Directors" section of this annual report. | As set out in Mr Tan's profile write-up in the "Board of Directors" section of this annual report. | As set out in Mr Fukuda's profile write-up in the "Board of Directors" section of this annual report. |
| Shareholding interest in the listed issuer and its subsidiaries | Direct interest: 7,682,000 ordinary shares Deemed interest: 119,954,406 ordinary shares | Nil | Nil |
| 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 Fukuda is the Deputy Executive Officer of Taisei Oncho Co., Ltd., a controlling shareholder of the Company. |
| Conflict of interest (including any competing business) | Nil | Nil | Nil |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes | Yes |
| Other principal commitments including directorships | <p><u>Past</u> (for the last five years)</p> <p>Directorships: Nil</p> <p>Other Principal Commitments: Nil</p> <p><u>Present</u></p> <p>Directorships: 1. ADD Group Pte. Ltd. 2. ADD Investment Holding Pte. Ltd. 3. ISO-HomeCare Pte. Ltd. 4. ISOTeam Homecare Pte. Ltd. 5. Raymond Construction Pte Ltd</p> <p>Other Principal Commitments: Nil</p> | <p><u>Past</u> (for the last five years)</p> <p>Directorships: 1. GCCP Resources Limited 2. Hiap Tong Corporation Ltd. 3. SingAsia Holdings Limited 4. AM Group Holdings Limited 5. Amersun Energy Pte. Ltd.</p> <p>Other Principal Commitments: Nil</p> <p><u>Present</u></p> <p>Directorships: 1. Greenzone Energy Pte. Ltd. 2. IP Global Limited 3. IP Real Estate Investments Pte. Ltd. 4. IPIM Holdings Limited 5. SCK Assets Management Limited 6. SCK Securities Limited</p> <p>Other Principal Commitments: Nil</p> | <p><u>Past</u> (for the last five years)</p> <p>Directorships: Nil</p> <p>Other Principal Commitments: Nil</p> <p><u>Present</u></p> <p>Directorships: 1. Alaka'l Mechanical Corporation 2. ISO-Integrated M&E Pte. Ltd. 3. Oncho Philippines, Inc. 4. Seaprodex Refrigeration Industry Corporation 5. Taisei Oncho Hong Kong Engineering 6. Taisei Oncho India Pvt Ltd 7. Taisei Oncho Shanghai Engineering</p> <p>Other Principal Commitments: Deputy Executive Officer of Taisei Oncho Co., Ltd.</p> |

CORPORATE GOVERNANCE REPORT

| | NG CHENG LIAN | TAN ENG ANN | RYOTA FUKUDA |
|---|---------------|-------------|--------------|
| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. | | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No | No |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No | No |
| (c) Whether there is any unsatisfied judgment against him? | No | No | No |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No | No |

CORPORATE GOVERNANCE REPORT

| | NG CHENG LIAN | TAN ENG ANN | RYOTA FUKUDA |
|--|---------------|-------------|--------------|
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No | No |

CORPORATE GOVERNANCE REPORT

| | NG CHENG LIAN | TAN ENG ANN | RYOTA FUKUDA |
|--|--|-------------|--------------|
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No | No |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: <ul style="list-style-type: none"> (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, | The Group had, in the course of its business, been fined by regulatory and statutory bodies such as the Ministry of Manpower and National Environment Agency for infringement of certain environmental and safety rules and regulations from time to time. | No | No |

CORPORATE GOVERNANCE REPORT

| | NG CHENG LIAN | TAN ENG ANN | RYOTA FUKUDA |
|---|---------------|-------------|--------------|
| in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | | |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No | No |

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of ISOTeam Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 30 June 2020.

In the opinion of the directors:

- (i) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 66 to 128 are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 30 June 2020 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Ng Cheng Lian
 Koh Thong Huat
 Foo Joon Lye
 Ryota Fukuda (Appointed on 18 February 2020)
 Tan Eng Ann
 Soh Chun Bin
 Ng Kheng Choo

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE BENEFITS

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial year had interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act as follows:

| Name of directors | Number of ordinary shares with no par value | | | |
|-------------------|---|-----------------|---|-----------------|
| | Shareholdings registered in the name of directors | | Shareholdings in which a director is deemed to have an interest | |
| | At 1.7.2019 | At 30.6.2020 | At 1.7.2019 | At 30.6.2020 |
| Company | | | | |
| Ng Cheng Lian | 7,682,000 | 7,682,000 | 119,954,406 | 119,954,406 |
| Koh Thong Huat | 7,682,000 | 7,682,000 | 119,954,406 | 119,954,406 |
| Foo Joon Lye | – | – | 127,636,406 | 127,636,406 |

DIRECTORS' STATEMENT

DIRECTORS' INTEREST IN SHARES OR DEBENTURES (CONT'D)

The deemed interest of Ng Cheng Lian, Koh Thong Huat and Foo Joon Lye in the shares of the Company are by virtue of their shareholdings in ADD Investment Holding Pte Ltd. At 30 June 2020, ADD Investment Holding Pte Ltd holds 119,954,406 shares in the Company. In addition, Foo Joon Lye is deemed to be interested in 7,682,000 shares in the Company held by his nominee as at 30 June 2020.

By virtue of Section 7 (4) of the Act, the directors, Ng Cheng Lian, Koh Thong Huat and Foo Joon Lye are deemed to have an interest in the shares held by the Company in its wholly-owned subsidiary corporations.

Ng Cheng Lian, Koh Thong Huat and Foo Joon Lye, by virtue of their interest of not less than 20% of the issued share capital of the Company are deemed to have an interest in the shares held by the Company in the following subsidiary corporations that are not wholly-owned by the Group.

| | Number of ordinary shares Shareholdings in which a director is deemed to have an interest | |
|---------------------------------|---|------------|
| | At | At |
| | 1.7.2019 | 30.06.2020 |
| Zara@ISOTeam Pte. Ltd. | 76,500 | 76,500 |
| ISOTeam TMS (Myanmar) Limited | 45,000 | 45,000 |
| ISO-Homecare Pte. Ltd. | 204,000 | 204,000 |
| SG Bike Pte. Ltd. | 510,000 | 510,000 |
| Pure Projects (Philippines) Inc | – | 89,910 |
| Pure Projects SEA Ltd | – | 9,800 |

The directors' interests as at 21 July 2020 was the same as those at the end of the financial year.

SHARE OPTIONS

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

ISOTeam Performance Share Plan

The ISOTeam Performance Share Plan (the "ISOTeam PSP") was adopted by the shareholders of the Company on 5 June 2013. The ISOTeam PSP contemplates the award of fully-paid shares in the capital of the Company ("Shares") to participants after certain pre-determined benchmarks have been met. The directors believe that the ISOTeam PSP will be more effective than pure cash bonuses in motivating employees of the Group to work towards pre-determined goals.

The ISOTeam PSP allows for participation by full-time employees of the Group (including the executive directors who are not a substantial shareholder of the Company or an associate of a substantial shareholder) who have attained the age of 18 years and above on or before the relevant date of grant of the award, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors. Non-executive directors, independent directors and controlling shareholders (including their associates) of the Company are not eligible to participate in the ISOTeam PSP.

DIRECTORS' STATEMENT

SHARE OPTIONS (CONT'D)

ISOTeam Performance Share Plan (Cont'd)

The ISOTeam PSP is administered by the Remuneration Committee of the Company which has the absolute discretion to determine persons who will be eligible to participate in the ISOTeam PSP. The ISOTeam PSP shall continue in operation for a maximum period of 10 years commencing on the date on which the ISOTeam PSP is adopted, provided that the ISOTeam PSP may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The total number of shares which may be issued or transferred pursuant to the awards granted under the ISOTeam PSP, when added to (i) the number of shares issued or issuable and/or transferred or transferrable in respect of all awards granted thereunder; and (ii) all shares issued or issuable and/or transferred or transferrable under any other share incentive schemes adopted by the Company for the time being in force, shall not exceed 15% of the total issued share capital of the Company on the day preceding the relevant award date.

Since the commencement of the ISOTeam PSP, the Company has not granted any awards under the ISOTeam PSP.

AUDIT COMMITTEE

The Audit Committee comprises three members, who are all independent directors. The members of the Audit Committee for the financial year are:

Tan Eng Ann (Chairman)
Soh Chun Bin
Ng Kheng Choo

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act and performed the following functions:

- (a) to review with the external auditor the audit plan, the audit report, the management letter and the Management's response;
- (b) to review with the internal auditor the internal audit plan and their evaluation of the adequacy of the internal controls and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report;
- (c) to review the financial statements and the external auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with the Singapore Financial Reporting Standards (International), and concerns and issues arising from the audit including any matters which the external auditor may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- (d) to review and discuss with the external auditor and internal auditor, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- (e) to review the co-operation given by the Management to the external auditor and internal auditor;
- (f) to consider the appointment or re-appointment, and remuneration and terms of engagement of the external auditor and matters relating to the resignation or dismissal of the external auditor;

DIRECTORS' STATEMENT

AUDIT COMMITTEE (CONT'D)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act and performed the following functions (cont'd):

- (g) to review and ratify any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;
- (h) to review any potential conflicts of interests (if any);
- (i) to review the procedures by which employees of the Group may, in confidence, report to the Chairman of the Audit Committee, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (j) to undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- (k) to undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

INDEPENDENT AUDITOR

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors,

Ng Cheng Lian
Director

Koh Thong Huat
Director

7 December 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISOTEAM LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of ISOTeam Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 66 to 128, which comprise the statements of financial position of the Group and the Company as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition on construction contracts involves significant estimates

(Refer to Notes 2dd and 3 to the financial statements)

Description of key audit matter

Revenue arising from construction contracts represents 94% of the Group's total revenue. The accounting policy for revenue recognition is set out in Note 2(p) to the financial statements.

The Group accounts for its contract revenue over time by measuring the progress towards complete satisfaction of performance obligation as the customer simultaneously receives and consumes the benefits provided by the Group's satisfaction of the performance obligation promised in the contracts.

The stage of completion is measured by reference to the professional's certification of value of work done to-date, internal certification and customer's acknowledgement of work completed. The judgement and estimation applied in assessing the stage of completion can significantly impact the results of the Group. Accordingly, we have identified this as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISOTEAM LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Revenue recognition on construction contracts involves significant estimates (Cont'd)

(Refer to Notes 2dd and 3 to the financial statements) (Cont'd)

Our audit procedures to address the key audit matter

We obtained an understanding of the revenue recognition process, evaluated the design of the relevant internal controls and performed walkthrough of the revenue transactions. We also obtained an understanding of the terms and status of on-going contracts through discussions with management and examination of contract documentation (including correspondences with customers) to understand the specific terms for recognition of revenue.

We reviewed the contract terms and conditions and contractual sums to agreements entered into with customers and management's basis for determining the total budgeted costs estimated for selected significant projects. We tested management's estimation of the selected projects' stages of completion by checking to supporting document such as professional's certification of value of work done to-date, approved variations, internal certification and customer's acknowledgement of work completed.

Business combination for acquisition of subsidiaries and impairment assessment of goodwill

(Refer to Notes 13 and 16 to the financial statements)

Description of key audit matter

On 21 January 2020, the Group acquired 100% interests in Pure Group (Singapore) Pte Ltd and related group of companies. The Group accounted for this transaction using the acquisition method. As at the date of this report, the purchase price allocation exercise to determine the fair value of all the identifiable assets acquired and liabilities assumed, and the resulting derivatives has not been completed for this transaction. Management has exercised judgement in determining the provisional amounts of the identified assets acquired, liabilities assumed and purchase consideration at the acquisition date.

The Group recorded a goodwill of \$11,358,000 arising from the acquisition which is attributable to new business opportunities expected to be provided to the Group.

Management performs impairment assessment of goodwill at the financial year end. The recoverable amount is determined based on value in use calculations using the discounted cash flow analysis of the cash-generating unit ("CGU").

In accordance with SFRS(I) 3 *Business Combinations*, the Group is permitted to report in its financial statements the provisional amount of goodwill and that the measurement period wherein the Group is allowed to adjust the provisional amount recognised shall not exceed one year from the date of acquisition.

We identified this transaction as a key audit matter as the fair value of the assets acquired, the liabilities assumed, the contingent consideration arrangement and the determination of the resulting goodwill, and its annual impairment assessment is inherently judgmental and require significant amount of management's estimation.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISOTEAM LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Business combination for acquisition of subsidiaries and impairment assessment of goodwill (Cont'd)

(Refer to Notes 13 and 16 to the financial statements) (Cont'd)

Our audit procedures to address the key audit matter

We reviewed and evaluated the relevant agreements to ascertain that the transaction has been accounted for in accordance with SFRS(I) 3 *Business Combinations*. We also reviewed the provisional identifiable assets acquired, liabilities assumed and goodwill arising from business combination.

We have obtained the value in use assessment prepared by management for the impairment test of goodwill allocated to projects and construction management CGU (CGU 5 in Note 13) and assessed the reasonableness of key inputs and assumptions applied by management with a focus on forecast revenue and appropriateness of discount rate and growth rate, including management's consideration of the potential impact that COVID-19 pandemic has on the Group's operations. We cross-checked and compared management's cash flow forecast to current and past years' financial performance of the CGU. We have also considered the sensitivity of key estimates on the impairment assessment. We have reviewed the Group's disclosures of the application of judgement and key assumptions applied in estimating the CGU's cash flows and the adequacy of the disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2020, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISOTEAM LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF ISOTEAM LTD.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ong Kian Guan.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

7 December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Note | 2020 \$'000 | 2019 \$'000 |
|--|------|-----------------|----------------|
| Revenue | 3 | 91,693 | 136,601 |
| Cost of sales | | (89,775) | (112,136) |
| Gross profit | | 1,918 | 24,465 |
| Other income | 4 | 2,664 | 3,109 |
| Marketing and distribution expenses | | (883) | (1,173) |
| General and administrative expenses | | (16,303) | (14,207) |
| Finance costs | 5 | (1,842) | (1,164) |
| Impairment loss on receivables and contract assets | | (1,900) | (3,385) |
| Other operating expenses | | (5,234) | (409) |
| Share of results of associate | | (70) | 19 |
| (Loss)/profit before tax | 6 | (21,650) | 7,255 |
| Tax credit/(expense) | 8 | 160 | (952) |
| (Loss)/profit for the financial year | | (21,490) | 6,303 |
| Other comprehensive income | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | |
| Foreign currency translation (loss)/gain | | (72) | 25 |
| Other comprehensive (loss)/income for the financial year, net of tax | | (72) | 25 |
| Total comprehensive (loss)/income for the financial year | | (21,562) | 6,328 |
| (Loss)/profit attributable to: | | | |
| Equity holders of the Company | | (19,575) | 6,757 |
| Non-controlling interests | | (1,915) | (454) |
| | | (21,490) | 6,303 |
| Total comprehensive (loss)/profit attributable to: | | | |
| Equity holders of the Company | | (19,642) | 6,779 |
| Non-controlling interests | | (1,920) | (451) |
| | | (21,562) | 6,328 |
| Earnings per share attributable to equity holders of the Company | | | |
| Basic and diluted (cents) | 9 | (6.46) | 2.37 |

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2020

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 10 | 29,672 | 30,247 | 95 | – |
| Investment property | 12 | 893 | 911 | – | – |
| Goodwill | 13 | 9,195 | 2,658 | – | – |
| Intangible assets | 14 | 2,526 | 2,075 | – | – |
| Other investments | 15 | 6,380 | 7,743 | 6,380 | 6,711 |
| Investment in subsidiaries | 16 | – | – | 39,781 | 33,686 |
| Investment in associate | 17 | 368 | 438 | 265 | 265 |
| Total non-current assets | | 49,034 | 44,072 | 46,521 | 40,662 |
| Current assets | | | | | |
| Contract assets | 18 | 21,874 | 32,151 | – | – |
| Asset held for sale | 19 | 2,330 | 2,330 | – | – |
| Inventories | 20 | 1,510 | 1,877 | – | – |
| Intangible assets | 14 | – | – | – | – |
| Trade and other receivables | 21 | 32,473 | 33,523 | 24,195 | 20,272 |
| Cash and bank balances | 22 | 12,584 | 9,029 | 132 | 1,092 |
| Tax recoverable | | 25 | – | – | – |
| Total current assets | | 70,796 | 78,910 | 24,327 | 21,364 |
| Total assets | | 119,830 | 122,982 | 70,848 | 62,026 |
| Non-current liabilities | | | | | |
| Finance lease liabilities | 23 | – | 2,764 | – | – |
| Borrowings | 24 | 10,943 | 9,927 | – | – |
| Deferred tax liabilities | 25 | 670 | 898 | 4 | – |
| Lease liabilities | 11 | 2,035 | – | – | – |
| Total non-current liabilities | | 13,648 | 13,589 | 4 | – |
| Current liabilities | | | | | |
| Contract liabilities | 18 | 1,213 | 263 | – | – |
| Trade and other payables | 26 | 25,180 | 21,996 | 5,653 | 5,225 |
| Finance lease liabilities | 23 | – | 1,283 | – | – |
| Borrowings | 24 | 29,938 | 25,922 | 12,035 | 9,300 |
| Tax payables | | – | 375 | – | – |
| Lease liabilities | 11 | 1,241 | – | – | – |
| Total current liabilities | | 57,572 | 49,839 | 17,688 | 14,525 |
| Total liabilities | | 71,220 | 63,428 | 17,692 | 14,525 |
| Net assets | | 48,610 | 59,554 | 53,156 | 47,501 |
| Share capital and reserves | | | | | |
| Share capital | 27(a) | 43,743 | 29,618 | 43,743 | 29,618 |
| Treasury shares | 27(b) | (350) | (267) | (350) | (267) |
| Accumulated profits | 27(c) | 13,423 | 34,309 | 9,688 | 18,075 |
| Foreign currency translation reserve | 28 | (23) | 44 | – | – |
| Merger reserve | 29 | (7,338) | (7,338) | – | – |
| Other reserves | | (32) | 1,065 | 75 | 75 |
| Equity attributable to equity holders of the Company | | 49,423 | 57,431 | 53,156 | 47,501 |
| Non-controlling interests | | (813) | 2,123 | – | – |
| Total equity | | 48,610 | 59,554 | 53,156 | 47,501 |

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | ← Attributable to equity holders of the Company → | | | | | | Total \$'000 | Non- controlling interests \$'000 | Total equity \$'000 |
|---|---|----------------------------------|-----------------------------|------------------------------|---|-----------------------------|-----------------|--|---------------------------|
| | Share capital \$'000 | Accumulated profits \$'000 | Merger reserve \$'000 | Treasury shares \$'000 | Foreign currency translation reserve \$'000 | Other reserves \$'000 | | | |
| 2020 | | | | | | | | | |
| Balance at 1.7.2019 | 29,618 | 34,309 | (7,338) | (267) | 44 | 1,065 | 57,431 | 2,123 | 59,554 |
| Loss for the financial year | - | (19,575) | - | - | - | - | (19,575) | (1,915) | (21,490) |
| <i>Other comprehensive income</i> | | | | | | | | | |
| Foreign currency translation loss, net of tax (Note 28) | - | - | - | - | (67) | - | (67) | (5) | (72) |
| Total comprehensive loss for the financial year | - | (19,575) | - | - | (67) | - | (19,642) | (1,920) | (21,562) |
| <i>Contributions by and distributions to equity holders</i> | | | | | | | | | |
| Issue of shares (Note 27(a)) | 14,125 | - | - | - | - | - | 14,125 | - | 14,125 |
| Dividend (Note 31) | - | (1,197) | - | - | - | - | (1,197) | (102) | (1,299) |
| Purchase of treasury shares (Note 27(b)) | - | - | - | (83) | - | - | (83) | - | (83) |
| <i>Changes in ownership interests in subsidiaries that do not result in a loss of control</i> | | | | | | | | | |
| Acquisition of non-controlling interest without change in control (Note 16(iii)) | - | (114) | - | - | - | (1,097) | (1,211) | (914) | (2,125) |
| Total transactions with equity holders of the Company | 14,125 | (1,311) | - | (83) | - | (1,097) | 11,634 | (1,016) | 10,618 |
| Balance at 30.6.2020 | 43,743 | 13,423 | (7,338) | (350) | (23) | (32) | 49,423 | (813) | 48,610 |

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | ← Attributable to equity holders of the Company → | | | | | | Total \$'000 | Non- controlling interests \$'000 | Total equity \$'000 |
|--|---|----------------------------------|-----------------------------|------------------------------|---|-----------------------------|-----------------|--|---------------------------|
| | Share capital \$'000 | Accumulated profits \$'000 | Merger reserve \$'000 | Treasury shares \$'000 | Foreign currency translation reserve \$'000 | Other reserves \$'000 | | | |
| 2019 | | | | | | | | | |
| Balance at 1.7.2018 | 29,618 | 28,066 | (7,338) | (256) | 22 | 1,065 | 51,177 | 2,391 | 53,568 |
| Profit for the financial year | - | 6,757 | - | - | - | - | 6,757 | (454) | 6,303 |
| <i>Other comprehensive income</i> | | | | | | | | | |
| Foreign currency translation gain, net of tax (Note 28) | - | - | - | - | 22 | - | 22 | 3 | 25 |
| Total comprehensive income for the financial year | - | 6,757 | - | - | 22 | - | 6,779 | (451) | 6,328 |
| <i>Contributions by and distributions to equity holders</i> | | | | | | | | | |
| Dividend (Note 31) | - | (513) | - | - | - | - | (513) | (14) | (527) |
| Purchase of treasury shares (Note 27(b)) | - | - | - | (322) | - | - | (322) | - | (322) |
| Treasury shares reissued pursuant to acquisition of a subsidiary (Note 27(b)) | - | - | - | 311 | - | - | 311 | - | 311 |
| Contribution by non-controlling interests | - | - | - | - | - | - | - | 25 | 25 |
| | - | (513) | - | (11) | - | - | (524) | 11 | (513) |
| <i>Changes in ownership interest in a subsidiary</i> | | | | | | | | | |
| Divestment in a subsidiary | - | (1) | - | - | - | - | (1) | 172 | 171 |
| Total transactions with equity holders of the Company | - | (514) | - | (11) | - | - | (525) | 183 | (342) |
| Balance at 30.6.2019 | 29,618 | 34,309 | (7,338) | (267) | 44 | 1,065 | 57,431 | 2,123 | 59,554 |

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | 2020 \$'000 | 2019 \$'000 |
|---|-----------------|-----------------|
| Cash flows from operating activities | | |
| (Loss)/profit before tax | (21,650) | 7,255 |
| Adjustments for: | | |
| Amortisation of intangible assets | 839 | 848 |
| Depreciation of property, plant and equipment | 4,454 | 3,771 |
| Depreciation of investment property | 18 | 18 |
| (Gain)/loss on disposal of property, plant and equipment (net) | (72) | 33 |
| Interest income | (73) | (111) |
| Interest expense | 1,735 | 1,090 |
| Property, plant and equipment written off | – | 41 |
| Allowance for impairment on receivables and contract assets (net) | 1,900 | 3,385 |
| Gain on disposal of a subsidiary | – | (730) |
| Share of results of associate | 70 | (19) |
| Net fair value loss/(gain) of other investments | 331 | (1,711) |
| Loss on derecognition of financial assets | 48 | – |
| Impairment loss on goodwill | 4,821 | – |
| Receivables written off | 1,395 | – |
| Bargain purchase from acquisition of a business (Note B) | (1,319) | – |
| Operating (loss)/profit before working capital changes | (7,503) | 13,870 |
| Contract assets | 8,880 | (16,482) |
| Contract liabilities | 62 | – |
| Trade and other receivables | 4,646 | (9,284) |
| Trade and other payables | (3,356) | 3,290 |
| Inventories | 367 | (1,391) |
| Cash generated from/(used in) operations | 3,096 | (9,997) |
| Interest received | 82 | 127 |
| Tax paid | (473) | (979) |
| Net cash generated from/(used in) operating activities | 2,705 | (10,849) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment (Note A) | (597) | (1,392) |
| Proceeds from disposal of property, plant and equipment | 256 | 154 |
| Proceeds from disposal of other investments | 975 | – |
| Acquisition of subsidiaries, net of cash acquired (Note 16) | (12,000) | 63 |
| Acquisition of a business, net of cash acquired (Note B) | (597) | – |
| Net cash used in investing activities | (11,963) | (1,175) |
| Cash flows from financing activities | | |
| Fixed deposits pledged to bank | (311) | (50) |
| Drawdown of borrowings | 13,957 | 20,176 |
| Repayment of borrowings | (9,268) | (9,016) |
| Repayment of lease liabilities | (1,560) | (1,470) |
| Dividend paid | (1,197) | (513) |
| Dividend paid by subsidiary company to non-controlling interests | – | (14) |
| Capital contributed by non-controlling interest | – | 25 |
| Purchase of treasury shares | (83) | (322) |
| Due to related parties (non-trade) | 160 | 188 |
| Proceeds from issuance of ordinary shares | 12,000 | – |
| Interest paid | (1,420) | (1,090) |
| Net cash generated from financing activities | 12,278 | 7,914 |
| Net increase/(decrease) in cash and cash equivalents | 3,020 | (4,110) |
| Cash and cash equivalents at beginning of financial year | 5,199 | 9,309 |
| Cash and cash equivalents at end of financial year | 8,219 | 5,199 |

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Cash in hand and at bank (Note 22) | 9,262 | 3,599 |
| Fixed deposits (Note 22) | 3,322 | 5,430 |
| | 12,584 | 9,029 |
| Less: Fixed deposits pledged (Note 22) | (3,111) | (2,800) |
| Less: Bank overdrafts (Note 24) | (1,254) | (1,030) |
| | 8,219 | 5,199 |

Note A

The Group acquired property, plant and equipment with an aggregate cost of \$1,322,000 (2019: \$3,288,000). The additions were by way of cash payments of \$597,000 (2019: \$1,392,000) and lease liabilities of \$725,000 (2019: \$1,896,000).

Note B

On 22 November 2019, the Group completed the acquisition of certain assets and liabilities in Mobike Ltd ("Mobike") in order to expand into the bicycle rental industry.

Fair value of the identifiable assets and liabilities of Mobike acquired as at the acquisition date were:

| | \$'000 |
|--|---------|
| Acquisition of a business, net of cash acquired | |
| Property, plant and equipment | 2,479 |
| Other receivables | 410 |
| Other payables | (85) |
| Contract liabilities | (888) |
| | 1,916 |
| Less: Bargain purchase | (1,319) |
| Consideration transferred to the business | 597 |

Impact of the acquisition on profit or loss

As the acquisition of business was effected primarily by purchase of bicycles and operating licence from Mobike to the Group, there was no contribution of revenue or net profit or loss to the Group.

Bargain purchase

The bargain purchase of \$1,319,000 is being recognised from the acquisition of business from Mobike.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 CORPORATE INFORMATION

The Company (Co. Reg. No. 201230294M) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is at No. 8 Changi North Street 1, Singapore 498829.

The principal activity of the Company is an investment holding company. The principal activities of the subsidiaries are disclosed in Note 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are presented in Singapore dollar ("S\$"), which is the Company's functional currency and all financial information presented in Singapore dollar are rounded to the nearest thousand (\$'000) except when otherwise indicated. The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within next financial year, are disclosed in Note 2(dd) to the financial statements.

The carrying amounts of cash and bank balances, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards

In the current financial year, the Group has adopted all the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INT.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (Cont'd)

New and revised standards (Cont'd)

The adoption of these new/revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial results or position of the Group and the Company except as disclosed below.

SFRS(I) 16 Leases

(a) When the Group is the lessee

SFRS(I) 16 replaces the existing SFRS(I) 1-17 *Leases* for financial periods beginning 1 July 2019. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability.

On adoption of SFRS(I) 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "Operating Leases" under SFRS(I) 1-17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4%.

| | 2020 \$'000 |
|---|------------------------------|
| Operating lease commitments disclosed as at 30 June 2019 | 604 |
| Discounted using the lessee's incremental borrowing rate | (20) |
| Add: finance lease liabilities as at 30 June 2019 | 4,047 |
| Less: short-term leases recognised on a straight-line basis as an expense | (524) |
| Lease liabilities recognised as at 1 July 2019 | <u>4,107</u> |

Rights-of-use assets are recognised on transition as if the standard had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

Arising from the adoption of SFRS(I) 16, the rights-of-use asset and lease liabilities of \$20,767,000 and \$4,107,000 respectively were recognised on the statements of financial position on 1 July 2019.

In applying SFRS(I) 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- account for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (Cont'd)

New and revised standards (Cont'd)

SFRS(I) 16 Leases (Cont'd)

(b) When the Group is the lessor

There are no material changes to accounting by the Group as a lessor.

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 30 June 2020 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies at the end of the reporting period. Subsidiary companies are consolidated from the date of acquisition, being the date which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary company. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(e). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) Basis of consolidation (Cont'd)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary company are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific SFRS(I).

Any retained equity interest in the previous subsidiary company is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

d) Associates

An associate is an entity over which the Group has significant influence but not control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the post-acquisition profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Associates (Cont'd)

Distributions received from associates are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with an associate of the Group, unrealised gains are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred.

In the Company's financial statements, investment in associate is carried at cost less accumulated impairment loss, if any. On disposal of investment in associate, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

e) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

f) Other intangible assets

(i) *Goodwill (see Note 2e)*

(ii) *Other intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and the expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f) Other intangible assets (Cont'd)

(ii) Other intangible assets (Cont'd)

Intangible assets with finite lives are amortised over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. The Group's intangible assets with indefinite useful lives are trademarks and knowhow.

Amortisation for intangible assets with finite lives is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives are as follows:

| | | |
|-----------------------|---|----------------|
| Brand | – | 10 years |
| Licences | – | 9 to 29 months |
| Service agreements | – | 3 years |
| Favourable contracts | – | 10 months |
| Customer relationship | – | 7 years |
| Software | – | 3 years |

Order book is amortised using the percentage of the actual realisation of order book not exceeding 2 years.

g) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g) Property, plant and equipment (Cont'd)

On disposal of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is calculated on a straight line basis to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

| | |
|-------------------------------|---------------------------------|
| Furniture and fittings | 3 – 5 years |
| Renovation | 3 – 5 years |
| Office equipment and fittings | 3 – 5 years |
| Site equipment and fittings | 4 – 6 years |
| Motor vehicles | 2 – 10 years |
| Gondolas and machineries | 3 – 10 years |
| Computers | 3 years |
| Leasehold properties | Over the remaining lease period |
| Bicycles | 4 years |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

h) Investment property

Investment property comprises a leasehold building that are held to earn rental income and/or for capital appreciation.

Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts of the leasehold building over the estimated useful lives of 55 years. The residual values, useful lives and depreciation method of the investment property are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are included in profit or loss when the changes arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss ("FVTPL").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

(a) Debt instruments

Debt instruments include cash and cash equivalents, trade and other receivables (excluding prepayments) and investment in debt securities.

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Financial assets (Cont'd)

Subsequent measurement (Cont'd)

(b) Equity instruments

The Group measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other income".

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment of non-financial assets excluding goodwill

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

j) Impairment of non-financial assets excluding goodwill (Cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) Financial liabilities

Financial liabilities include trade and other payables (excluding provision for unutilised annual leave) and borrowings. Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than fair value through profit or loss, directly attributable transaction costs. Subsequent to initial recognition, financial liabilities not at fair value through profit or loss and other than financial guarantee are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and that the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

m) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

n) Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sales, issue or cancellation of the Group's own equity instruments. Any difference between carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in other reserves. Voting rights related to treasury shares are nullified for the Group and no dividend is allocated to them respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

o) Merger reserve

Entities under common control acquired during the restructuring exercise in 2013 are accounted for by applying the pooling of interest method. Merger reserve represents the difference between the consideration paid by the Company and the share capital of the subsidiaries acquired under common control, following the application of pooling of interest method. This reserve will remain until the subsidiaries are disposed.

p) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue from construction contract

The Group provides building maintenance and estate upgrading, coating and painting, waterproofing, commercial interior design and home retrofitting, landscaping, and mechanical and electrical services to customers through fixed price contracts. The Group has determined that construction contract revenue is recognised over time by measuring the progress towards complete satisfaction of performance obligation based on output method as the customer simultaneously receives and consumes the benefits provided by the Group's satisfaction of the performance obligation promised in the contracts.

Construction contract revenue is recognised by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the professional's certification of value of work done to-date, approved variations, internal certification and customer's acknowledgement of work completed.

Progress billings to the customer is based on certified progress on the construction project. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. A contract liability is recognised when the Group has not satisfied the performance obligation but has received advance consideration from the customer. Contract liabilities are recognised as revenue as the Group satisfies its performance obligation under its contracts.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. SFRS(I) 1-2 Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Revenue from services rendered

Revenue from leasing of boomlift and project management services are recognised as a performance obligation is satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract. Management has assessed that the stage of completion is determined as the proportion of the total time expected to perform the services that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Payment for the services is not due from the customer until the services are completed and therefore a contract asset is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed to date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

p) Revenue recognition (Cont'd)

Revenue from sale of goods

The Group transfers control and recognises a sale when they deliver goods i.e. eco-friendly solutions and projects to their customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue from these sales is recognised based on the price specified in the contract. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from bike sharing

Revenue from bike rental services are recognised as a performance obligation is satisfied over time. Revenue is recognised for these services based on the usage by the individual for the period. If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made. A contract liability is the Group's obligation to provide services to a customer for which the Group has received consideration from the customer.

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the rights to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

q) Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

r) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using a first-in first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

s) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected loss computed using the impairment methodology under SFRS(I) 9. Financial guarantee contracts are amortised in profit or loss over the period of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

t) Leases

The accounting policy for leases before 1 July 2019 are as follows:

When the Group entity is the lessee

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When the Group entity is the lessor

Operating leases

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

The accounting policy for leases after 1 July 2019 are as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where the Group is the lessee

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (e.g. leases of tablet and personal computers, small items of office equipment and telephones). For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

t) Leases (Cont'd)

Where the Group is the lessee (Cont'd)

The accounting policy for leases after 1 July 2019 are as follows: (Cont'd)

Lease liabilities (Cont'd)

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or change in the assessment of an option to purchase the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less a lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the lease asset transfers to the Company at the end of the lease term or the costs reflects the exercise of the purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within "property, plant and equipment" in the statements of financial position. Right-of-use asset which meets the definition of an investment property are presented within "investment property" and accounted in accordance with Note 2(h).

The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(j).

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liability for short-term leases and low-value assets that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

t) Leases (Cont'd)

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

u) Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

v) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

w) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

w) Income taxes (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the reporting date.

x) Functional and foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The financial statements of the Group are presented in Singapore dollar, which is the Company's functional currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rates at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

y) Dividends

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

z) Cash and cash equivalents in the statement of cash flows

For the purposes of presentation in the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are readily convertible and subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management and excludes pledged deposits. Bank overdrafts are presented as bank borrowings on the statements of financial position.

aa) Related parties

Related parties refer to companies which are controlled by the Group's key management personnel and a major corporate shareholder.

bb) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

cc) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

The assets are not depreciated or amortised while they are classified as held for sale.

dd) Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment assessment of goodwill

Management performs an annual impairment assessment of goodwill. Management uses the discounted cash flow analysis of the cash-generating unit ("CGU") to determine the value in use for the purposes of the impairment assessment.

Forecasting and discounting future cash flows for the impairment assessment involves an element of judgement and requires management to make certain assumptions and apply estimates. Details of the impairment assessment, the implication of the COVID-19 pandemic on the assumptions and the carrying values of the Group's goodwill assets at the end of the reporting period are disclosed in Note 13 to the financial statements. Any changes in the assumptions made and discount rate applied could affect the impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

dd) Key source of estimation uncertainty (Cont'd)

Impairment of non-financial assets (other than goodwill)

At each reporting date, the Group and Company assess whether there are any indications of impairment for all non-financial assets. The Group and Company also assess whether there is any indication that an impairment loss recognised in prior periods for a non-financial asset, other than goodwill, may no longer exist or may have decreased.

If any such indication exists, the Group and Company estimate the recoverable amount of that asset. An impairment loss exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. An impairment loss recognised in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset or cash-generating unit and a suitable discount rate in order to determine the present value of the cash flows. The carrying values of the Group's and Company's property, plant and equipment, investment property, intangible assets and investment in associate are disclosed in Notes 10, 12, 14 and 17. The key assumptions and estimates applied in the Company's impairment assessment of its investments in subsidiaries, the implication of the COVID-19 pandemic on the assumptions and the carrying amounts of the investments are disclosed in Note 16. Changes in assumptions made and discount rate applied could affect the carrying values of these assets.

Calculation of allowance for impairment for financial assets at amortised cost

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions as well as the implications of COVID-19 pandemic on the assumptions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on receivables and contract assets are subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of receivables and contract assets. Details of ECL measurement and carrying values are disclosed in Note 34(b).

Construction contracts

The Group has determined that construction contract revenue is recognised over time by measuring the progress towards complete satisfaction of performance obligation based on output method as the customer simultaneously receives and consumes the benefits provided by the Group's satisfaction of the performance obligation promised in the contracts.

Construction contract revenue is recognised by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the professional's certification of value of work done to-date, approved variations, internal certification and customer's acknowledgement of work completed.

Significant judgement and estimation applied in assessing the stage of completion can significantly impact the results of the Group.

The carrying amounts of the contract assets and liabilities arising at the end of each reporting period are disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3 REVENUE

| | Group | |
|-----------------------------|---------------|---------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Revenue from contracts | 85,777 | 131,806 |
| Revenue from other services | 4,495 | 4,316 |
| Revenue from bike sharing | 1,166 | 405 |
| Sale of goods | 255 | 74 |
| | 91,693 | 136,601 |

The following table provides a disaggregation disclosure of the Group's revenue by timing of revenue recognition.

| | Group | |
|-----------------------------------|---------------|---------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Timing revenue recognition | | |
| Over time | 91,438 | 136,527 |
| At a point in time | 255 | 74 |
| | 91,693 | 136,601 |

The Group expects to recognise \$150,737,000 (2019: \$106,307,000) as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 30 June 2020 in the financial year 2021 (2019: financial year 2020).

4 OTHER INCOME

| | Group | |
|---|--------------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Government grants | 900 | 335 |
| Gain on disposal of property, plant and equipment | 109 | 53 |
| Interest income | 73 | 111 |
| Administrative income | 42 | 19 |
| Fair value (loss)/gain of other investment | (331) | 1,711 |
| Sales of spare parts | 172 | 154 |
| Gain on disposal of a subsidiary | - | 730 |
| Foreign exchange gain | 70 | - |
| Bargain purchase from acquisition of a business | 1,319 | - |
| Others | 310 | (4) |
| | 2,664 | 3,109 |

Government grants include Wage Credit Scheme, Enhanced Special Employment Credit and other grants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

5 FINANCE COSTS

| | Group | |
|-------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Interest expense: | | |
| – lease interest | 193 | 187 |
| – factoring loan | 6 | 2 |
| – term loan | 869 | 409 |
| – others | 667 | 492 |
| Bank charges | 59 | 51 |
| Factoring charges | 48 | 23 |
| | 1,842 | 1,164 |

6 (LOSS)/PROFIT BEFORE TAX

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |

This is arrived at after charging:

Allowance for impairment on receivables and contract assets (Note 34b):

| | | |
|---|--------------|---------|
| – third party | 1,900 | 19 |
| – related parties | – | 3,366 |
| | 1,900 | 3,385 |
| Amortisation of intangible asset (Note 14) | 839 | 848 |
| Audit fee paid/payable to auditor of the Company | 213 | 213 |
| Audit fee paid/payable to other auditors | 5 | 5 |
| Fees for non-audit services payable to auditor of the Company | 41 | 38 |
| Depreciation of property, plant and equipment (Note 10) | 4,454 | 3,771 |
| Depreciation of investment property (Note 12) | 18 | 18 |
| Impairment loss on goodwill | 4,821 | – |
| Receivables written off | 1,395 | – |
| Loss on disposal of property, plant and equipment | 37 | 86 |
| Personnel expenses (Note 7) | 31,053 | 32,000 |
| Property, plant and equipment written off | – | 41 |
| Lease expense – short-term leases (Note 11) | 1,273 | 1,352 |
| Loss on derecognition of financial asset | 48 | – |
| Net fair value loss/(gain) of other investments | 331 | (1,711) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

7 PERSONNEL EXPENSES

| | Group | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Directors of the Company: | | |
| – Salaries and bonus | 1,033 | 1,214 |
| – CPF | 30 | 32 |
| – Fees | 148 | 141 |
| – Other short-term benefits | 106 | 106 |
| Other directors of the subsidiaries: | | |
| – Salaries and bonus | 1,020 | 1,154 |
| – CPF | 91 | 86 |
| – Fees | 113 | 68 |
| – Other short-term benefits | 181 | 152 |
| Other key management personnel (non-directors): | | |
| – Salaries and bonus | 311 | 313 |
| – CPF | 27 | 24 |
| – Other short-term benefits | 29 | 18 |
| Total remuneration of key management personnel | 3,089 | 3,308 |
| Staff costs: | | |
| – Salaries and bonus | 20,936 | 19,808 |
| – CPF | 1,325 | 1,156 |
| – Other short-term benefits | 5,703 | 7,728 |
| | 31,053 | 32,000 |

Singapore Government's grants under the Jobs Support Scheme ("JSS") amounting to \$1,198,949 have been recorded as a reduction to the personnel expenses during the financial year ended 30 June 2020. JSS is a temporary scheme introduced in Singapore Budget 2020 to help enterprises impacted by COVID-19 retain local employees. Under JSS, employers receive cash grants in 2020 in relation to the gross monthly wages of eligible employees paid in the month of October 2019 to August 2020, excluding January 2020. On 17 August 2020, the Government announces that JSS has been extended by up to seven months at lower support levels to cover wages paid up to March 2021.

In determining the timing of recognition of the JSS grant income, management has evaluated and concluded that the period of economic uncertainty commenced in April 2020 when the COVID-19 pandemic started affecting the Group's operations.

8 TAX (CREDIT)/EXPENSE

| | Group | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Tax (credit)/expense attributable to (loss)/profit is made up of: | | |
| Income tax: | | |
| – Current year | 112 | 1,892 |
| – Over provision in prior years | (37) | (678) |
| Deferred tax: | | |
| – Current year | (128) | (169) |
| – Over provision in prior years | (107) | (93) |
| | (160) | 952 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

8 TAX (CREDIT)/EXPENSE (CONT'D)

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax to (loss)/profit before tax due to the following factors:

| | Group | |
|--|-----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| (Loss)/profit before tax | (21,650) | 7,255 |
| Tax calculated at a tax rate of 17% | (3,681) | 1,233 |
| Singapore statutory stepped income exemption | – | (52) |
| Expenses not deductible for tax purposes | 1,463 | 469 |
| Income not subject to tax | (494) | (466) |
| Utilisation of prior year unrecognised deferred tax assets | (58) | – |
| Over provision of taxation in prior years | (144) | (771) |
| Deferred tax assets not recognised for the financial year | 2,715 | 429 |
| Effect of tax incentives | (5) | (41) |
| Others | 44 | 151 |
| | (160) | 952 |

At the end of the reporting period, the Group had potential tax benefits arising from unutilised tax losses and capital allowances amounting to about \$16,614,000 (2019: \$643,000) that are available to carry-forward to offset against future taxable income, subject to the agreement of the tax authority and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate. The potential deferred tax assets of \$2,824,000 (2019: \$109,000) has not been recognised in the financial statements as it is not probable that future taxable profit will be available against which the related tax benefits can be utilised therefrom.

9 EARNINGS PER SHARE

The following reflects the profit attributable to the equity holders of the Company used in the earnings per share computation:

| | Group | |
|---|-----------------|---------|
| | 2020 | 2019 |
| Profit attributable to equity holders of the Company (\$'000) | (19,575) | 6,757 |
| Weighted average number of ordinary shares ('000) | 303,146 | 284,726 |
| Earnings per share (cents) | | |
| – Basic and diluted | (6.46) | 2.37 |

For the financial year ended 30 June 2020, there was no difference between the basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

For the financial year ended 30 June 2019, the basic and diluted earnings per share are the same as the Group does not have any potentially dilutive instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fittings \$'000 | Renovation \$'000 | Office equipment and fittings \$'000 |
|---|--|----------------------|--|
| Group | | | |
| 2020 | | | |
| Cost | | | |
| At 1.7.2019 | 119 | 5,668 | 353 |
| Recognition of right-of use assets on initial application of SFRS(I) 16 | – | – | 10 |
| At 1.7.2019, restated | 119 | 5,668 | 363 |
| Additions | 16 | 93 | 22 |
| Disposals | – | – | – |
| Arising from acquisition of subsidiaries (Note 16) | 2 | – | 41 |
| Acquisition of a business | – | – | – |
| Exchange differences | 1 | – | (2) |
| At 30.6.2020 | 138 | 5,761 | 424 |
| Accumulated depreciation | | | |
| At 1.7.2019 | 56 | 1,111 | 222 |
| Depreciation charge | 29 | 620 | 70 |
| Disposals | – | – | – |
| Exchange differences | – | – | 2 |
| At 30.6.2020 | 85 | 1,731 | 294 |
| Net carrying value | | | |
| At 30.6.2020 | 53 | 4,030 | 130 |

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| Site equipment and fittings \$'000 | Motor vehicles \$'000 | Gondolas and machineries \$'000 | Computers \$'000 | Leasehold properties \$'000 | Bicycles \$'000 | Total \$'000 |
|--|-----------------------------|--|---------------------|-----------------------------------|--------------------|-----------------|
| 814 | 8,346 | 11,719 | 1,560 | 16,325 | 1,748 | 46,652 |
| - | 54 | - | - | - | - | 64 |
| 814 | 8,400 | 11,719 | 1,560 | 16,325 | 1,748 | 46,716 |
| 130 | 614 | 175 | 155 | - | 117 | 1,322 |
| (8) | (459) | (133) | (5) | - | - | (605) |
| - | 106 | - | 50 | - | - | 199 |
| - | - | - | - | - | 2,479 | 2,479 |
| - | 7 | 2 | (1) | - | (1) | 6 |
| 936 | 8,668 | 11,763 | 1,759 | 16,325 | 4,343 | 50,117 |
| 531 | 3,745 | 7,058 | 1,352 | 1,828 | 502 | 16,405 |
| 116 | 908 | 857 | 196 | 665 | 993 | 4,454 |
| (8) | (279) | (129) | (4) | - | - | (420) |
| (1) | 5 | 2 | - | (1) | (1) | 6 |
| 638 | 4,379 | 7,788 | 1,544 | 2,492 | 1,494 | 20,445 |
| 298 | 4,289 | 3,975 | 215 | 13,833 | 2,849 | 29,672 |

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Furniture and fittings \$'000 | Renovation \$'000 | Office equipment and fittings \$'000 |
|---|--|----------------------|--|
| Group | | | |
| 2019 | | | |
| Cost | | | |
| At 1.7.2018 | 110 | 5,851 | 311 |
| Additions | 23 | 282 | 104 |
| Disposals | (5) | – | (23) |
| Reclassified as investment property (Note 12) | – | – | – |
| Reclassified as asset held-for-sale (Note 19) | – | (391) | – |
| Arising from disposal of a subsidiary | – | – | – |
| Written off | (9) | (74) | (39) |
| Exchange differences | – | – | – |
| At 30.6.2019 | 119 | 5,668 | 353 |
| Accumulated depreciation | | | |
| At 1.7.2018 | 36 | 1,028 | 206 |
| Depreciation charge | 26 | 502 | 60 |
| Disposals | (2) | – | (12) |
| Reclassified as investment property (Note 12) | – | – | – |
| Reclassified as asset held-for-sale (Note 19) | – | (363) | – |
| Arising from disposal of a subsidiary | – | – | – |
| Written off | (4) | (56) | (32) |
| Exchange differences | – | – | – |
| At 30.6.2019 | 56 | 1,111 | 222 |
| Net carrying value | | | |
| At 30.6.2019 | 63 | 4,557 | 131 |

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| Site equipment and fittings \$'000 | Motor vehicles \$'000 | Gondolas and machineries \$'000 | Computers \$'000 | Leasehold properties \$'000 | Bicycles \$'000 | Total \$'000 |
|--|-----------------------------|--|---------------------|-----------------------------------|--------------------|-----------------|
| 606 | 7,576 | 11,568 | 1,543 | 20,186 | 794 | 48,545 |
| 210 | 1,442 | 202 | 71 | - | 954 | 3,288 |
| (2) | (641) | (50) | (16) | - | - | (737) |
| - | - | - | - | (983) | - | (983) |
| - | - | - | - | (2,878) | - | (3,269) |
| - | (27) | - | - | - | - | (27) |
| - | - | - | (38) | - | - | (160) |
| - | (4) | (1) | - | - | - | (5) |
| 814 | 8,346 | 11,719 | 1,560 | 16,325 | 1,748 | 46,652 |
| 395 | 3,368 | 6,223 | 1,119 | 1,817 | 115 | 14,307 |
| 138 | 871 | 873 | 273 | 641 | 387 | 3,771 |
| (2) | (482) | (39) | (13) | - | - | (550) |
| - | - | - | - | (54) | - | (54) |
| - | - | - | - | (576) | - | (939) |
| - | (13) | - | - | - | - | (13) |
| - | - | - | (27) | - | - | (119) |
| - | 1 | 1 | - | - | - | 2 |
| 531 | 3,745 | 7,058 | 1,352 | 1,828 | 502 | 16,405 |
| 283 | 4,601 | 4,661 | 208 | 14,497 | 1,246 | 30,247 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Computers \$'000 |
|---------------------------------|---------------------|
| Company | |
| 2020 | |
| Cost | |
| Additions | 107 |
| At 30.6.2020 | 107 |
| Accumulated depreciation | |
| Depreciation charge | 12 |
| At 30.6.2020 | 12 |
| Net carrying value | |
| At 30.6.2020 | 95 |

- (a) The leasehold properties with carrying amount of \$13,833,000 (2019: \$14,497,000) are mortgaged to a bank to secure banking facilities of the Group (Note 24).
- (b) Included in property, plant and equipment are right-of-use assets of \$19,748,000 (1.7.2019: \$20,767,000) (Note 11).
- (c) Non-cash transactions

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Aggregate cost of property, plant and equipment acquired | 1,322 | 3,288 |
| Less: additions to right-of-use assets (Note 11) | (725) | – |
| Less: additions under finance lease (Note 24(c)) | – | (1,896) |
| Net cash outflow for purchase of property, plant and equipment | 597 | 1,392 |

11 LEASE LIABILITIES

| | 2020 \$'000 |
|--|----------------|
| The lease liabilities are analysed as follows: | |
| Current | 1,241 |
| Non-current | 2,035 |
| | 3,276 |

The Group as a lessee

Nature of the Group's leasing activities:

The Group leasing activities comprise of the following:

- i) The Group leases various office equipment, bicycles, plant and machineries, warehouse and motor vehicles from non-related parties. The leases have an average tenure from one to seven years.
- ii) The Group also leases various site equipment, office equipment, warehouse, accommodation and motor vehicles, which have contractual terms of one month to twelve months. As these leases are short-term, the Group has elected not to recognise right-of-use asset and lease liabilities for these leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11 LEASE LIABILITIES (CONT'D)

The Group as a lessee (Cont'd)

Nature of the Group's leasing activities: (Cont'd)

The maturity analysis of the lease liabilities is disclosed in note 34(b).

Information about leases for which the Group is a lessee is presented below:

- (a) Carrying amount of right-of-use assets classified within property, plant and equipment are as follows:

| | Group | |
|-------------------------------|---------------|---------------|
| | 30.6.2020 | 1.7.2019 |
| | \$'000 | \$'000 |
| Office equipment and fittings | 77 | 73 |
| Motor vehicles | 3,067 | 2,979 |
| Gondolas and machineries | 2,296 | 2,670 |
| Bicycles | 475 | 548 |
| Leasehold properties | 13,833 | 14,497 |
| | 19,748 | 20,767 |

Additions to right-of-use assets during the financial year were \$725,000.

- (b) Depreciation charge of right-of-use assets recognised in the consolidated statement of comprehensive income:

| | Group 2020 \$'000 |
|-------------------------------|-------------------------|
| Office equipment and fittings | 28 |
| Motor vehicles | 510 |
| Gondolas and machineries | 374 |
| Bicycles | 190 |
| Leasehold properties | 665 |

- (c) Lease expense not included in the measurement of lease liabilities:

| | 2020 \$'000 |
|--|----------------|
| Lease expense – short-term leases (Note 6) | 1,273 |
| Interest expense on lease liabilities (Note 5) | 193 |

Total cash flows for lease amounted to \$2,907,000.

The Group as a lessor

The Group leased out its investment property to a third party for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11 LEASE LIABILITIES (CONT'D)

The Group as a lessor (Cont'd)

Reconciliation of movements of lease liabilities to cash flows arising from financing activities:

| | Lease liabilities \$'000 |
|---|--------------------------------|
| Reclassification from finance lease liabilities (Note 23) | 4,047 |
| Adoption of SFRS(1) 16 | 64 |
| Changes from financing cash flows: | |
| – Repayments of principal | (1,560) |
| – Repayment of interest | (193) |
| Non-cash changes | |
| – Interest expense | 193 |
| – New leases | 725 |
| Balance as at 30 June 2020 | 3,276 |

12 INVESTMENT PROPERTY

| | \$'000 |
|---|------------|
| Group | |
| Cost | |
| Reclassified from property, plant and equipment (Note 10) | 983 |
| At 30.6.2019 and 30.6.2020 | 983 |
| Accumulated depreciation | |
| Reclassified from property, plant and equipment (Note 10) | 54 |
| Depreciation charge | 18 |
| At 30.6.2019 | 72 |
| Depreciation charge | 18 |
| At 30.6.2020 | 90 |
| Net carrying amount | |
| At 30.6.2019 | 911 |
| At 30.6.2020 | 893 |
| Fair value | |
| At 30.6.2019 | 960 |
| At 30.6.2020 | 905 |

The investment property is mortgaged to a bank to secure banking facilities of the Group (Note 24).

Rental income and direct operating expenses arising from the investment property during the financial year are amounting to \$49,200 (2019: \$49,000) and \$5,906 (2019: \$3,000) respectively.

The basis of determination of fair value is disclosed in Note 34(c).

The following table shows the maturity analysis of the undiscounted lease payments to be received.

| | 2020 \$'000 |
|-----------------------------------|----------------|
| Less than one year | 47 |
| 1 to 2 years | 2 |
| Total undiscounted lease payments | 49 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

13 GOODWILL

| | Group | |
|---------------------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Cost | | |
| At 1 July | 3,236 | 3,236 |
| Acquisition of subsidiaries (Note 16) | 11,358 | – |
| At 30 June | 14,594 | 3,236 |
| Accumulated impairment losses | | |
| At 1 July | 578 | 578 |
| Charge for the year | 4,821 | – |
| At 30 June | 5,399 | 578 |
| Net carrying value | 9,195 | 2,658 |

Impairment testing of goodwill

The carrying values of the Group's goodwill on acquisition of subsidiaries as at 30 June 2020 were assessed for impairment during the financial year.

Goodwill allocated to the respective cash generating unit ("CGU") are as follows:

| | Group | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Cash Generating Unit and principal activities | | |
| CGU 1 – Repair & redecoration and coatings & paintings | 1,383 | 1,383 |
| CGU 2 – Landscaping works | 279 | 279 |
| CGU 3 – Leasing services | – | 821 |
| CGU 4 – Commercial interior designs | 175 | 175 |
| CGU 5 – Projects and construction management | 7,358 | – |
| | 9,195 | 2,658 |

At 30 June 2020, an impairment loss of \$4,821,000 (2019: \$Nil) was recognised in statement of comprehensive income under "other operating expenses" to write down goodwill allocated to CGU 3 and CGU 5 to their recoverable amount of \$Nil (2019: \$821,000) and \$7,358,000 (2019: \$Nil) respectively.

Key assumptions used in value-in-use calculations

The recoverable amounts for the above CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a 5-year period. These key inputs and assumptions were estimated by management based on prevailing economic and other conditions at the end of the reporting period, including the current market conditions due to COVID-19 pandemic. The key assumptions applied to the 5-year cash flow projections are as follows:

| | CGU 1 | CGU 2 | CGU 3 | CGU 4 | CGU 5 |
|--|----------|--------|---------|--------|--------|
| 2020 | | | | | |
| Forecast revenue growth rate (Year 1) | 29% | 45.9% | 5% | 19% | (70%) |
| Forecast revenue growth rate (Year 2 to 5) | 4% | 2.48% | 5% | 2.48% | 1.9% |
| Terminal value growth rate | 1.9% | 1.9% | 1.9% | 1.9% | 1.9% |
| Pre-tax discount rate | 18.18% | 17.38% | 11.86% | 15.94% | 15.70% |
| 2019 | | | | | |
| Forecast revenue growth rate | 5% – 15% | 2.48% | 5% -10% | 2.48% | – |
| Terminal value growth rate | 1.7% | 1.7% | 1.7% | 1.7% | – |
| Pre-tax discount rate | 10.66% | 9.70% | 10.28% | 12.92% | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

13 GOODWILL (CONT'D)

Key assumptions used in value-in-use calculations (Cont'd)

Forecast revenue growth rate – Revenue is computed based on secured order book and potential contracts.

Terminal value growth rate – Cash flows beyond the five-year period are forecasted based on terminal growth rate of 1.9% which does not exceed the nominal GDP rates for the countries in which the CGU operates.

Pre-tax discount rate – Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for the CGU 3 and CGU 5, the change in the key assumption and the increase or decrease to the recoverable amount recognised on the statement of financial position are:

| | Initial assumption estimate range | Decrease the initial assumption to | Additional impact to impairment loss \$'000 |
|-------------------------|--|---|---|
| Assumption | | | |
| Forecast revenue growth | | | |
| – CGU 3 | 5% | 2.5% | – |
| – CGU 5 | (70%) to 1.9% | 1.3% | 700 |

For CGU 1, CGU 2 and CGU 4, any reasonable change to the key assumptions applied is not likely to cause the recoverable values to be below their carrying values.

14 INTANGIBLE ASSETS

| | Order books \$'000 | Brand \$'000 | Licenses \$'000 | Service agreements \$'000 | Customer relationship \$'000 | Software \$'000 | Total \$'000 |
|-------------------------------------|--------------------------|-----------------|--------------------|---------------------------------|------------------------------------|--------------------|-----------------|
| Group | | | | | | | |
| Non-current asset | | | | | | | |
| Cost | | | | | | | |
| At 30 June 2018 and 30 June 2019 | 5,140 | 1,362 | 43 | 185 | 1,022 | 278 | 8,030 |
| Acquisition of business | – | – | – | – | – | 290 | 290 |
| Additions | – | – | 1,000 | – | – | – | 1,000 |
| At 30 June 2020 | 5,140 | 1,362 | 1,043 | 185 | 1,022 | 568 | 9,320 |
| Accumulated amortisation | | | | | | | |
| At 1 July 2018 | 4,304 | 340 | 43 | 126 | 219 | 75 | 5,107 |
| Amortisation | 452 | 136 | – | 46 | 146 | 68 | 848 |
| At 30 June 2019 | 4,756 | 476 | 43 | 172 | 365 | 143 | 5,955 |
| Amortisation | 384 | 136 | 92 | 13 | 146 | 68 | 839 |
| At 30 June 2020 | 5,140 | 612 | 135 | 185 | 511 | 211 | 6,794 |
| Net carrying amount | | | | | | | |
| At 30 June 2019 | 384 | 886 | – | 13 | 657 | 135 | 2,075 |
| At 30 June 2020 | – | 750 | 908 | – | 511 | 357 | 2,526 |

The additions of \$1,000,000 (2019: \$Nil) during the year relate to acquisition of licences from a director of a subsidiary (Note 24). The transaction is based on terms agreed between the Group and the director of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

14 INTANGIBLE ASSETS (CONT'D)

| | Favourable contracts | |
|---------------------------------|----------------------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Group | | |
| Current asset | | |
| Cost | | |
| At 30 June | 192 | 192 |
| Accumulated amortisation | | |
| At 30 June | 192 | 192 |
| Net carrying value | | |
| At 30 June | - | - |

15 OTHER INVESTMENTS

| | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Other financial assets at amortised costs (Note 15(a)) | - | 1,032 | - | - |
| Financial assets at fair value through profit or loss (Note 15(b)) | 6,380 | 6,711 | 6,380 | 6,711 |
| | 6,380 | 7,743 | 6,380 | 6,711 |

a) Other financial assets at amortised costs

| | Group | |
|--|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| 4.60% p.a. SGD corporate bond due 19 January 2021 (unquoted) | - | 1,032 |

The SGD corporate bond was pledged to a bank to secure banking facilities of the Group (Note 24).

In 2019, the unquoted bond has fair value at the reporting date amounting to \$1,032,000. The fair value was determined based on indicative mid-market price as at the reporting date, which was classified in Level 2 of the fair value hierarchy.

In 2020, the unquoted bonds were fully redeemed.

b) Financial assets at fair value through profit or loss

| | Group and Company | |
|--------------------------|-------------------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Equity shares (unquoted) | 6,380 | 6,711 |

Unquoted equity shares represent interest in a company in Singapore which is engaged in solar energy solutions including financing, designing, installation, and maintenance services. The fair values of the unquoted equity shares is made with reference to the share issuance transaction price of the investee company during the year. This fair value measurement is categorised in Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

16 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|-----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Unquoted equity shares, at cost | | |
| Balance at beginning of financial year | 36,781 | 37,120 |
| Acquisition during financial year | 12,000 | – |
| Incorporation of a subsidiary | 10 | – |
| Acquisition of non-controlling interests in a subsidiary | 2,125 | 26 |
| Divestment of a subsidiary | – | (365) |
| | 50,916 | 36,781 |
| Less: Allowance for impairment in value | (11,135) | (3,095) |
| | 39,781 | 33,686 |
| Movement in allowance for impairment in value are as follows: | | |
| Balance at beginning of financial year | 3,095 | 2,891 |
| Allowance made during the financial year | 8,040 | 204 |
| Balance at end of financial year | 11,135 | 3,095 |

(i) The details of the subsidiaries are as follows:

| Name of subsidiary (Country of incorporation) | Principal activities | Group's equity interest held | |
|---|--|---------------------------------|-----------|
| | | 2020 % | 2019 % |
| <i>Held by the Company</i> | | | |
| ISO-Team Corporation Pte. Ltd.* (Singapore) | Provision of Addition and Alteration services and Repair and Redecoration services | 100 | 100 |
| Raymond Construction Pte. Ltd.* (Singapore) | Provision of Addition and Alteration services and Repair and Redecoration services | 100 | 100 |
| TMS Alliances Pte. Ltd.* (Singapore) | Provision of Repair and Redecoration services | 100 | 100 |
| ISOTeam Green Solutions Pte. Ltd.* (Singapore) | Provision of eco-friendly solutions and products and products related to Repair and Redecoration and Addition and Alteration services | 100 | 100 |
| ISO-Seal Waterproofing Pte. Ltd.* (Singapore) | Provision of reroofing and waterproofing services | 100 | 100 |
| Zara@ISOTeam Pte. Ltd.* (Singapore) | Provision of interior design and space planning services | 51 | 51 |
| Industrial Contracts Marketing (2001) Pte Ltd.* (Singapore) | Provision of Coatings and Paintings services and Repair and Redecoration services | 100 | 100 |
| ISOTeam C&P Pte. Ltd.* (Singapore) | Provision of Coatings and Paintings services and Repair and Redecoration services | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

(i) The details of the subsidiaries are as follows: (Cont'd)

| Name of subsidiary (Country of incorporation) | Principal activities | Group's equity interest held | |
|---|---|------------------------------|-----------|
| | | 2020 % | 2019 % |
| <i>Held by the Company (Cont'd)</i> | | | |
| ISO-Landscape Pte. Ltd.* (Singapore) | Provision of landscape care and maintenance service activities | 100 | 100 |
| ISOTeam Access Pte. Ltd.* (Singapore) | Leasing of boom lift and related machineries | 100 | 100 |
| ISOTeam Projects Pte. Ltd.* (Formerly known as ISOTeam TMG Pte. Ltd.) (Singapore) | Provision of Addition and Alteration services and commercial interior designs | 100 | 100 |
| ISOTeam Homecare Pte.Ltd.* | Provision of handyman services | 100 | – |
| ISO-Integrated M&E Pte. Ltd.* (Singapore) | Provision of electrical engineering services | 100 | 65.9 |
| SG Bike Pte. Ltd.* (Singapore) | Provision of bike sharing services | 51 | 51 |
| ISO-Homecare Pte. Ltd.* (Singapore) | Provision of handyman services | 51 | 51 |
| Pure Group (Singapore) Pte Ltd* | Project and construction management | 100 | – |
| Pure Projects Management Sdn Bhd | Renovation works, decoration interior and exterior designers and related services | 100 | – |
| Pure Projects Construction Advisory (Shanghai) Ltd. Co | Building program advisory | 100 | – |
| Pure Projects SEA Pte Ltd* | Building construction and other holding companies | 100 | – |
| <i>Held by Pure Group (Singapore) Pte Ltd</i> | | | |
| Pure Projects (Philippines) Inc | Consultancy services | 99.9 | – |
| <i>Held by Pure Projects SEA Pte Ltd</i> | | | |
| Pure Projects SEA Ltd | Consultancy services and Projects management | 49 | – |
| <i>Held by TMS Alliances Pte. Ltd.</i> | | | |
| ISOTeam TMS (Myanmar) Limited# | Provision of Repair and Redecoration services | 90 | 90 |

* Audited by Baker Tilly TFW LLP, Singapore

Audited by Win Thin & Associates, Myanmar

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

- (ii) Acquisition of non-controlling interests without a change in control

On 19 June 2020, the Company acquired an additional 34.1% equity interest in ISO-Integrated M&E Pte. Ltd. ("IME") from its non-controlling interests for a consideration of \$2,125,000 satisfied by the issuance of 12,500,000 shares in the Company. As a result of this acquisition, IME is a wholly-owned subsidiary of the Company as at 30 June 2020.

The following summarises the effect of the change in the Group ownership interest in IME on the equity attributable to equity holders of the Company.

| | \$'000 |
|--|--------------|
| Consideration for acquisition of non-controlling interests | 2,125 |
| Carrying amount of non-controlling interests acquired | (914) |
| Decrease in equity attributable to equity holders of the Company | <u>1,211</u> |

The decrease in equity attributable to equity holders of the Company comprised:

- A decrease in other reserves of \$1,097,000; and
- A decrease in accumulated profits of \$114,000.

- (iii) Acquisition of new subsidiaries

On 21 January 2020, the Company acquired 100% of the issued share capital of Pure Group (Singapore) Pte Ltd, Pure Projects Management Sdn Bhd, Pure Projects Construction Advisory (Shanghai) Ltd. Co, Pure SEA Pte Ltd, Pure Projects (Philippines) Inc and Pure Projects SEA Ltd (collectively known as "Pure Group entities") for a consideration of \$12,000,000 settled in cash.

Fair values of identifiable assets and liabilities of subsidiary at acquisition date

| | Group \$'000 |
|---------------------------------|-----------------|
| Property, plant and equipment | 199 |
| Intangible assets | 290 |
| Trade and other receivables | 160 |
| Deferred tax liability | (7) |
| | <u>642</u> |
| Add: Goodwill (Note 13) | 11,358 |
| Total consideration transferred | <u>12,000</u> |

Impact of the acquisition on profit or loss

Pure Group entities contributed revenue of \$1,642,000 and net loss of \$469,000 to the Group for the five months ended 30 June 2020. If the acquisition had occurred on 1 July 2019, the Group revenue would have been \$103,906,000 and the net loss would have been \$21,362,000. The transaction costs related to the acquisition of \$425,000 have been included in "general and administrative expenses" in the Group's profit or loss for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

- (iii) Acquisition of new subsidiaries (Cont'd)

Contingent consideration arrangement

Pursuant to the sales and purchase agreement with the previous shareholder of the Pure Group entities, additional consideration shares will be issued to the previous shareholder of Pure Group upon fulfilment of the following profit targets:

- (a) 11,848,341 consideration shares, if Pure Group entities generates \$3,000,000 consolidated profit after tax from the acquisition date to 30 June 2020 ("Profit Target 1"); and
- (b) 35,545,024 consideration shares, if Pure Group entities generates \$5,000,000 consolidated profit after tax for the financial year ending 30 June 2021 ("Profit Target 2").

In the event that the profit target is not achieved, the previous shareholder has the option to compensate the Company by paying a cash sum being the difference between the profit target and the actual profit achieved ("Top Up Option") to be entitled to the consideration shares. However, if the profit target is not achieved and the previous shareholder does not pay the shortfall, the consideration shares will not be issued.

Management considered the order books and the potential looming impact of COVID-19 on the financial performance of Pure Group. Consequently, management concluded that there is a high probability that the profit targets could not be met and accounted for the contingent consideration as nil value at acquisition date and end of reporting period. Should there be a significant difference between the provisional amount recognised and the final amount, these differences shall be retrospectively adjusted within the measurement period not exceeding one year from the acquisition date.

As at 30 June 2020, Profit Target 1 was not achieved.

As at the date of this report, the purchase price allocation exercise to determine the fair value of all the identifiable assets acquired and liabilities assumed, and the valuation of the Top Up Option has not been completed.

- (iv) Incorporation of a new subsidiary

On 23 October 2019, the Company had incorporated a wholly-owned subsidiary, ISOTeam Homecare Pte. Ltd., with an issued and paid-up share capital of \$10,000 comprising 10,000 ordinary shares. The principal business of the subsidiary is the provision of handyman services.

- (v) The management does not consider the subsidiaries' non-controlling interests to be material to the Group. Accordingly, the summarised financial information of the subsidiaries is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

(vi) Impairment review of investment in subsidiaries

During the financial year, management performed an impairment test for the investment in ISO-Team Access Pte. Ltd. ("IAC") and Pure Group entities as costs of investment in these subsidiaries exceed the Company's share of net assets in these subsidiaries as at 30 June 2020. Impairment loss of \$8,040,000 (2019: \$204,000) was recognised for the financial year ended 30 June 2020 to write down these subsidiaries to their recoverable amounts of \$Nil (2019: \$3,641,000) and \$7,600,000 respectively. The recoverable amount of the investment in these subsidiaries have been determined based on value in use calculation using cash flow projections from forecasts approved by management covering a five-year period. The discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period by taking into account the current market conditions due to COVID-19 pandemic are as follows:

| | IAC | | Pure Group entities | |
|--|---------------|--------|---------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Forecast revenue growth rate (Year 1) | 5% | 5% | (70%) | - |
| Forecast revenue growth rate (Year 2 to 5) | 5% | 10% | 1.9% | - |
| Pre-tax discount rate | 11.86% | 10.28% | 15.70% | - |

With regards to the assessment of value in use of the investment in subsidiaries, management believes that the change in the estimated recoverable amount from any reasonably possible changes in any of the above key assumptions would not cause the recoverable amount to be materially lower than the carrying value of the investment in subsidiaries.

17 INVESTMENT IN ASSOCIATE

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Unquoted shares | | | | |
| – at cost | 419 | 419 | 265 | 265 |
| Share of post-acquisition reserves | (51) | 19 | - | - |
| Net carrying amount | 368 | 438 | 265 | 265 |

The details of the associate are as follows:

| Name of Company | Principal place of business/Country of incorporation | Principal activity | Ownership interest held | |
|-----------------|--|--------------------|-------------------------|-----------|
| | | | 2020 % | 2019 % |

Held by Company

Unquoted equity shares

| | | | | |
|--------------------------|----------|--|-----------|----|
| ITG Projects Sdn. Bhd.** | Malaysia | Provision for interior design services | 40 | 40 |
|--------------------------|----------|--|-----------|----|

** Audited by independent overseas member firm of Baker Tilly International

The management does not consider the associate to be material to the Group. Accordingly, the summarised financial information of the associate is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date on the Group's construction contract and other services. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities relate to advance consideration received from customers. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contract.

The followings table provides information about contract assets, contract liabilities and trade receivables from contracts with customers.

| | 2020 \$'000 | Group 2019 \$'000 | 1.7.2018 \$'000 |
|----------------------|----------------|-------------------------|--------------------|
| Contract assets | 21,874 | 32,151 | 15,661 |
| Contract liabilities | 1,213 | 263 | – |
| Trade receivables | 16,005 | 26,073 | 19,273 |

The decrease in contract assets is due to timing differences in revenue recognised and billings. The increase in contract liabilities is due to consideration received ahead of provision of services.

Significant changes in the contract assets balances during the financial year are as follow:

| | 2020 \$'000 | Group 2019 \$'000 |
|---|----------------|-------------------------|
| Allowance for impairment on contract assets | 1,397 | – |

19 ASSET HELD FOR SALE

In 2019, the Company had decided to sell its leasehold property and has started to actively seek for buyer for the property. As the property is expected to be disposed within 12 months from the end of the financial year, its carrying value of \$2,330,000 has been reclassified from "leasehold properties" and "renovation" under "property, plant and equipment" (non-current asset) to "asset held for sale" (current asset) in the statements of financial position as at 30 June 2019.

The property was previously occupied by the Group for corporate office. The Group currently does not need to conduct any operations at the property and the property is considered a non-core asset. The Group intends to dispose the property to provide additional working capital for the Group and to reduce the Group's borrowings.

The property is mortgaged to a bank to secure banking facilities of the Group (Note 24).

In 2020, the Company had entered into a sale and purchase agreement with a third party for the sales price of \$4,500,000. The sale and purchase of the property has been completed on 20 July 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

20 INVENTORIES

| | Group | |
|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Trading stocks | 1,510 | 1,877 |

Inventories included as cost of sales and cost of contracts amounted to \$3,641,000 (2019: \$4,249,000).

21 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Trade receivables: | | | | |
| – third parties | 12,875 | 20,460 | – | – |
| Less: Allowance for impairment on receivables | (470) | (159) | – | – |
| | 12,405 | 20,301 | – | – |
| – related parties (trade) | 45 | 16 | – | – |
| | 12,450 | 20,317 | – | – |
| Retention sums on contracts: | | | | |
| – third parties | 3,747 | 5,756 | – | – |
| Less: Allowance for impairment on receivables | (192) | – | – | – |
| | 3,555 | 5,756 | – | – |
| GST receivables | 30 | 464 | 11 | – |
| Sundry deposits | 1,015 | 1,278 | – | – |
| Prepayment | 796 | 566 | 6 | 6 |
| Sundry receivables: | | | | |
| – third parties | 14,627 | 8,508 | 447 | 373 |
| Less: Allowance for impairment on receivables | – | (3,366) | – | – |
| | 14,627 | 5,142 | 447 | 373 |
| – subsidiaries | – | – | 23,731 | 19,893 |
| | 32,473 | 33,523 | 24,195 | 20,272 |

The sundry receivables due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Included in sundry receivables (third parties) is \$4,950,000 (2019: \$Nil) relating to amount due from a previous shareholder of the new subsidiaries acquired during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

22 CASH AND BANK BALANCES

| | Group | | Company | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Cash in hand and at bank | 9,262 | 3,599 | 132 | 83 |
| Fixed deposits | 3,322 | 5,430 | – | 1,009 |
| | 12,584 | 9,029 | 132 | 1,092 |

Fixed deposits were placed with the reputable financial institutions and matured within 1 to 10 months (2019: 1 to 10 months) from the reporting date. The effective interest rates at year end ranged from 0.05% to 1.4% (2019: from 0.05% to 2.61%) per annum.

Fixed deposits include an amount of \$3,111,000 (2019: \$2,800,000) which have been pledged to banks as collateral for borrowings (Note 24).

23 FINANCE LEASE LIABILITIES

Finance lease liabilities were reclassified to lease liabilities on 1 July 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.

| | Group | |
|---|--|---|
| | Minimum lease payments \$'000 | Present value of minimum lease payments \$'000 |
| Within 1 financial year | 1,452 | 1,283 |
| Within 2 to 5 financial years | 2,728 | 2,488 |
| After 5 financial years | 288 | 276 |
| Total minimum lease payments | 4,468 | 4,047 |
| Less: Future finance charges | (421) | – |
| | 4,047 | 4,047 |
| Representing finance lease liabilities: | | |
| – Current | 1,283 | |
| – Non-current | 2,764 | |
| | 4,047 | |

The finance leases bore effective rates of interest between 2.56% to 7.69% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

24 BORROWINGS

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| <i>Non-current liabilities</i> | | | | |
| Term loans | 10,943 | 9,927 | – | – |
| <i>Current liabilities</i> | | | | |
| Factoring loan | – | 1 | – | – |
| Trust receipts | 7,287 | 8,906 | – | – |
| Bank overdrafts | 1,254 | 1,030 | – | – |
| Revolving credit facilities | 19,362 | 13,824 | 10,000 | 9,300 |
| Term loans | 2,035 | 2,161 | 2,035 | – |
| | 29,938 | 25,922 | 12,035 | 9,300 |
| Total | 40,881 | 35,849 | 12,035 | 9,300 |

The following are the remaining contractual maturities of borrowings of the Group and the Company:

| | Group | | Company | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Within 1 year | 29,938 | 25,922 | 12,035 | 9,300 |
| Within 2 to 5 years | 4,258 | 2,571 | – | – |
| Over 5 years | 6,685 | 7,356 | – | – |
| | 40,881 | 35,849 | 12,035 | 9,300 |

All borrowings are charged at floating rates.

Group

a) Security granted

The bank borrowings are secured by:

- (i) charges over fixed deposits (Note 22);
- (ii) mortgage over the Group's leasehold properties (Note 10, Note 12 and Note 19);
- (iii) first fixed charge over receivables arising from invoices financed directly or indirectly over the account in which the receivables are deposited;
- (iv) corporate guarantee from the Company;
- (v) a corporate guarantee by subsidiaries.

b) Fair value of non-current borrowings

The Group's borrowings are floating rate instruments that are repriced to market interest rates on or near the reporting date. Accordingly, the fair values of these borrowings, determined from discounted cash flow analysis using discount rate ranging between 2.48% to 5.50% (2019: 2.38% to 5.50%) which is the market lending rate that the directors expect would be available to the Group at reporting date, would approximate their carrying amounts at the reporting date.

The fair value is within Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

24 BANK BORROWINGS (CONT'D)

Company

The revolving credit facilities are repayable on demand and covered by corporate guarantee by subsidiaries. The variable interest rate charged at year end ranged from 3.51% – 4.59% (2019: 4.70% – 5.00%).

The term loan is unsecured and repayable in full on 22 September 2020. Interest is payable at 7% per annum.

c) Reconciliation of movements of liabilities to cash flows arising from financing activities:

| | Due to a related party and directors of subsidiaries \$'000 | Borrowings (excluding bank overdraft) \$'000 | Finance lease \$'000 | Total \$'000 |
|---|--|--|----------------------------|-----------------|
| Balance at 1 July 2018 | 121 | 23,659 | 3,628 | 27,408 |
| Changes from financing cash flows: | | | | |
| – Proceeds | 188 | 20,176 | 1,896 | 22,260 |
| – Repayments | – | (9,016) | (1,470) | (10,486) |
| – Interest paid | – | (1,090) | (7) | (1,097) |
| Non-cash changes: | | | | |
| – Interest expense | – | 1,090 | – | 1,090 |
| Balance at 30 June 2019 | 309 | 34,819 | 4,047 | 39,175 |
| Reclassified to lease liabilities (Note 11) | – | – | (4,047) | (4,047) |
| Changes from financing cash flows: | | | | |
| – Proceeds | 160 | 13,957 | – | 14,117 |
| – Repayments | – | (9,268) | – | (9,268) |
| – Interest paid | – | (1,227) | – | (1,227) |
| Non-cash changes: | | | | |
| – Acquisition of intangible asset (Note 14) | 1,000 | – | – | 1,000 |
| – Others | 21 | – | – | 21 |
| – Interest expense | 123 | 1,346 | – | 1,469 |
| – Effects of changes in foreign exchange rate | 38 | – | – | 38 |
| Balance at 30 June 2020 | 1,651 | 39,627 | – | 41,278 |

25 DEFERRED TAX LIABILITIES

The movements in the deferred tax liabilities are as follows:

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| At 1 July | 898 | 1,160 | – | – |
| Acquisition of subsidiaries | 7 | – | – | – |
| Tax credited to profit or loss | (235) | (262) | 4 | – |
| At 30 June | 670 | 898 | 4 | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

25 DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax liabilities as at 30 June relates to the following:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| <i>Deferred tax liabilities</i> | | | | |
| Differences in depreciation for tax purposes | 466 | 578 | 4 | – |
| Fair value adjustment on business combination | 204 | 320 | – | – |
| At 30 June | 670 | 898 | 4 | – |

26 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| <i>Current</i> | | | | |
| Trade payables: | | | | |
| – third parties | 10,167 | 12,613 | 206 | 75 |
| – related parties | 395 | 626 | – | – |
| GST payables | 766 | 631 | 30 | 31 |
| Retention payables: | | | | |
| – third parties | 4,210 | 3,219 | – | – |
| Other payables: | | | | |
| – third parties | 5,348 | 2,045 | 480 | 306 |
| – subsidiaries (non-trade) | – | – | 4,554 | 4,332 |
| – related parties (non-trade) | 100 | – | – | – |
| – directors of subsidiaries (non-trade) | 1,551 | 309 | – | – |
| Accrued operating expenses | 2,643 | 2,553 | 383 | 481 |
| | 25,180 | 21,996 | 5,653 | 5,225 |

Included in other payables is \$289,000 (2019: \$289,000) relating to remaining consideration payable in connection with the acquisition of ISO-Integrated M&E Pte Ltd.

The non-trade other payables due to related parties, directors of subsidiaries and subsidiaries are unsecured, interest-free and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

27 SHARE CAPITAL, TREASURY SHARES AND ACCUMULATED PROFITS

a) Share capital

| | Group and Company | | | |
|-------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | 2020 | | 2019 | |
| | Number of issued shares '000 | Issued share capital \$'000 | Number of issued shares '000 | Issued share capital \$'000 |
| At 1 July | 285,866 | 29,618 | 285,866 | 29,618 |
| Share issue | 62,500 | 14,125 | – | – |
| At 30 June | 348,366 | 43,743 | 285,866 | 29,618 |

All shares rank equally with regard to the Company's residual assets.

On 19 February 2020, the Company issued 50,000,000 shares at \$0.24 per share for cash to provide funds for Group's operations.

On 19 June 2020, the Company issued 12,500,000 ordinary shares at \$0.17 per share to acquire the equity interests in ISO-Integrated M&E Pte Ltd from the non-controlling interests (Note 16).

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restrictions.

b) Treasury shares

| | Group and Company | | | |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | 2020 | | 2019 | |
| | Number of issued shares '000 | Issued share capital \$'000 | Number of issued shares '000 | Issued share capital \$'000 |
| At 1 July | 798 | 267 | 735 | 256 |
| Share buyback | 500 | 83 | 1,507 | 322 |
| Treasury shares reissued pursuant to the acquisition of a subsidiary | – | – | (1,444) | (311) |
| At 30 June | 1,298 | 350 | 798 | 267 |

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 500,000 (2019: 1,507,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$83,000 (2019: \$322,000) and this was recorded as a component within shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

27 SHARE CAPITAL, TREASURY SHARES AND ACCUMULATED PROFITS (CONT'D)

c) Accumulated profits

| | Company | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| At 1 July | 18,075 | 16,150 |
| (Loss)/profit and total comprehensive (loss)/income for the financial year | (7,190) | 2,438 |
| Dividend (Note 31) | (1,197) | (513) |
| | | <hr/> |
| At 30 June | 9,688 | 18,075 |
| | | <hr/> <hr/> |

28 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

| | Group | |
|------------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| At 1 July | 44 | 22 |
| Foreign currency translation | (67) | 22 |
| | | <hr/> |
| At 30 June | (23) | 44 |
| | | <hr/> <hr/> |

29 MERGER RESERVE

Merger reserve represents the differences between the consideration paid and the share capital of subsidiaries when entities under common controls are accounted for applying the pooling of interest method.

30 CONTINGENT LIABILITIES

As at 30 June 2020, the Company has provided corporate guarantees of \$56,006,000 (2019: \$50,007,000) to banks for borrowings of \$28,637,000 (2019: \$26,555,000) taken by its subsidiaries.

The earliest period that the guarantee could be called is within 1 year (2019: 1 year) from the end of the reporting period. Based on the expectations at the end of the reporting period, the Group and Company consider that it is more likely than not that no amount will be payable under the arrangement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

31 DIVIDEND

| | Group and Company | |
|--|-------------------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Dividend paid: | | |
| Final exempt (one-tier) dividend of 0.42 cents (2019: 0.18 cents) per share paid in respect of FY2019 (2019: FY2018) | 1,197 | 513 |

32 RELATED PARTIES TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and the related parties at terms agreed between the parties:

| | 2020 | 2019 |
|---|--------------|--------|
| | \$'000 | \$'000 |
| Group | | |
| With related parties | | |
| <i>Income</i> | | |
| Sales | (39) | (13) |
| <i>Expenses</i> | | |
| Purchases | 1,241 | 1,601 |
| Testing fee | 156 | 97 |
| <i>Others</i> | | |
| Payment on behalf | – | 728 |
| Receipts on behalf | – | (6) |
| <i>Compensation of key management personnel</i> | | |
| – Salaries and bonus | 2,364 | 2,681 |
| – CPF | 148 | 142 |
| – Fee | 261 | 209 |
| – Other short-term benefits | 316 | 276 |
| | 3,089 | 3,308 |

| | 2020 | 2019 |
|--------------------------|-----------------|---------|
| | \$'000 | \$'000 |
| Company | | |
| With subsidiaries | | |
| Receipts on behalf | (628) | (834) |
| Loan | 10,483 | 8,835 |
| Repayment of loan | (10,073) | (3,372) |
| <i>Income</i> | | |
| Management fee | (1,620) | (2,051) |
| Dividend | (1,990) | (1,094) |
| Interest income | (267) | (127) |
| <i>Expenses</i> | | |
| Recharge of expense | 115 | 1,147 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

33 COMMITMENTS

a) Lease commitments – where the Group is a lessee

The Group leases various offices, motor vehicles, copiers, warehouses and staff's accommodation under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and have tenure of more than one year with renewal options.

Lease terms do not contain restrictions in the Group's activities concerning dividends, additional debt or further leasing.

As at 30 June 2019, commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, were as follows:

| | Group 2019 \$'000 |
|----------------------------|-------------------------|
| Not later than one year | 530 |
| Between two and five years | 74 |
| | <u>604</u> |

b) Capital commitments

| | Group | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Capital commitments in respect of property, plant and equipment | - | 1,369 |

34 FINANCIAL INSTRUMENTS

a) Categories of financial instruments

Financial instruments at their carrying amounts at reporting date are as follows:

| | Group | | Company | |
|---|----------------------|----------------|----------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| <i>Financial assets</i> | | | | |
| Financial assets at fair value through profit or loss | 6,380 | 6,711 | 6,380 | 6,711 |
| Financial assets at amortised costs | 44,231 | 42,554 | 24,310 | 21,358 |
| | <u>50,611</u> | <u>49,265</u> | <u>30,690</u> | <u>28,069</u> |
| <i>Financial liabilities</i> | | | | |
| At amortised cost | 66,885 | 61,226 | 15,623 | 14,495 |

b) Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The policies for managing each of these risks are summarised below. The directors review and agree policies and procedures for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which the Group manages and measures financial risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34 FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (Cont'd)

Foreign currency risk

The Group does not have significant exposure to foreign currency risk as its transactions are mainly in Singapore dollars.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent on changes in market interest rates as the Group has no significant interest-bearing assets and liabilities except for other investments (Note 15), fixed deposits (Note 22) and borrowings (Note 24). The sensitivity analysis for interest rate risk is not disclosed as a reasonably possible fluctuation in the market interest rates is not expected to have a significant impact on the Group's profit or loss.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group Finance department based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the Group Finance department.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

| Description of evaluation of financial assets | Basis for recognition and measurement of ECL |
|--|--|
| Counterparty has a low risk of default and does not have any past due amounts | 12-month ECL |
| Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition | Lifetime ECL – not credit-impaired |
| Contractual payments are more than 120 days to 5 years past due or there is evidence of credit impairment depending on the nature of project, debtor and historical experience | Lifetime ECL – credit-impaired |
| There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings | Write-off |

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34 FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

Significant increase in credit risk (Cont'd)

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34 FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

The Group's trade receivables comprise 7 debtors (2019: 4 debtors) represented approximately 63% (2019: 62%) of the trade receivables.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statements of financial position and the amount of \$28,637,000 (2019: \$26,555,000) relating to corporate guarantees given by the Company to banks for the subsidiaries' borrowings.

The credit risk for trade receivables (excluding retention receivables) based on the information provided to key management is as follows:

| | Group | |
|------------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| <i>By types of customers</i> | | |
| Related parties | 45 | 16 |
| Third parties: | | |
| – Government | 2,331 | 4,239 |
| – Other companies | 9,797 | 15,698 |
| – Individuals | 285 | 523 |
| | 12,458 | 20,476 |

Movements in credit loss allowance are as follows:

| | Contract assets \$'000 | Trade receivables \$'000 | Other receivables \$'000 | Total \$'000 |
|--|------------------------------|--------------------------------|--------------------------------|-----------------|
| Group | | | | |
| Balance at 1 July 2018 | – | 140 | – | 140 |
| Loss allowance measured: | | | | |
| Lifetime ECL | | | | |
| – simplified approach | – | 19 | – | 19 |
| – significant increase in credit risk | – | – | 3,366 | 3,366 |
| Balance at 30 June 2019 | – | 159 | 3,366 | 3,525 |
| Loss allowance measured: | | | | |
| Lifetime ECL | | | | |
| – simplified approach | 1,397 | 503 | – | 1,900 |
| Receivables written off as uncollectable | – | – | (3,366) | (3,366) |
| Balance at 30 June 2020 | 1,397 | 662 | – | 2,059 |

The credit loss for cash and cash equivalents are immaterial as at 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34 FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

Trade receivables and contract assets

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

The contract assets relate to unbilled work-in-progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Trade receivables and contract assets that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions. In view of the current COVID-19 pandemic, the Group has considered the impact of the pandemic on the performance and liquidity of its trade receivables and in particular, whether there are significant decline in the repayment ability of its debtors.

There has been no change in the estimation techniques or significant assumptions made during the current financial year except for reassessments made of the current COVID-19 effects on the historical default rates of each past due category of its trade receivables and contract assets.

The Group has assessed the potential exposure on the trade receivables and provided the necessary expected credit loss allowance against its trade receivables depending on the nature of project, debtor and historical experience.

Other financial assets at amortised cost

Other financial assets at amortised costs include other receivables and cash and cash equivalents.

The table below details the credit quality of the Group's financial assets (other than trade receivables and contract assets):

| Group | 12-month or lifetime ECL | Gross carrying amount \$'000 | Loss allowance \$'000 | Net carrying amount \$'000 |
|---|--------------------------|------------------------------|-----------------------|----------------------------|
| 2020 | | | | |
| Trade receivables | Lifetime | 16,667 | (662) | 16,005 |
| Other receivables | 12-month | 15,642 | – | 15,642 |
| Cash and cash equivalents with financial institutions | N.A. Exposure Limited | 12,584 | – | 12,584 |
| 2019 | | | | |
| Trade receivables | Lifetime | 26,232 | (159) | 26,073 |
| Unquoted bonds at amortised costs | 12-month ECL | 1,032 | – | 1,032 |
| Other receivables | 12-month | 9,786 | (3,366) | 6,420 |
| Cash and cash equivalents with financial institutions | N.A. Exposure Limited | 9,029 | – | 9,029 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34 FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

Other financial assets at amortised cost (Cont'd)

The table below details the credit quality of the Company's financial assets (other than trade receivables and contract assets):

| Company | 12-month or lifetime ECL | Gross carrying amount \$'000 | Loss allowance \$'000 | Net carrying amount \$'000 |
|--|-----------------------------|---------------------------------------|-----------------------------|----------------------------------|
| 2020 | | | | |
| Other receivables | 12-month | 24,178 | – | 24,178 |
| Cash and cash equivalents with financial institutions | N.A. Exposure Limited | 132 | – | 132 |
| 2019 | | | | |
| Other receivables | 12-month | 20,266 | – | 20,266 |
| Cash and cash equivalents with financial institutions | N.A. Exposure Limited | 1,092 | – | 1,092 |

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations and does not expect significant credit losses arising from these guarantees.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

In managing its liquidity, management monitors and reviews the Group's forecasts of liquidity reserves (comprise cash and cash equivalents and undrawn borrowing facilities) on the basis of expected cash flows determined at local level in the respective operating companies of the Group in accordance with limits set by the Group.

The board of directors exercises prudent liquidity and cash flow risk management policies and aims at maintaining an adequate level of liquidity and cash flow at all times.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34 FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | Repayable on demand or within 1 year \$'000 | Within 2 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|-------------------------------|---|----------------------------------|---------------------------|-----------------|
| Group | | | | |
| At 30 June 2020 | | | | |
| Trade and other payables | 22,728 | – | – | 22,728 |
| Lease liabilities | 1,377 | 2,073 | 148 | 3,598 |
| Borrowings | 30,235 | 3,881 | 7,726 | 41,842 |
| | 54,340 | 5,954 | 7,874 | 68,168 |
| At 30 June 2019 | | | | |
| Trade and other payables | 21,331 | – | – | 21,331 |
| Finance lease liabilities | 1,452 | 2,728 | 288 | 4,468 |
| Borrowings | 26,482 | 3,517 | 8,769 | 38,768 |
| | 49,265 | 6,245 | 9,057 | 64,567 |
| Company | | | | |
| At 30 June 2020 | | | | |
| Trade and other payables | 5,623 | – | – | 5,623 |
| Borrowings | 12,096 | – | – | 12,096 |
| Financial guarantee contracts | 27,807 | – | – | 27,807 |
| | 45,526 | – | – | 45,526 |
| At 30 June 2019 | | | | |
| Trade and other payables | 5,195 | – | – | 5,195 |
| Borrowings | 9,354 | – | – | 9,354 |
| Financial guarantee contracts | 26,555 | – | – | 26,555 |
| | 41,104 | – | – | 41,104 |

c) Fair values of assets and liabilities

Fair value hierarchy

The Group and Company classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34 FINANCIAL INSTRUMENTS (CONT'D)

c) Fair values of assets and liabilities (Cont'd)

Assets measured at fair value

The financial assets at fair value through profit or loss is classified as Level 3. The fair value of the unquoted equity shares is determined by reference to the investee company's share issuance transaction price during the year. The measurement of fair value of the unquoted equity shares is performed by the Group's finance team, based on evidence obtained from the investee company to assess if the share issuance transaction price is supportable and the appropriate classification of the fair value level hierarchy measurement for this financial asset.

A higher share issuance transaction price will result in a higher fair value measurement.

Movements in Level 3 assets and liabilities measured at fair value

| | 2020 Unquoted equity shares \$'000 |
|--|--|
| Balance at beginning of financial year | 6,711 |
| Fair value loss recognised in profit or loss | (331) |
| Balance at end of financial year | <u>6,380</u> |

Transfer between level 2 and 3

The following table shows transfer from level 2 to 3 of the fair value hierarchy for financial assets which are recorded at fair value:

| | 2020 Unquoted equity shares \$'000 |
|--|--|
| <i>Financial assets at fair value through profit or loss</i> | |
| Unquoted equity shares | <u>6,380</u> |

The above financial assets were transferred from level 2 to 3 as there was no observable share issuance transaction at year end by the investee company. There had been no transfer from level 2 to 3 in 2019.

Assets not carried at fair value but fair values are disclosed

Level 2 fair value measurements

The other financial assets at amortised costs are classified as Level 2.

The fair value of the other financial assets at amortised costs are determined using indicative mid-market price.

Level 3 fair value measurements

Investment property

The fair value is determined by an external and independent valuer, based on the direct comparison method. This approach involves the analysis of arms-length comparable sales and adjustments are made to reflect the differences in location, floor area, floor level as well as transaction date, amongst other factors affecting the values. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market. The fair value measurement is categorised in the Level 3 of the fair value hierarchy.

Contingent consideration and Top Up Option

The basis of determining fair value disclosure at the end of the reporting period is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34 FINANCIAL INSTRUMENTS (CONT'D)

c) Fair values of assets and liabilities (Cont'd)

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the current financial assets and liabilities approximate their respective fair values due to their short-term nature or they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of non-current borrowings approximate their fair values as these financial instruments either bear interest rates which approximate the market interest rates at ISOTeam Ltd. and its the reporting date or are floating rate loans that are repriced to market interest rates on or near the end of the reporting period. These fair value measurement for disclosure purpose are categorised in Level 3 of the fair value hierarchy.

35 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- b) To support the Group's stability and growth; and
- c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure to maximise shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The capital of the Group mainly consists of equity holders of the Company comprising share capital, accumulated profits and merger reserve. The Group's overall strategy remains unchanged from 2019.

36 SEGMENT INFORMATION

The Group is organised into business units based on nature of the projects for management purposes. The reportable segments are revenue from Repair and Redecoration ("R&R"), Addition and Alteration ("A&A") and Coatings and Paintings ("C&P").

R&R focuses mainly on non-structural construction, improvements and routine maintenance works.

A&A focuses mainly on structural works and infrastructure works.

C&P focuses mainly on coatings and paintings works.

Others segments focus mainly on commercial interior design, home retrofitting, landscaping works, leasing services, waterproofing, green solutions and maintenance & electrical service and projects and construction management.

Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

36 SEGMENT INFORMATION (CONT'D)

The segment information provided to management for the reportable segments are as follows:

| 2020 | R&R \$'000 | A&A \$'000 | C&P \$'000 | Others \$'000 | Total \$'000 |
|---|---------------|---------------|---------------|------------------|-----------------|
| Segment revenue | 26,269 | 32,074 | 11,271 | 22,079 | 91,693 |
| Segment profits | 99 | (2,595) | 211 | (6,507) | (8,792) |
| Depreciation and amortisation | | | | | (5,311) |
| Other non-cash expense | | | | | (5,708) |
| Interest income | | | | | 73 |
| Finance costs | | | | | (1,842) |
| Share of results of associate | | | | | (70) |
| Loss before tax | | | | | (21,650) |
| Segment assets | 10,052 | 15,716 | 5,191 | 32,377 | 63,336 |
| Unallocated assets | | | | | 56,494 |
| Total assets | | | | | 119,830 |
| Segment liabilities | 2,135 | 5,060 | 37 | 13,842 | 21,074 |
| Unallocated liabilities | | | | | 50,146 |
| Total liabilities | | | | | 71,220 |
| <i>Other segments items</i> | | | | | |
| Capital expenditure-property, plant and equipment | | | | | 1,322 |
| Depreciation of property, plant and equipment | | | | | 4,454 |
| Depreciation of investment property | | | | | 18 |
| Amortisation of intangible assets | | | | | 839 |
| Impairment losses | 463 | 339 | - | 1,098 | 1,900 |
| | | | | | |
| 2019 | R&R \$'000 | A&A \$'000 | C&P \$'000 | Others \$'000 | Total \$'000 |
| Segment revenue | 27,258 | 67,674 | 14,350 | 27,319 | 136,601 |
| Segment profits | 1,623 | 6,504 | 1,224 | 3,616 | 12,967 |
| Depreciation and amortisation | | | | | (4,637) |
| Other non-cash expense | | | | | (41) |
| Interest income | | | | | 111 |
| Finance costs | | | | | (1,164) |
| Share of results of associate | | | | | 19 |
| Profit before tax | | | | | 7,255 |
| Segment assets | 16,076 | 25,776 | 6,912 | 23,956 | 72,720 |
| Unallocated assets | | | | | 50,262 |
| Total assets | | | | | 122,982 |
| Segment liabilities | 1,834 | 8,547 | 68 | 10,979 | 21,428 |
| Unallocated liabilities | | | | | 42,000 |
| Total liabilities | | | | | 63,428 |
| <i>Other segments items</i> | | | | | |
| Capital expenditure-property, plant and equipment | | | | | 3,288 |
| Depreciation of property, plant and equipment | | | | | 3,771 |
| Depreciation of investment property | | | | | 18 |
| Amortisation of intangible assets | | | | | 848 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

36 SEGMENT INFORMATION (CONT'D)

Segment reporting

Performance of each segment is evaluated based on segment profit or loss which is measured differently from the net profit before tax in the financial statements. Interest income and finance costs are not allocated to segments as the Group financing is managed on a group basis.

Management monitors the assets and liabilities attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments.

Segment assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments except for property, plant and equipment, goodwill, intangible assets, other investments, other receivables and cash and bank balances for companies which are operating in more than one segment.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than borrowings, other payables, lease liabilities, deferred tax liabilities and tax payables are classified as unallocated liabilities for companies which are operating in more than one segment.

Information about major customers

Revenue from 2 (2019: 1) of the Group's major customers who individually contributed 10% or more of the Group's revenue and are attributable to the segments as detailed below:

| | Attributable segments | Group | |
|------------|-----------------------|----------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Customer 1 | A&A and Others | 11,562 | 38,671 |
| Customer 2 | A&A | 10,772 | – |

Geographical information

The Group's revenues and non-current assets from external customers derived predominantly from customers in Singapore. The non-current assets of the Group are predominantly located in Singapore.

37 SUBSEQUENT EVENT

On 19 November 2020, one of the subsidiaries, ISOTeam C&P Pte. Ltd., had incorporated an associate, ISOTeam FP Pte. Ltd. for a consideration of \$350 which represent 35% shareholding of the Company. The principal business of the associate is the provision of other specialised construction and related activities.

38 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Group for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors dated 7 December 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 24 NOVEMBER 2020

SHARE CAPITAL

| | | | | | |
|--|---|--------------|-----------------|---|------------------|
| Issued and fully paid capital | – | \$44,801,091 | Class of shares | – | Ordinary shares |
| Total number of shares in issue (excluding treasury shares) | – | 348,352,231 | Voting rights | – | 1 vote per share |
| Number of treasury shares | – | 14,359 | | | |

The Company does not have any subsidiary holdings.

0.004% of the total number of issued ordinary shares of the Company (excluding treasury shares) were held as treasury shares.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 32.80% of the total number of issued ordinary shares are held in the hands of the public as at 24 November 2020 and therefore Rule 723 of the Catalist Rules is complied with.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 24 NOVEMBER 2020

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|-----------------------|------------------------|---------------|--------------------|---------------|
| 1 – 99 | 0 | 0.00 | 0 | 0.00 |
| 100 – 1,000 | 40 | 3.97 | 22,300 | 0.01 |
| 1,001 – 10,000 | 280 | 27.81 | 2,004,900 | 0.57 |
| 10,001 – 1,000,000 | 663 | 65.84 | 50,830,312 | 14.59 |
| 1,000,001 and above | 24 | 2.38 | 295,494,719 | 84.83 |
| Total | 1,007 | 100.00 | 348,352,231 | 100.00 |

STATISTICS OF SHAREHOLDINGS

AS AT 24 NOVEMBER 2020

TWENTY LARGEST SHAREHOLDERS AS AT 24 NOVEMBER 2020

| | NAME OF SHAREHOLDER | NO. OF SHARES | % |
|----|--|--------------------|--------------|
| 1 | CITIBANK NOMINEES SINGAPORE PTE LTD | 117,268,900 | 33.66 |
| 2 | ADD INVESTMENT HOLDING PTE LTD | 79,954,406 | 22.95 |
| 3 | NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED | 15,896,556 | 4.56 |
| 4 | PHILLIP SECURITIES PTE LTD | 11,363,566 | 3.26 |
| 5 | KOH THONG HUAT | 7,682,000 | 2.21 |
| 6 | NG CHENG LIAN | 7,682,000 | 2.21 |
| 7 | CHEN TIN LEOW | 7,000,064 | 2.01 |
| 8 | DBS NOMINEES PTE LTD | 6,173,600 | 1.77 |
| 9 | CHUA HONG HUAY | 5,490,800 | 1.58 |
| 10 | LIM CHIEW HOE | 5,079,366 | 1.46 |
| 11 | UOB KAY HIAN PTE LTD | 4,284,200 | 1.23 |
| 12 | LIM KIM HOCK | 3,812,000 | 1.09 |
| 13 | CGS-CIMB SECURITIES (SINGAPORE) PTE LTD | 3,012,804 | 0.86 |
| 14 | WONG CHUN WENG | 2,787,084 | 0.80 |
| 15 | RAFFLES NOMINEES (PTE) LIMITED | 2,782,800 | 0.80 |
| 16 | OCBC SECURITIES PRIVATE LTD | 2,598,964 | 0.75 |
| 17 | CLARISSA CHOH SOK PHENG (CLARISSA ZOU SHUPING) | 2,476,200 | 0.71 |
| 18 | ABN AMRO CLEARING BANK N.V. | 2,222,500 | 0.64 |
| 19 | LIM JIT CHANG (LIN RICHANG) | 1,848,000 | 0.53 |
| 20 | LEE LAI HENG BRIAN | 1,320,300 | 0.38 |
| | TOTAL: | 290,736,110 | 83.46 |

SUBSTANTIAL SHAREHOLDERS

| NAME OF SUBSTANTIAL SHAREHOLDERS | DIRECT INTEREST | | DEEMED INTEREST | |
|---|-----------------|------------------|-----------------|------------------|
| | NO. OF SHARES | % ⁽¹⁾ | NO. OF SHARES | % ⁽¹⁾ |
| ADD Investment Holding Pte. Ltd. ⁽²⁾ | 79,954,406 | 22.95 | 40,000,000 | 11.48 |
| Ng Cheng Lian ⁽³⁾ | 7,682,000 | 2.21 | 119,954,406 | 34.43 |
| Koh Thong Huat ⁽³⁾ | 7,682,000 | 2.21 | 119,954,406 | 34.43 |
| Foo Joon Lye ^{(3), (4)} | – | – | 127,636,406 | 36.64 |
| Taisei Oncho Co., Ltd ⁽⁵⁾ | – | – | 62,500,000 | 17.94 |

Notes:

⁽¹⁾ Based on the issued share capital of the Company of 348,352,231 shares (excluding treasury shares and subsidiary holdings) as at 24 November 2020.

⁽²⁾ ADD Investment Holding Pte. Ltd. is deemed to be interested in 40,000,000 shares in the capital of the Company held by Citibank Nominees Singapore Pte Ltd as its nominee.

⁽³⁾ Ng Cheng Lian, Koh Thong Huat and Foo Joon Lye hold the total issued share capital of ADD Investment Holding Pte. Ltd. in equal proportion. Each of them is therefore deemed to be interested in all the shares in the capital of the Company held by ADD Investment Holding Pte. Ltd. under Section 7 of the Companies Act, Chapter 50.

⁽⁴⁾ Foo Joon Lye is deemed to be interested in 7,682,000 shares in the capital of the Company held by Citibank Nominees Singapore Pte Ltd as his nominee.

⁽⁵⁾ Taisei Oncho Co., Ltd is deemed to be interested in 62,500,000 shares in the capital of the Company held by Citibank Nominees Singapore Pte Ltd as the nominee of its custodian.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of ISOTEAM LTD. (the “Company”) will be held by way of electronic means on Tuesday, 29 December 2020 at 10.00 a.m., for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 30 June 2020 together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To approve the payment of Directors’ fees of \$147,735 for the financial year ending 30 June 2021, to be paid quarterly in arrears (FY2020: \$147,735). **(Resolution 2)**
3. To re-elect Mr Ng Cheng Lian, a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 3)**
(see explanatory note 1)
4. To re-elect Mr Tan Eng Ann, a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 4)**
(see explanatory note 2)
5. To re-elect Mr Ryota Fukuda, a Director retiring pursuant to Regulation 117 of the Company’s Constitution. **(Resolution 5)**
(see explanatory note 3)
6. To re-appoint Baker Tilly TFW LLP as auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

7. That pursuant to Section 161 of the Companies Act, Chapter 50 (“Companies Act”) and Rule 806 of the Listing Manual Section B: Rules of Catalist (“Catalist Rules”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors be authorised and empowered to: **(Resolution 7)**
 - (a) (i) allot and issue shares in the share capital of the Company (“Shares”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may at their absolute discretion deem fit; and
 - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a *pro rata* basis to shareholders of the Company does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
- (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;

Adjustments in accordance with sub-paragraphs (2)(a) and (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), the Companies Act and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company at a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(see explanatory note 4)

8. That pursuant to Section 161 of the Companies Act, the Directors be authorised to grant awards in accordance with the provisions of the ISOTeam Performance Share Plan ("**ISOTeam PSP**") and to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the awards granted under the ISOTeam PSP, provided always that the aggregate number of Shares to be allotted and issued pursuant to the ISOTeam PSP when added to the number of Shares issued and issuable in respect of all awards granted under the ISOTeam PSP, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.

(Resolution 8)

(see explanatory note 5)

9. That:
- (a) for the purposes of Sections 76C and 76E of the Companies Act, the Directors be authorised to exercise all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or
 - (ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

(Resolution 9)

and otherwise in accordance with all other provisions of the Companies Act and the Catalist Rules as may for the time being be applicable (the "**Share Buyback Mandate**");

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

NOTICE OF ANNUAL GENERAL MEETING

(c) unless varied or revoked by the Company at a general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

- (i) the date on which the next AGM of the Company is held or is required by law to be held;
- (ii) the date on which purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

(d) for purposes of this Resolution:

“Prescribed Limit” means 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of passing of this Resolution unless the Company has, at any time during the Relevant Period (as hereinafter defined), effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding treasury shares and subsidiary holdings);

“Relevant Period” means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is earlier, after the date of this Resolution; and

“Maximum Price” in relation to a Share to be purchased, means the purchase price (excluding applicable brokerage, stamp duty, commission, goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price, where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, before the day on which the Market Purchase was made or, as the case may be, the day of making of the offer for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five market day period and the day on which the purchases are made;

“day of making of the offer” means the day on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“market day” means a day on which the SGX-ST is open for trading in securities, and

(e) any of the Directors be authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

(see explanatory note 6)

NOTICE OF ANNUAL GENERAL MEETING

10. That, subject to and contingent upon the passing of Resolution 4 by shareholders of the Company by appointing the Chairman of the AGM as proxy to vote at the AGM and the passing of Resolution 11 by shareholders of the Company by appointing the Chairman of AGM as proxy to vote at the AGM, excluding the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Catalist Rules): **(Resolution 10)**

- (a) the continued appointment of Mr Tan Eng Ann as an independent Director, for purposes of Rule 406(3)(d)(iii)(A) of the Catalist Rules (which will take effect from 1 January 2022) be approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following:
 - (i) the retirement or resignation of Mr Tan Eng Ann as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

(see explanatory note 2)

11. That, subject to and contingent upon the passing of Resolution 4: **(Resolution 11)**

- (a) the continued appointment of Mr Tan Eng Ann as an independent Director, for purposes of Rule 406(3)(d)(iii)(B) of the Catalist Rules (which will take effect from 1 January 2022) be approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following:
 - (i) the retirement or resignation of Mr Tan Eng Ann as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution,

provided that this Resolution shall only be proposed and voted upon if Resolution 10 is passed by shareholders of the Company by appointing the Chairman of the AGM as proxy to vote at the AGM.

(see explanatory note 2)

12. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Wee Woon Hong
Teo Teck Sing
Company Secretaries

14 December 2020
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Mr Ng Cheng Lian will, upon re-election as a Director, remain as the Executive Chairman. Please refer to the "Information on Directors seeking Re-election" section of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.
2. Mr Tan Eng Ann will, upon re-election as an independent Director, remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees of the Company. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules. Please refer to the "Information on Directors seeking Re-election" section of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

Ordinary Resolutions 10 and 11 proposed in items 10 and 11 respectively above are in anticipation of Rule 406(3)(d)(iii) of the Catalist Rules which will take effect from 1 January 2022 and provide that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the directors and the chief executive officer of the company, and their respective associates.

Mr Tan Eng Ann is an independent Director who will serve for more than nine years from 7 June 2022. Since Mr Tan Eng Ann is seeking re-election as a Director at the AGM, the Company is proposing to seek, at the same time, the requisite approvals from shareholders for his continued appointment as an independent Director. Please refer to the "Report of Corporate Governance" section of the Annual Report of the Company for the Board's review of the independence of Mr Tan Eng Ann.

3. Mr Ryota Fukuda will, upon re-election as a Director, remain as a Non-executive Director. Please refer to the "Information on Directors seeking Re-election" section of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.
4. Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company at a general meeting, whichever is earliest, to allot and issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a *pro rata* basis to shareholders of the Company.
5. Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company at a general meeting, whichever is earliest, to allot and issue Shares pursuant to the awards granted under the ISO Team PSP up to a number not exceeding, in total, 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.
6. Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company at a general meeting, whichever is earliest, to make purchases (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate are set out in greater detail in the Addendum accompanying this notice.

Notes:

To minimise physical interactions and COVID-19 transmission risks, members will not be able to attend the AGM in person. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

Printed copies of this notice and the accompanying Annual Report and Proxy Form will NOT be sent to members. Instead, these documents will be made available to members solely by electronic means via publication on the Company's website at <http://isoteam.listedcompany.com/> and the SGXNET at <https://www.sgx.com/securities/company-announcements?value=ISOTEAM%20LTD.&type=company>.

Alternative arrangements relating to members' participation at the AGM are:

- (a) observing and/or listening to the AGM proceedings contemporaneously via a live webcast and live audio feed of the AGM proceedings ("**Live AGM Webcast**" and "**Live AGM Audio Feed**", respectively);
- (b) submitting questions in advance in relation of the resolutions set out in the notice of AGM; and
- (c) appointing the Chairman of the AGM as proxy to attend and vote on their behalf at the AGM.

Members will be able to participate in the AGM in the manner set out below.

Live AGM Webcast and Live AGM Audio Feed:

In light of the above developments, the Company is arranging for the Live AGM Webcast and the Live AGM Audio Feed which will take place on 29 December 2020 at 10.00 a.m. in place of the physical AGM. Members will be able to watch or listen to the AGM proceedings through the Live AGM Webcast or the Live AGM Audio Feed via mobile phone, tablet, computer or any such electronic device. The Company will not accept any physical attendance by members. Any member seeking to attend the AGM physically in person will be turned away.

NOTICE OF ANNUAL GENERAL MEETING

In order to do so, members must pre-register online at <https://agm.conveneagm.com/isoteamagm2020> by 10.00 a.m. on 27 December 2020 (the **"Registration Deadline"**), being not less than 48 hours before the time appointed for holding the AGM, to enable the Company to verify their members' status.

Following the verification and upon the closure of pre-registration, authenticated members will receive email instructions to access the Live AGM Webcast and the Live AGM Audio Feed of the AGM proceedings by 10.00 a.m. on 28 December 2020 (being 24 hours before the time appointed for holding the AGM).

Members are reminded that the AGM proceedings are private. Accordingly, members must not forward the abovementioned email instructions to other persons who are not members and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live AGM Webcast and the Live AGM Audio Feed.

Members who register by the Registration Deadline but do not receive the abovementioned email instructions by 10.00 a.m. on 28 December 2020 may contact the Company's technical support by email at ir@iso-team.com for assistance.

Persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act), including investors who buy Shares using SRS monies, and who wish to participate in the AGM should, in addition to pre-registering online, contact their respective relevant intermediaries (which would include SRS Operators) through which they hold such Shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

Submission of Questions in Advance:

Please note that members will not be able to raise questions at the AGM during the Live AGM Webcast or the Live AGM Audio Feed, and therefore it is important for members to pre-register their participation in order to be able to submit their questions in advance of the AGM.

Members may submit questions relating to the resolutions set out in the notice of AGM in advance (a) by post to the registered office of the Company at 8 Changi North Street 1, ISO Team Building, Singapore 498829; or (b) by email to ir@iso-team.com. All questions must be submitted by 10.00 a.m. on 26 December 2020 (being 72 hours before the time appointed for holding the AGM).

Members who wish to submit their questions by post or by email are required to indicate their full names (for individuals)/company names (for corporates), NRIC/passport/company registration numbers, contact numbers, shareholding types and number of Shares held together with their submission of questions, to the office address or email address provided.

Persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act), including SRS investors, can also submit their questions related to the resolutions to be tabled for approval at the AGM based on the abovementioned instructions.

The Company will endeavour to address the substantial and relevant questions before or during the AGM. The responses to questions from members will be posted on the SGXNET and the Company's website soonest possible before the AGM, or if answered during the AGM, to be included in the minutes of the AGM which will be published on the SGXNET and the Company's website within one month after the date of the AGM.

Submission of Proxy Forms to Vote:

Members will not be able to vote online or through the Live AGM Webcast or the Live AGM Audio Feed on the resolutions to be tabled for approval at the AGM. Members who wish to exercise their votes must submit a Proxy Form to appoint the Chairman of the AGM to cast votes on their behalf.

Members (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to their manner of voting, or abstention from voting, in the Proxy Form, failing which the appointment will be treated as invalid.

The Chairman of the AGM, as proxy, need not be a member of the Company.

The Proxy Form must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

The Proxy Form, duly executed together with the power of attorney or other authority, if any, under which the Proxy Form is signed or a notarially certified copy of that power of attorney or other authority (failing previous registration with the Company), must be submitted:

- (a) by post to the registered office of the Company at 8 Changi North Street 1, ISO Team Building, Singapore 498829;
- (b) by email to ir@iso-team.com; or
- (c) via the member's account following registration at <https://agm.conveneagm.com/isoteamagm2020>,

in each case, not less than 48 hours before the time appointed for holding the AGM, i.e. by 10.00 a.m. on 27 December 2020. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation, members are strongly encouraged to submit completed Proxy Forms electronically via email.

Persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act), including SRS investors, who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries (which would include SRS Operators) through which they hold such Shares in order to submit their voting instructions at least seven working days before the AGM (i.e. by 10.00 a.m. on 17 December 2020) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a Proxy Form to appoint the Chairman of the AGM to vote on their behalf by 10.00 a.m. on 27 December 2020.

NOTICE OF ANNUAL GENERAL MEETING

The Company shall be entitled to reject the Proxy Form appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one Proxy Form).

A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

IMPORTANT NOTICE: Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGXNET. Members are advised to check the SGXNET regularly for updates on the AGM.

The Company wishes to thank all members for their patience and co-operation in enabling the Company to hold the AGM with the optimum safe distancing measures amidst the current COVID-19 pandemic.

Personal Data Privacy:

By (a) submitting a form appointing the Chairman of the AGM as proxy to attend and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via the Live AGM Webcast or the Live AGM Audio Feed, or (c) submitting any question prior to the AGM in accordance with this notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to observe the proceedings of the AGM and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions; and
- (iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities.

The member's personal data and its proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

This notice 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 notice, including the correctness of any of the statements or opinions made, or reports contained in this notice.

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.

This page has been intentionally left blank

ISOTEAM LTD.

(Company Registration Number 201230294M)
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

- (a) To minimise physical interactions and COVID-19 transmission risks, members will not be able to attend the AGM in person. Members (whether individual or corporate) must appoint the Chairman of the AGM as their proxy to attend and vote on their behalf at the AGM if such members wish to exercise their voting rights at the AGM.
- (b) Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live webcast or live audio feed), submission of questions in advance of the AGM, addressing of substantial and relevant questions before or at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the notice of AGM dated 14 December 2020.
- (c) SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective SRS Operators to submit their votes by 10.00 a.m. on 17 December 2020.

I/We*, _____ (Name) (NRIC/Passport/Registration number* _____)

of _____ (Address) being a Member/members* of **ISOTEAM LTD.** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM of the Company to be held by electronic means on Tuesday, 29 December 2020 at 10.00 a.m. and at any adjournment thereof to vote for, against or abstain from the resolutions to be proposed at the AGM as indicated hereunder. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.**

| NO. | RESOLUTIONS | FOR** | AGAINST** | ABSTAIN** |
|-----|--|-------|-----------|-----------|
| | ORDINARY BUSINESS | | | |
| 1. | To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2020 together with the Independent Auditor's Report thereon | | | |
| 2. | To approve the payment of Directors' fees of \$147,735 for the financial year ending 30 June 2021, to be paid quarterly in arrears | | | |
| 3. | To re-elect Mr Ng Cheng Lian as a Director of the Company | | | |
| 4. | To re-elect Mr Tan Eng Ann as a Director of the Company | | | |
| 5. | To re-elect Mr Ryota Fukuda as a Director of the Company | | | |
| 6. | To re-appoint Baker Tilly TFW LLP as auditor of the Company and to authorise the Directors to fix its remuneration | | | |
| | SPECIAL BUSINESS | | | |
| 7. | To authorise the Directors to allot and issue shares and convertible securities | | | |
| 8. | To authorise the Directors to grant awards and to allot and issue shares in accordance with the provisions of the ISOTeam Performance Share Plan | | | |
| 9. | To approve the renewal of Share Buyback Mandate | | | |
| 10. | To approve the continued appointment of Mr Tan Eng Ann as an independent Director, for purposes of Rule 406(3)(d)(iii)(A) of the Catalist Rules (which will take effect from 1 January 2022) | | | |
| 11. | To approve the continued appointment of Mr Tan Eng Ann as an independent Director, for purposes of Rule 406(3)(d)(iii)(B) of the Catalist Rules (which will take effect from 1 January 2022) | | | |

* Delete accordingly

** If you wish to exercise all your votes "For", "Against" or "Abstain", please indicate with a tick [✓] within the boxes provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2020

| Total number of Shares in | Number of Shares |
|---------------------------|------------------|
| (a) Depository Register | |
| (b) Register of Members | |

Signature(s) or Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.
2. To minimise physical interactions and COVID-19 transmission risks, members will not be able to attend the AGM in person. Members (whether individual or corporate) must appoint the Chairman of the AGM as their proxy to attend and vote on their behalf at the AGM if such members wish to exercise their voting rights at the AGM. Where the members (whether individual or corporate) appoint the Chairman of the AGM as their proxy, they must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
3. The Chairman of the AGM, being a proxy, need not be a member of the Company.
4. This instrument appointing a proxy, duly executed, must be submitted (a) by post to the registered office of the Company at 8 Changi North Street 1, ISOTeam Building, Singapore 498829; (b) by email to ir@iso-team.com; or (c) via the member's account following registration at <https://agm.conveneagm.com/isoteamagm2020>, not less than 48 hours before the time appointed for holding the AGM. In view of the current COVID-19 situation, members are strongly encouraged to submit completed proxy forms electronically via email.
5. This instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
6. Where this instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.
7. Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50, including investors who buy shares using SRS monies, and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries, including SRS Operators, to submit their voting instructions at least seven working days before the AGM (i.e. by 10.00 a.m. on 17 December 2020) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.
8. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act, Chapter 50.
9. The Company shall be entitled to reject this instrument appointing a proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this instrument appointing a proxy, the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 14 December 2020.

This page has been intentionally left blank

This page has been intentionally left blank

CORPORATE INFORMATION

BOARD OF DIRECTORS

David Ng Cheng Lian
(Executive Chairman)

Anthony Koh Thong Huat
(Executive Director and
Chief Executive Officer)

Danny Foo Joon Lye
(Executive Director)

Ryota Fukuda
(Non-Executive Director)

Tan Eng Ann
(Lead Independent Director)

Soh Chun Bin
(Independent Director)

Ng Kheng Choo
(Independent Director)

AUDIT COMMITTEE

Tan Eng Ann (Chairman)
Soh Chun Bin
Ng Kheng Choo

NOMINATING COMMITTEE

Ng Kheng Choo (Chairman)
Tan Eng Ann
Soh Chun Bin

REMUNERATION COMMITTEE

Soh Chun Bin (Chairman)
Tan Eng Ann
Ng Kheng Choo

COMPANY SECRETARY

Wee Woon Hong, LLB (Hons)
Ben Teo Teck Sing, CA Singapore

REGISTERED OFFICE

8 Changi North Street 1
ISOteam Building
Singapore 498829
T: 65 6747 0220
F: 65 6747 0110

SPONSOR

Hong Leong Finance Limited
16 Raffles Quay
#01-05 Hong Leong Building
Singapore 048581

SHARE REGISTRAR

**Tricor Barbinder Share
Registration Services**
80 Robinson Road, #02-00
Singapore 068898

AUDITOR

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778
Partner-in-charge:
Ong Kian Guan, CA Singapore
(Appointed since reporting year
ended 30 June 2018)

INVESTOR RELATIONS

ISOteam Ltd.
E: ir@iso-team.com

August Consulting
101 Thomson Road
#30-02 United Square
Singapore 307591
T: 65 6733 8873
E: isoteam@august.com.sg

WEBSITE

www.isoteam.com.sg



ISOTEAM LTD.

8 Changi North Street 1
ISOTeam Building
Singapore 498829
T : +65 6747 0220
F : +65 6747 0110
W: www.isoteam.com.sg