



ISOTEAM LTD.

(Company Registration No. 201230294M)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 31 DECEMBER 2017

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

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

1(a)(i) Unaudited Consolidated Income Statement and Statement of Comprehensive Income for the Second Quarter ("2QFY2018) and Period Ended 31 December 2017 ("6MFY2018")

	Group				Group		
	Note	Three Months Ended		Change	Six Months Ended		Change
		31.12.17 (Unaudited) \$'000	31.12.16 (Unaudited) \$'000		31.12.17 (Unaudited) \$'000	31.12.16 (Unaudited) \$'000	
Income Statement							
Revenue		23,751	23,995	(1.0)	48,859	44,754	9.2
Cost of sales		(18,757)	(16,035)	17.0	(39,428)	(32,122)	22.7
Gross profit		4,994	7,960	(37.3)	9,431	12,632	(25.3)
Other income	(a)	459	525	(12.6)	973	1,066	(8.7)
Marketing and distribution expenses		(460)	(153)	200.7	(839)	(542)	54.8
General and administrative expenses		(3,337)	(4,394)	(24.1)	(6,028)	(7,483)	(19.4)
Finance costs		(207)	(120)	72.5	(371)	(240)	54.6
Other operating expenses		(132)	(47)	180.9	(222)	(171)	29.8
Profit before tax	(b)	1,317	3,771	(65.1)	2,944	5,262	(44.1)
Tax credit/ (expense)		89	(652)	(113.7)	(122)	(1,016)	(88.0)
Profit for the period		1,406	3,119	(54.9)	2,822	4,246	(33.5)
Profit attributable to:							
Equity holders of the Company		1,888	3,091	(38.9)	3,398	4,068	(16.5)
Non-controlling interests		(482)	28	N/M	(576)	178	N/M
		1,406	3,119	(54.9)	2,822	4,246	(33.5)

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

	Group				Group			
	Note	Three Months Ended		Change	Six Months Ended		Change	
		31.12.17	31.12.16		31.12.17	31.12.16		
		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)		
	\$'000	\$'000	%	\$'000	\$'000	%		
Statement of Comprehensive Income								
Profit for the period		1,406	3,119	(54.9)	2,822	4,246	(33.5)	
Other comprehensive income:								
<i>Items that may be reclassified subsequently to profit or loss:</i>								
Foreign currency translation gain/ (loss)		7	(14)	(150.0)	8	(14)	(157.1)	
Other comprehensive income for the period, net of tax		7	(14)	(150.0)	8	(14)	(157.1)	
Total comprehensive income for the period		1,413	3,105	(54.5)	2,830	4,232	(33.1)	
Total comprehensive income attributable to:								
Equity holders of the Company		1,893	3,084	(38.6)	3,404	4,061	(16.2)	
Non-controlling interests		(480)	21	N/M	(574)	171	N/M	
		1,413	3,105	(54.5)	2,830	4,232	(33.1)	

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

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

		Group			Group		
		Three Months Ended			Six Months Ended		
		31.12.17	31.12.16	Change	31.12.17	31.12.16	Change
		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
		\$'000	\$'000	%	\$'000	\$'000	%
(a)	<u>Other income</u>						
	Government grants	207	205	1.0	553	324	70.7
	Gain on disposal of property, plant and equipment	49	35	40.0	50	127	(60.6)
	Interest income	22	75	(70.7)	50	185	(73.0)
	Administrative income	20	91	(78.0)	69	129	(46.5)
	Foreign exchange gain	2	45	(95.6)	2	79	(97.5)
	Sales of spare parts	-	-	-	42	31	35.5
	Others	159	74	114.9	207	191	8.4
		459	525		973	1,066	
(b)	<u>Profit before tax</u>						
	This is arrived at after charging/(crediting):						
	Audit fees payable/paid to auditor of the Company	53	51	3.9	103	106	(2.8)
	Depreciation of property, plant and equipment	731	541	35.1	1,471	1,077	36.6
	Net (gain)/loss on disposal of property, plant and equipment	(49)	3	N/M	(19)	(89)	(78.7)
	Property, plant and equipment written off	1	17	(94.1)	1	17	(94.1)
	Amortisation of intangible assets	444	202	119.8	1,476	777	90.0
	Amortisation of fair value adjustment on contract work-in-progress	-	70	(100.0)	-	106	(100.0)
	Bad debts written back	-	(11)	(100.0)	-	(11)	(100.0)
	Allowance for doubtful receivables	27	702	(96.2)	27	697	(96.1)
	Bad debts written off	-	11	(100.0)	-	11	(100.0)

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

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

1(b)(i) Statements of Financial Position

	Group		Company	
	As at 31.12.17	As at 30.06.17	As at 31.12.17	As at 30.06.17
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	\$'000	\$'000	\$'000	\$'000
Assets				
<u>Non-current assets</u>				
Property, plant and equipment	31,156	29,725	-	-
Intangible assets	3,452	4,650	-	-
Investment in subsidiaries	-	-	36,581	35,767
Goodwill	2,658	2,658	-	-
Other investments	6,455	6,462	5,000	5,000
	43,721	43,495	41,581	40,767
<u>Current assets</u>				
Due from customers for contract work-in progress	24,230	20,332	-	-
Inventories	443	271	-	-
Trade and other receivables	26,040	23,265	12,586	9,456
Cash and bank balances	14,108	14,830	844	1,303
Total current assets	64,821	58,698	13,430	10,759
Total assets	108,542	102,193	55,011	51,526
<u>Non-current liabilities</u>				
Bank borrowings	13,172	11,701	-	-
Finance lease liabilities	1,538	1,752	-	-
Other payable	600	600	600	600
Deferred tax liabilities	1,190	1,575	-	-
Total non-current liabilities	16,500	15,628	600	600
<u>Current liabilities</u>				
Due to customers for contract work-in-progress	2,337	2,371	-	-
Bank borrowings	9,228	6,408	5,320	3,179
Trade and other payables	18,784	17,887	4,755	3,991
Finance lease liabilities	942	972	-	-
Tax payables	658	158	6	-
Total current liabilities	31,949	27,796	10,081	7,170
Total liabilities	48,449	43,424	10,681	7,770
Net assets	60,093	58,769	44,330	43,756

	Group		Company	
	As at 31.12.17	As at 30.06.17	As at 31.12.17	As at 30.06.17
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	\$'000	\$'000	\$'000	\$'000
Share capital and reserves				
Share capital	29,618	29,618	29,618	29,618
Treasury shares	(782)	(562)	(782)	(562)
Accumulated profits	37,464	36,038	15,391	14,597
Foreign currency translation reserve	14	8	-	-
Merger reserve	(7,338)	(7,338)	-	-
Other reserves	(4)	(4)	103	103
Equity attributable to equity holders of the Company	58,972	57,760	44,330	43,756
Non-controlling interests	1,121	1,009	-	-
Total equity	60,093	58,769	44,330	43,756

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

	Group		Group	
	As at 31.12.17		As at 30.06.17	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	10,170	-	7,380	-
Amount repayable after one year	14,710	-	13,453	-
	24,880	-	20,833	-

Details of any collaterals

- (a) Bank borrowings amounting to \$22.4 million are secured by:
- (i) Charges over fixed deposit;
 - (ii) Mortgage over the Group's leasehold properties;
 - (iii) First fixed charge over receivables arising from invoices financed directly or indirectly over the account in which the receivables are deposited; and
 - (iv) Corporate guarantee from the Company and a subsidiary.
- (b) Finance lease obligations of the Group amounting to \$2.5 million are secured by the rights to the leased equipment, machineries and motor vehicles. Certain directors of the Company have provided personal guarantees for certain finance lease liabilities.

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

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

	Note	Group		Group	
		Three Months Ended		Six Months Ended	
		31.12.17	31.12.16	31.12.17	31.12.16
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Profit before income tax		1,317	3,771	2,944	5,262
Adjustment for: -					
Depreciation of property, plant and equipment		731	541	1,471	1,077
Net (gain)/loss on disposal of property, plant and equipment		(49)	3	(19)	(89)
Property, plant and equipment written off		1	17	1	17
Amortisation of intangible assets		444	202	1,476	777
Amortisation of fair value adjustment on contract work-in-progress		-	70	-	106
Allowance for doubtful receivables		27	702	27	697
Bad debts written back		-	(11)	-	(11)
Bad debts written off		-	11	-	11
Interest income		(22)	(75)	(50)	(185)
Interest expense		191	124	333	226
Operating cash flows before working capital changes		2,640	5,355	6,183	7,888
Contract work-in-progress		(5,680)	(7,172)	(3,932)	(3,901)
Inventories		39	(32)	(172)	11
Trade and other receivables		(3,212)	1,299	(3,009)	590
Trade and other payables		2,415	587	867	(5,403)
Cash (used in)/ generated from operations		(3,798)	37	(63)	(815)
Interest received		21	68	57	184
Interest paid		(191)	(124)	(333)	(226)
Tax paid		(3)	(633)	(7)	(633)
Net cash used in operating activities		(3,971)	(652)	(346)	(1,490)
Cash flows from investing activities					
Additions to intangible assets		(60)	-	(60)	-
Purchases of property, plant and equipment		(2,046)	(352)	(2,918)	(686)
Proceeds from disposal of property, plant and equipment		266	141	313	310
Net cash used in investing activities		(1,840)	(211)	(2,665)	(376)

1(c)(i) Consolidated Statement of Cash Flows (Con't)

	Note	Group		Group	
		Three Months Ended		Six Months Ended	
		31.12.17	31.12.16	31.12.17	31.12.16
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		\$'000	\$'000	\$'000	\$'000
Cash flows from financing activities					
Dividend paid		(1,972)	(2,135)	(1,972)	(2,135)
Purchase of treasury shares		-	(1,392)	(220)	(1,392)
Capital contributed by non-controlling interest		196	298	686	298
Due to related parties (non-trade)		39	-	39	-
Fixed deposits pledged to banks		(2)	-	(1,106)	-
Fixed deposits released from pledge		-	500	-	500
Drawdown of bank borrowings		3,526	910	9,396	1,505
Repayment of bank borrowings		(4,502)	(158)	(4,978)	(314)
Repayment of finance lease		(259)	(235)	(535)	(455)
Net cash (used in) / generated from financing activities		(2,974)	(2,212)	1,310	(1,993)
Net decrease in cash and cash equivalents		(8,785)	(3,075)	(1,701)	(3,859)
Cash and cash equivalents at beginning of financial period		20,406	31,575	13,322	32,359
Cash and cash equivalents at end of financial period		11,621	28,500	11,621	28,500

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

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

	Group		Group	
	Three Months Ended		Six Months Ended	
	31.12.17	31.12.16	31.12.17	31.12.16
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$'000	\$'000	\$'000	\$'000
Cash in hand and at bank	10,159	18,250	10,159	18,250
Fixed deposits	3,949	11,539	3,949	11,539
	14,108	29,789	14,108	29,789
Less: Fixed deposits pledged	(2,345)	(1,289)	(2,345)	(1,289)
Less: Bank overdrafts	(142)	-	(142)	-
	11,621	28,500	11,621	28,500

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

Group	Attributable to equity holders of the Group								
	Share capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Foreign Currency translation reserve \$'000	Other reserves \$'000	Accumulated Profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2016	29,618	(373)	(7,338)	1	(151)	31,726	53,483	429	53,912
Profit and total comprehensive income for the period	-	-	-	-	-	977	977	150	1,127
Balance at 30 September 2016	29,618	(373)	(7,338)	1	(151)	32,703	54,460	579	55,039
Profit for the period	-	-	-	-	-	3,091	3,091	28	3,119
Other comprehensive income									
Foreign currency translation loss	-	-	-	(7)	-	-	(7)	(7)	(14)
Other comprehensive income for the period, net of tax	-	-	-	(7)	-	-	(7)	(7)	(14)
Total comprehensive income for the period	-	-	-	(7)	-	3,091	3,084	21	3,105
Contribution by and distributions to equity holders									
Dividend	-	-	-	-	-	(2,135)	(2,135)	-	(2,135)
Purchase of treasury shares	-	(1,392)	-	-	-	-	(1,392)	-	(1,392)
	-	(1,392)	-	-	-	(2,135)	(3,527)	-	(3,527)
Changes in ownership interest in subsidiary									
Incorporation of a subsidiary	-	-	-	-	-	-	-	298	298
	-	-	-	-	-	-	-	298	298
Total transactions with equity holders of the Company	-	(1,392)	-	-	-	(2,135)	(3,527)	298	(3,229)
Balance at 31 December 2016	29,618	(1,765)	(7,338)	(6)	(151)	33,659	54,017	898	54,915

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Con't)

Group	Attributable to equity holders of the Group								Total equity \$'000
	Share capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Foreign Currency translation reserve \$'000	Other reserves \$'000	Accumulated Profits \$'000	Total \$'000	Non-controlling interests \$'000	
Balance at 1 July 2017	29,618	(562)	(7,338)	8	(4)	36,038	57,760	1,009	58,769
Profit for the period	-	-	-	-	-	1,510	1,510	(94)	1,416
Other comprehensive income									
Foreign currency translation gain	-	-	-	1	-	-	1	-	1
Other comprehensive income for the period, net of tax	-	-	-	1	-	-	1	-	1
Total comprehensive income for the period	-	-	-	1	-	1,510	1,511	(94)	1,417
Contribution by and distributions to equity holders									
Purchase of treasury shares	-	(220)	-	-	-	-	(220)	-	(220)
	-	(220)	-	-	-	-	(220)	-	(220)
Change in ownership interest in subsidiary									
Incorporation of a subsidiary	-	-	-	-	-	-	-	490	490
	-	-	-	-	-	-	-	490	490
Total transactions with equity holders of the Company	-	(220)	-	-	-	-	(220)	490	270
Balance at 30 September 2017	29,618	(782)	(7,338)	9	(4)	37,548	59,051	1,405	60,456

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Con't)

Group	Attributable to equity holders of the Group								
	Share capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 Oct 2017	29,618	(782)	(7,338)	9	(4)	37,548	59,051	1,405	60,456
Profit for the period	-	-	-	-	-	1,888	1,888	(482)	1,406
Other comprehensive income									
Foreign currency translation gain	-	-	-	5	-	-	5	2	7
Other comprehensive income for the period, net of tax	-	-	-	5	-	-	5	2	7
Total comprehensive income for the period	-	-	-	5	-	1,888	1,893	(480)	1,413
Contribution by and distributions to equity holders									
Dividend	-	-	-	-	-	(1,972)	(1,972)	-	(1,972)
	-	-	-	-	-	(1,972)	(1,972)	-	(1,972)
Change in ownership interest in subsidiary									
Incorporation of a subsidiary	-	-	-	-	-	-	-	196	196
	-	-	-	-	-	-	-	196	196
Total transactions with equity holders of the Company	-	-	-	-	-	(1,972)	(1,972)	196	(1,776)
Balance at 31 December 2017	29,618	(782)	(7,338)	14	(4)	37,464	58,972	1,121	60,093

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Con't)

Company	Attributable to equity holders of the Company							
	Share Capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2016	29,618	(373)	-	(44)	5,623	34,824	-	34,824
Profit and total comprehensive income for the period	-	-	-	-	102	102	-	102
Balance at 30 September 2016	29,618	(373)	-	(44)	5,725	34,926	-	34,926
Profit and total comprehensive income for the period	-	-	-	-	5,709	5,709	-	5,709
Contribution by and distributions to equity holders								
Dividend	-	-	-	-	(2,135)	(2,135)	-	(2,135)
Purchase of treasury shares	-	(1,392)	-	-	-	(1,392)	-	(1,392)
	-	(1,392)	-	-	(2,135)	(3,527)	-	(3,527)
Balance at 31 December 2016	29,618	(1,765)	-	(44)	9,299	37,108	-	37,108

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Con't)

Company	Attributable to equity holders of the Company							
	Share Capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2017	29,618	(562)	-	103	14,597	43,756	-	43,756
Profit and total comprehensive income for the period	-	-	-	-	579	579	-	579
Contribution by and distributions to equity holders								
Purchase of treasury shares	-	(220)	-	-	-	(220)	-	(220)
	-	(220)	-	-	-	(220)	-	(220)
Balance at 30 September 2017	29,618	(782)	-	103	15,176	44,115	-	44,115
Profit and total comprehensive income for the period	-	-	-	-	2,059	2,059	-	2,059
Contribution by and distributions to equity holders								
Dividend	-	-	-	-	(1,844)	(1,844)	-	(1,844)
	-	-	-	-	(1,844)	(1,844)	-	(1,844)
Balance at 31 December 2017	29,618	(782)	-	103	15,391	44,330	-	44,330

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

	Financial Year 2018		Financial Year 2017	
	Issued Ordinary Shares (excluding Treasury Shares)	Treasury Shares	Issued Ordinary Shares (excluding Treasury Shares)	Treasury Shares
As at 1 July	284,387,041	1,479,549	284,665,956	1,200,634
Share buyback during the financial period	(625,000)	625,000	(3,543,000)	3,543,000
As at 31 December	283,762,041	2,104,549	281,122,956	4,743,634
Percentage (%) of treasury shares against total number of shares outstanding as at 31 December		0.7%		1.7%

There were no subsidiary holdings and outstanding convertible instruments which may be converted to shares as at 31 December 2017 and 31 December 2016.

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

	Company	
	As at 31.12.17	As at 30.06.17
Number of ordinary shares issued and fully paid	285,866,590	285,866,590
Treasury shares	(2,104,549)	(1,479,549)
Number of ordinary shares issued and fully paid (excluding treasury shares)	283,762,041	284,387,041

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

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial information for the current financial period as those used in the audited financial statements for the financial year ended 30 June 2017, except for the adoption of certain revised Financial Reporting Standards ("FRS") which are effective for the financial period commencing 1 July 2017. The adoption of these FRS has no material impact on the Group's financial information.

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

Please refer to paragraph 4 above.

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

Earnings per share ("EPS")	Group		Group	
	Three Months Ended		Six Months Ended	
	31.12.17	31.12.16	31.12.17	31.12.16
Profit attributable to equity holders of the Company (\$'000)	1,888	3,091	3,398	4,068
Weighted average number of ordinary shares ⁽¹⁾	283,762,041	283,101,630	284,035,546	283,883,793
Basic and diluted EPS based on weighted average number of ordinary shares (cents)⁽²⁾	0.67	1.09	1.20	1.43

Notes:

- (1) The calculation for the basic and diluted EPS for the respective financial period is based on the weighted average number of ordinary shares in issue during the financial periods.
- (2) The basic and diluted EPS were the same as the Group did not have any potentially dilutive instruments for the respective financial periods.

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

Net asset value ("NAV")	Group		Company	
	As at	As at	As at	As at
	31.12.17	30.06.17	31.12.17	30.06.17
NAV (\$'000)	58,972	57,760	44,330	43,756
Number of ordinary shares	283,762,041	284,387,041	283,762,041	284,387,041
NAV per ordinary share (cents)	20.78	20.31	15.62	15.39

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF FINANCIAL PERFORMANCE

Revenue	Group					Group				
	Three Months Ended					Six Months Ended				
	31.12.17		31.12.16		Change	31.12.17		31.12.16		Change
	\$'000	%	\$'000	%	%	\$'000	%	\$'000	%	%
R&R	4,642	19.5	6,166	25.7	(24.7)	12,005	24.6	10,692	23.9	12.3
A&A	11,769	49.6	9,667	40.3	21.7	22,012	45.0	17,260	38.6	27.5
C&P	2,004	8.4	3,908	16.3	(48.7)	4,894	10.0	8,191	18.3	(40.3)
Others ⁽¹⁾	5,336	22.5	4,254	17.7	25.4	9,948	20.4	8,611	19.2	15.5
	23,751	100.0	23,995	100.0	(1.0)	48,859	100.0	44,754	100.0	9.2

Note:

- (1) Others included revenue from commercial interior designs ("ID"), home retrofitting business, landscaping works, leasing service, waterproofing, green solutions business, mechanical & electrical engineering works and handyman service.

Revenue

2QFY2018 vs 2QFY2017

Group revenue decreased by \$0.2 million or 1.0% from \$24.0 million in 2QFY2017 to \$23.8 million in 2QFY2018.

Revenue contribution from the Group's R&R business decreased by \$1.6 million or 24.7% from \$6.2 million in 2QFY2017 to \$4.6 million in 2QFY2018, due to lower revenue recognition.

Revenue contribution from the Group's A&A business segment increased by \$2.1 million or 21.7% from \$9.7 million in 2QFY2017 to \$11.8 million in 2QFY2018.

Revenue contribution from the Group's C&P business segment decreased by \$1.9 million or 48.7% from \$3.9 million in 2QFY2017 to \$2.0 million in 2QFY2018, due to lower revenue recognition.

Revenue contribution from the Group's Others business segment increased by \$1.0 million or 25.4% from \$4.3 million in 2QFY2017 to \$5.3 million in 2QFY2018.

6MFY2018 vs 6MFY2017

The Group's revenue increased by \$4.1 million or 9.2% from \$44.8 million in 6MFY2017 to \$48.9 million in 6MFY2018.

Revenue contribution from the Group's R&R business segment increased by \$1.3 million or 12.3% from \$10.7 million in 6MFY2017 to \$12.0 million in 6MFY2018.

Revenue contribution from the Group's A&A business segment increased by \$4.7 million or 27.5% from \$17.3 million in 6MFY2017 to \$22.0 million in 6MFY2018.

Revenue contribution from the Group's C&P business segment decreased by \$3.3 million or 40.3% from \$8.2 million in 6MFY2017 to \$4.9 million in 6MFY2018, due to lower revenue recognition.

Revenue contribution from the Group's Others business segment increased by \$1.3 million or 15.5% from \$8.6 million in 6MFY2017 to \$9.9 million in 6MFY2018.

Gross profit and gross profit margin

2QFY2018 vs 2QFY2017 & 6MFY2018 vs 6MFY2017

The Group's gross profit decreased by \$3.0 million or 37.3% from \$8.0 million in 2QFY2017 to \$5.0 million in 2QFY2018 and decreased by \$3.2 million or 25.3% from \$12.6 million in 6MFY2017 to \$9.4 million in 6MFY2018. The decrease was mainly due to lower margin contributed by R&R and Others business segments.

Marketing and distribution expenses

2QFY2018 vs 2QFY2017 & 6MFY2018 vs 6MFY2017

The Group's marketing and distribution expenses increased by \$0.3 million or 200.7% from \$0.2 million in 2QFY2017 to \$0.5 million in 2QFY2018 and increased by \$0.3 million or 54.8% from \$0.5 million in 6MFY2017 to \$0.8 million in 6MFY2018. The increase was mainly due to increase in business entities arising from acquisition of a subsidiary and incorporation of new subsidiaries.

General and administrative expenses

2QFY2018 vs 2QFY2017 & 6MFY2018 vs 6M2017

The Group's general and administrative expenses decreased by \$1.1 million or 24.1% from \$4.4 million in 2QFY2017 to \$3.3 million in 2QFY2018 and decreased by \$1.5 million or 19.4% from \$7.5 million in 6MFY2017 to \$6.0 million in 6MFY2018. The decrease was mainly due to absence of one-time costs incurred in relation to allowance for doubtful receivables for a customer under receivership in last financial period and decrease in staff related expenses.

Finance costs

2QFY2018 vs 2QFY2017 & 6M2018 vs 6MFY2017

The Group's finance costs increased by \$0.1 million or 72.5% from \$0.1 million in 2QFY2017 to \$0.2 million in 2QFY2018 and increased by \$0.2 million or 54.6% from \$0.2 million in 6MFY2017 to \$0.4 million in 6MFY2018. The increase was mainly attributable to interest incurred for utilisation of revolving loan and property loan for the purchase of the Group's new corporate office.

Profit before tax

2QFY2018 vs 2QFY2017 & 6MFY2018 vs 6MFY2017

As a result of the above, the Group recorded a profit before tax of \$1.3 million in 2QFY2018 and \$2.9 million in 6MFY2018 as compared to a profit before tax of \$3.8 million in 2QFY2017 and \$5.3 million in 6MFY2017.

Tax expenses

2QFY2018 vs 2QFY2017 & 6MFY2018 vs 6MFY2017

The Group's tax expenses decreased by \$0.6 million or 113.7% from \$0.7 million in 2QFY2017 to \$0.1 million in 2QFY2018 and decreased by \$0.9 million or 88.0% from \$1.0 million in 6MFY2017 to \$0.1 million in 6MFY2018. The decrease was mainly due to decrease in business profit and deferred tax expenses.

REVIEW OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets increased by \$0.2 million or 0.5% from \$43.5 million as at 30 June 2017 to \$43.7 million as at 31 December 2017, mainly due to the acquisition of property, plant and equipment ("PPE"), which was partially offset by the depreciation of PPE, disposal of PPE and amortisation of intangible assets.

Current assets

The increase in current assets of \$6.1 million or 10.4% from \$58.7 million as at 30 June 2017 to \$64.8 million as at 31 December 2017 was attributed mainly due to the increase in amounts due from customers for contract work-in-progress and trade and other receivables, which were partially offset by decrease in cash and bank balances.

Non-current liabilities

The increase in non-current liabilities of \$0.9 million or 5.8% from \$15.6 million as at 30 June 2017 to \$16.5 million as at 31 December 2017 was mainly due to the drawdown of bank borrowings, which were partially offset by decrease in finance lease liabilities and deferred tax liabilities.

Current liabilities

The increase in current liabilities of \$4.1 million or 14.7% from \$27.8 million as at 30 June 2017 to \$31.9 million as at 31 December 2017 was mainly due to the increase in trade and other payables, tax payables and drawdown of bank borrowings.

REVIEW OF STATEMENT OF CASH FLOWS

Net cash used in operating activities

2QFY2018 and 6MFY2018

Net cash used in operating activities amounted to \$4.0 million in 2QFY2018 and \$0.3 million in 6MFY2018 which was mainly due to increase in contract work-in-progress and trade and other receivables which were partially offset by increase in operating cash flow before changes in working capital and trade and other payables.

Net cash used in investing activities

2QFY2018 and 6MFY2018

Net cash used in investing activities amounted to \$1.8 million in 2QFY2018 and \$2.7 million in 6MFY2018 mainly due to the purchase of PPE which was partially offset by proceeds from disposal of PPE.

Net cash (used in)/ generated from financing activities

2QFY2018

Net cash used in financing activities of \$3.0 million was mainly due to dividend payment, repayment of bank borrowings and finance lease which were partially offset by capital contributed by non-controlling interest and drawdown of bank borrowings.

6MFY2018

Net cash generated from financing activities of \$1.3 million was mainly due to drawdown of bank borrowings and capital contributed by non-controlling interest which were partially offset by dividend payment, purchase of treasury shares, fixed deposits pledged to banks and repayment of bank borrowings and finance lease.

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

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

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

For FY2018, the Group expects the market conditions to remain challenging. Nevertheless, the Group believes it is in a strong strategic position to seize business opportunities given its established track record and multi-disciplinary capabilities in the built environment. As at 31 January 2018, the Group's order book remains healthy at \$80.7 million which will be progressively delivered over the next two years.

ISOTeam continues to see opportunities in the R&R and A&A segments in Singapore, supported by Government-led estate rejuvenation schemes including Neighbourhood Renewal Programme ("NRP") and the HDB's Home Improvement Programme ("HIP"). Approximately 101,000 flats have undergone HIP works since the programme was launched in 2007 and works are currently in progress for another 139,400 homes. Remaining eligible flats will be selected by the end of 2018 and more than 300,000 flats are expected to benefit from HIP by the end of the programme. In addition, the Group is also keen to secure more projects from newly acquired customers in the public sector especially the government ministries.

In the private sector, ISOTeam is actively pursuing opportunities in the A&A and C&P segments by leveraging its considerable expertise, growing track record and strong business network. The Group recently completed a multi-million-dollar A&A project, involving the change of use of a restaurant on level 57 of Sands Skypark Tower 1. Backed by the Group's solid track record of assisting in the retrofitting high quality and prestigious high-end restaurants and nightclub at

Marina Bay Sands and Resort World Sentosa, ISOTeam is poised to seize greater growth opportunities in retrofitting Food and Beverage sector as more restaurants seek to transform their dining concepts.

The Group's handyman services have continued to grow and in November 2017, the Group incorporated ISO-Homecare with a joint venture partner to champion this segment of the business. The Group holds a 51% stake in the entity.

Following the successful implementation of floating wetland systems at Punggol Waterways, HDB is planning to introduce such systems at lakes and quarry parks throughout Singapore. Through its participation in this pilot project, the Group is optimistic of its prospects of securing more large scale eco-projects in the future.

The Group's capability and vast experience in property maintenance and estate rejuvenation, coupled with its familiarity with HDB/Town Council environment, gave ISOTeam the edge in securing its first landscaping and horticulture term contract with two Town Councils to bring in regular and stable returns.

Going forward, ISOTeam will undertake to develop two strategic Divisions namely Cleaning and Conservancy Division and Energy Management Contract Division to leverage on the Group's networks of property consultants, developers and owners to go into facilities maintenance and green building certification business.

The Group's relocation to its new corporate headquarters in Changi is expected to be fully completed by the first quarter of 2018. With this centralisation and consolidation of operations, the Group expects its overall cost and operational efficiencies as well as productivity to be improved in the future.

11 Dividend

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

No.

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for 6MFY2018.

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

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

- 14** Confirmation by the Company Pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720(1) of the Listing Manual of the SGX-ST.

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

We, David Ng Cheng Lian and Anthony Koh Thong Huat, being the directors of the Company, do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial information for 6MFY2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

David Ng Cheng Lian
Executive Chairman
12 February 2018

Anthony Koh Thong Huat
Chief Executive Officer

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

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

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.