



POISED FOR  
**GREATER** ISOTEAM LTD.  
ANNUAL REPORT  
2018

**G R O W T H**





# OUR VALUES

## PEOPLE DEVELOPMENT

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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

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

# POISED FOR GREATER

ISOTEAM LTD.  
ANNUAL REPORT  
2018

# G R O W

# H

## 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

### 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 co-operation 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"). The Sponsor has not independently verified the contents of this annual report. 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 Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581. Telephone (65) 6415 9886.



## CORPORATE PROFILE

Founded in 1998 and listed on Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") (Ticker: 5WF) on 12 July 2013, ISOTeam Ltd. is an established and leading player in Singapore's building maintenance and estate upgrading industry.

With two decades of Repairs & Redecoration ("R&R") and Addition & Alteration ("A&A") experience, we have successfully undertaken approximately 422 refurbishment and upgrading projects for approximately 4,280 buildings since inception. 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") subsidiaries.

An eco-conscious company, we integrate 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 solar technology for the marine environment. Aligned to this, the Group also began offering an environmentally sustainable bike sharing service in 2017 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 for the public housing sector, and for SKK for Jurong Town Corporation ("JTC") and Housing & Development Board ("HDB") industrial projects and army camps.

For more information, please visit [www.isoteam.com.sg](http://www.isoteam.com.sg).

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# OUR BUSINESS

## COMPLETE SOLUTIONS FOR THE BUILT ENVIRONMENT

With fully integrated multi-disciplinary capabilities, ISOTeam is well-positioned to deliver solutions that enhance, create and sustain Singapore's built environment.

### Cyclical and Life Cycle Maintenance

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

### Eco-Friendly Solutions

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

### 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")

### Access Equipment Services

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

### Landscaping & Horticulture

- Vertical gardens
- Horticulture services and maintenance
- Floating wetland systems
- Niche landscaping services
- Gardening and landscaping maintenance (private condominiums)

### Specialist Coating and Building Restoration System

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

### Handyman Services

- Home care and upgrading
- General repairs and maintenance

### Architectural & Engineering Solutions

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

### M&E Services

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

### Interior Decoration and Retrofitting

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

### Green Mobility Solution

- First bicycle sharing company in Singapore to utilise Geostation technology
- Helps curb indiscriminate parking
- Mobile app: SG Bike / [www.sgbike.com.sg](http://www.sgbike.com.sg)

# CORPORATE STRUCTURE



**100%**  
• A&A



**100%**  
• A&A  
• R&R



**100%**  
• R&R



**100%**  
• Eco-friendly solutions/products



**100%**  
• Fireproofing coating  
• Floor-coating application  
• Specialist new build painting



**51%**  
• Interior fitting-out works

## COMING TOGETHER AS



**100%**  
• Reroofing  
• Waterproofing



**65.9%**  
• Electrical works  
• Renewables installation  
• Energy management contracts



**100%**  
• Specialist A&A  
• Architectural and commercial interior design



**100%**  
• Specialised coating & painting



**90%**  
• R&R in Myanmar



**100%**  
• Niche landscaping  
• Horticultural services  
• Landscape maintenance



**55%**  
• Interior design works in Malaysia



**51%**  
• Handyman services



**100%**  
• Rental/sale of height access equipment



**51%**  
• Singapore's first locally established bike sharing company

# CONSOLIDATING OUR STRENGTHS

We have won larger and higher profile projects in the private sector through our ability to cross-sell our services. Our most significant success to-date was a \$46.5 million contract from a leading integrated resort group in Singapore.







*ID project at Lavo Singapore, Marina Bay Sands*



# UNLOCKING NEW OPPORTUNITIES

Securing our first HIP project was a major breakthrough for us that required a combination of A&A, R&R, home maintenance and other capabilities.

With this as a stepping stone, we are primed to pursue new opportunities in the HIP space.



• Replacement of wire sockets with clothes drying rack, or replacement of ground floor fast-staircase landing rack if available.

• Upgrading of electrical supply (some projects could have the work done under a separate programme)

**Other Improvements**

Residents able to choose the optional improvements during the long period. This price and choose any item and only pay for them in advance.

The items include:  
• Replacement of entrance door (floor slabs) if applicable

• Replacement entrance gate (door panels) if applicable

• Replacement of white door topper

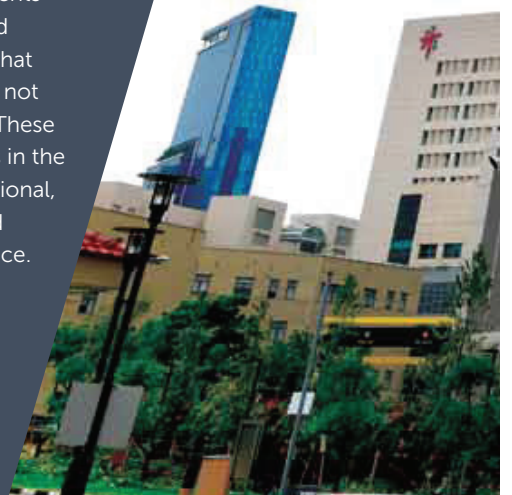
• "Living" package

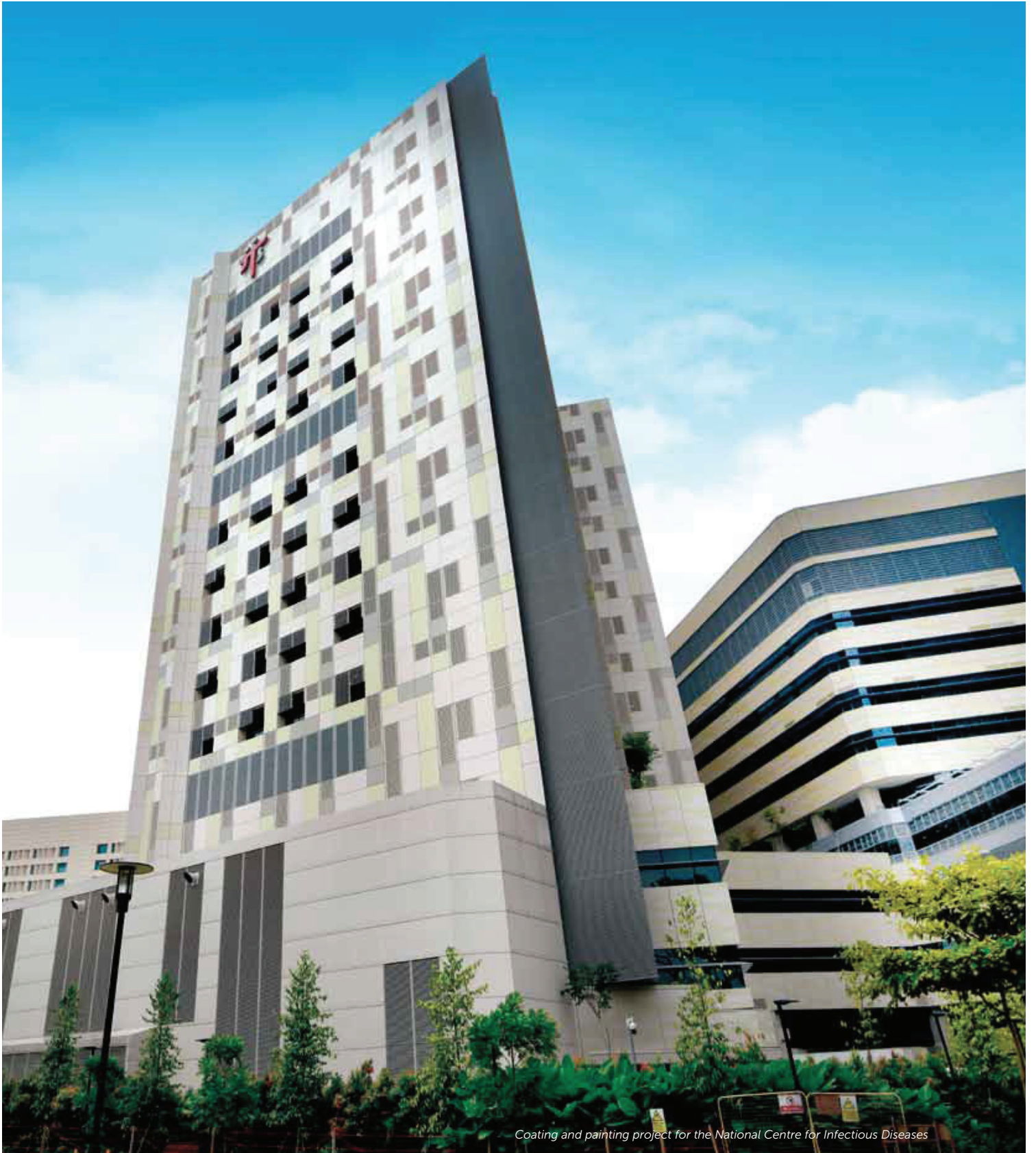


Tapping into government estate rejuvenation initiatives

# INCREASING OUR PRESENCE

ISOTeam has fulfilled its goal to break into untapped segments in the public and private sectors that were previously not available to us. These include projects in the medical, educational, recreational and commercial space.





*Coating and painting project for the National Centre for Infectious Diseases*



# INNOVATING FOR THE FUTURE

ISOTeam is an early mover and leading contractor in the renewable energy installation segment. We will continue to work closely with partners such as HDB and Sunseap to harness innovative technology to support sustainable development in Singapore.



*Installation of roof-top solar panel*

# CERTIFICATIONS & ACCOLADES



## ACCREDITATIONS

ISO 14001:2004<sup>(1)</sup>

bizSAFE Level Star

bizSAFE Level 3

OHSAS 18001:2007<sup>(1)</sup>

ISO 9001:2008<sup>(2)</sup>

OHSAS 18001:2007<sup>(2)</sup>

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

(2) For general building construction.



## ACCOLADES

**One Asia Awards 2015 – Distinguished Award**  
(Overall Winner)  
(awarded to CEO)

**2011 Successful Entrepreneur**  
(awarded to founders)

**BCA Green Mark Certification**  
(No. 57 Kaki Bukit Place)

**Singapore Green Building Council**  
(Member)

**BCA Green and Gracious Builder Award**  
(Excellent)

**Singapore Health Award**  
(Silver)



## BCA LICENSES

**General Building (CW01)**  
Grade B1 (≤\$40 million)

**Repairs and Redecoration (CR09)**  
Grade L5 (≤\$13 million)

**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 L5 (≤\$13 million)

**Waterproofing Installation (CR13)**  
Grade L3 (≤\$4 million)

**General Builder**  
Class 1



# 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)

**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 SECRETARIES

**Wee Woon Hong**, LLB (Hons)

**Lwin Lwin Aung**, 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:

Tiang Yii, CA Singapore  
(Appointed since reporting year  
ended 30 June 2017)

## INVESTOR RELATIONS

**ISOteam Ltd.**

E: [ir@iso-team.com](mailto:ir@iso-team.com)

**August Consulting**

101 Thomson Road  
#30-02 United Square  
Singapore 307591

T : 65 6733 8873

E : [isoteam@august.com.sg](mailto:isoteam@august.com.sg)

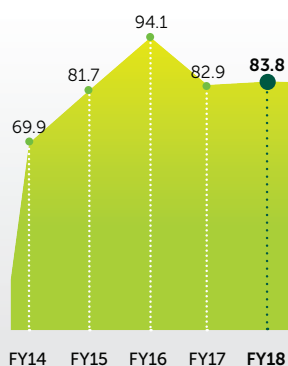
## WEBSITE

[www.isoteam.com.sg](http://www.isoteam.com.sg)

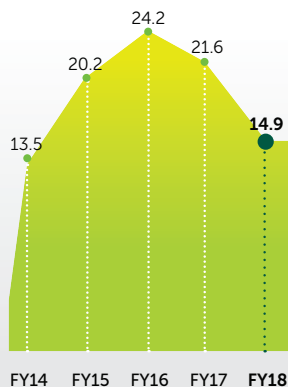
# FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 30 JUNE

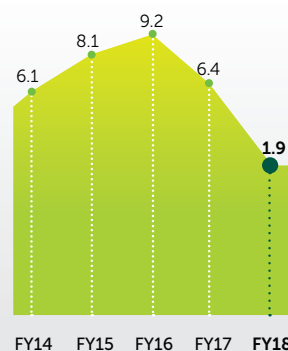
**REVENUE**  
(\$'m)



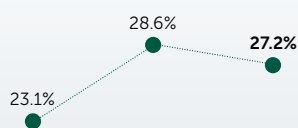
**GROSS PROFIT**  
(\$'m)



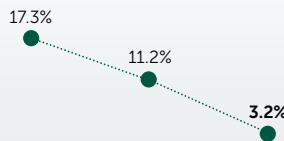
**NET ATTRIBUTABLE PROFIT**  
(\$'m)



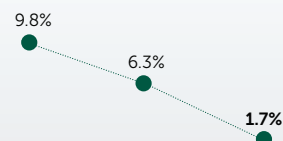
**DIVIDEND PAYOUT**  
(%)



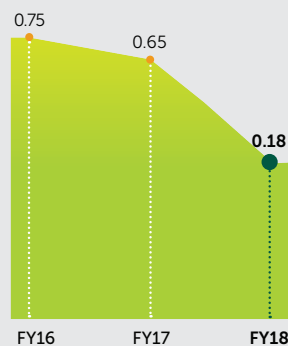
**RETURN ON EQUITY**  
(%)



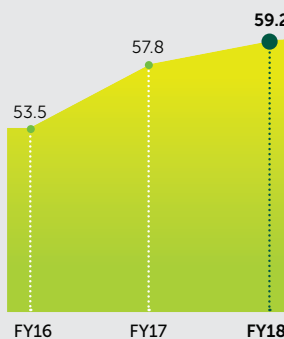
**RETURN ON ASSETS**  
(%)



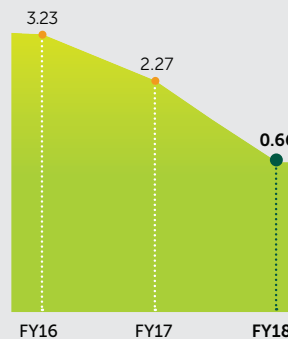
**DIVIDEND PER SHARE**  
(c)



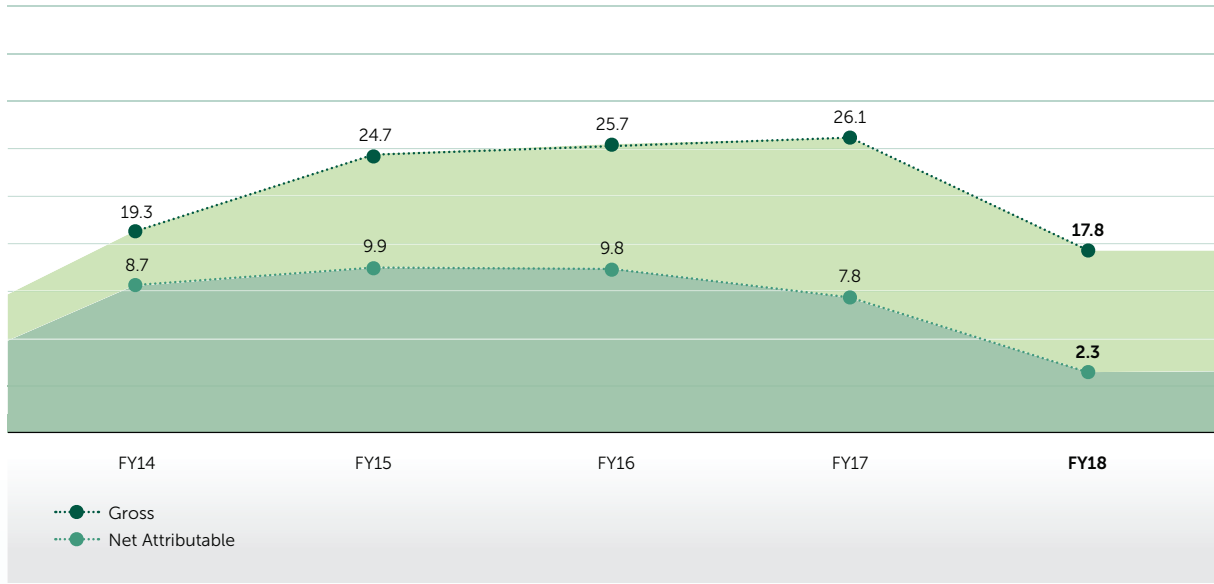
**SHAREHOLDERS' EQUITY**  
(\$'m)



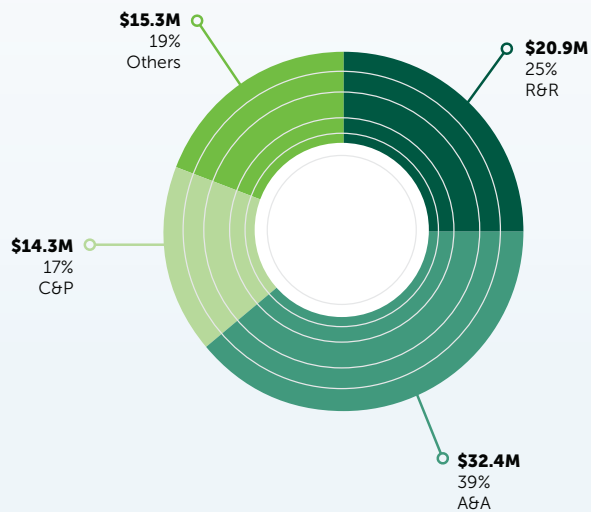
**EARNINGS PER SHARE**  
(c)



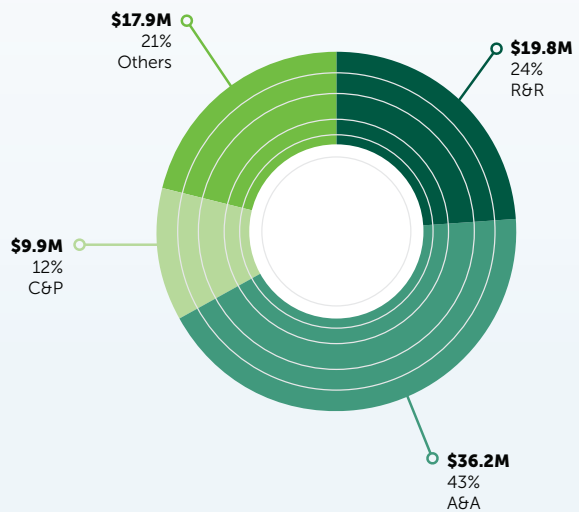
## PROFIT MARGINS (%)



### FY2017 REVENUE BY SEGMENT (%)



### FY2018 REVENUE BY SEGMENT (%)



# JOINT CHAIRMAN AND CEO MESSAGE



With the increasingly competitive landscape, we are more and more convinced that change is absolutely necessary in order to maintain a business that is sustainable and relevant to our customers.

Our strategy is to transform ISOteam from a mere R&R and A&A player into a multi-disciplinary provider of total maintenance solutions that offers our customers a unique value proposition.



## Dear Shareholders,

The 12 months ended 30 June 2018 ("FY2018") was a challenging year that also presented many new opportunities for our Group.

Our performance was affected by a reduction in the number and value of projects in our traditional painting-related segments – R&R and C&P – but yet at the same time our expanded capabilities had opened doors and allowed us to cross-sell our services and secure several notable projects in new segments and from customers that we did not have in the past.

In January 2017, we clinched our first Home Improvement Project ("HIP") from the Housing Development Board ("HDB") that was worth \$17.5 million. This was a major breakthrough and stepping stone for us as these are high-value multi-million contracts that are opened only to the most trusted contractors. It required a combination of A&A, R&R, home maintenance and other capabilities and for us, it was the strongest indication that we needed multi-disciplinary skills in order to stay ahead.



DAVID NG  
CHENG LIAN

ANTHONY KOH  
THONG HUAT

Since then, there have been several instances that attest to how the integration of our skillsets have paid off. In FY2018, we secured a contract in the region of \$46.5 million from a leading integrated resort group in Singapore. It was our biggest cross-selling success to-date as it required the deployment of almost all our capabilities.

As further testament that our private sector projects are getting larger and more high profile, we also completed a commercial interior design ("ID") project – Lavo Singapore at Marina Bay Sands in FY2018. In addition to the interior design work, it needed our mechanical and electrical engineering expertise and specialist coating and painting services. The restaurant was launched with extensive media coverage, which effectively showcased the work we had done at the establishment.

The aforementioned examples strongly affirm our strategy to transform the Group from just a R&R and A&A player into a multi-disciplinary provider of total maintenance solutions, which is what our customers are demanding. With the increasingly competitive landscape and tightening margins, we are more and more convinced that such change is absolutely necessary in order to maintain a business that is sustainable and relevant to our customers because it offers them a unique value proposition.

## Regaining Ground

Specific to the challenges in the R&R segment, we are working hard to regain ground and to turnaround our performance for the next financial year. We reviewed and revised our tendering strategy to be more competitive and to secure more R&R projects to maintain our market share.

Looking ahead, several key announcements in the Prime Minister's National Day Rally Speech bode well for our Group. The first is the expansion of the HIP programme to include HDB blocks that had been built prior to 1997, which will benefit another 230,000 flats. The programme was previously only available to blocks that had been built before 1986. The second is the introduction of HIP II, which will see every HDB flat being upgraded twice during their 99-year lease – HIP I at 30 years old and HIP II at about 60 to 70 years old. We are very excited about these announcements as it means that the HIP pie has gotten larger and this opens up more opportunities for us.

With an estimated 30 HIP projects a year and two of the Group's subsidiaries holding Building and Construction Authority ("BCA") licences that qualify them to tender for these projects, we will be given more chances to bid for more HIP projects moving forward.

Elsewhere in the region, our joint ventures in both Myanmar and Malaysia have stabilised and are starting to be revenue generative. In Myanmar, we expanded our scope beyond R&R to also offer residential ID to home owners. We will work closely with our partners to take these business units to the next stage of growth including exploring the possibility of extending our water- and fire-proofing services to Myanmar and our R&R services to Malaysia.

# JOINT CHAIRMAN AND CEO MESSAGE

We are also optimistic about the joint venture between our majority-owned subsidiary ISO-Integrated M&E Pte. Ltd. and leading Tokyo-based M&E provider Taisei Oncho Co. Ltd. (“TOC”), which specialises in helping clients save costs by redesigning and reengineering their electrical and mechanical framework with the use of the latest innovative technology. We look forward to tapping on their technology to boost our own skillsets.

Meanwhile, our bike sharing joint venture business, SG Bike, has successfully applied for a full licence in October 2018 to operate dockless bicycle rental services under the Land Transport Authority’s new licencing regime. Since the day we started, we have invested considerably in quality bikes and their technology and we expect this to differentiate us from the competition when the new rules kick in.

The Group also expects ongoing positive outcomes from the investment that we had put into Sunseap in May 2017 as it came with the agreement that ISOTeam will be engaged to undertake renewable installation projects it secures. In addition, we deepened our footprint in the installation of renewable energy and floating modules through a research collaboration agreement with the HDB to jointly develop offshore solar floating modules for the marine environment. We are optimistic that the recent announcement by BCA, that it was intensifying the push towards greener commercial buildings by launching the “Green Mark for Super Low Energy” movement, will translate into opportunities to offer our services in this area.



**We are working hard to regain ground and have reviewed and revised our tendering strategy to be more competitive and to secure more R&R projects. With this, our order book is at a record high of \$126.3 million as at 10 August 2018 and we are confident that ISOTeam’s long term prospects remain positive.”**



One of the most exciting events in FY2018 was the move to our new premises at Changi North in April 2018. With all our resources now integrated and consolidated under one roof, we look forward to the cost savings that we will enjoy as a result of shared functions such as finance and administration, in addition to savings on venue rental and dormitory costs. Such reductions in operational and administrative expenses are expected to be reflected in our next set of full year results. In the meantime, we are assessing the possibility of closing down or streamlining certain business units because of duplication in capabilities. We are also exploring avenues to improve productivity through job redesign and retraining, as well as investing in talent by upgrading the skills of workers who have performed well. With our new premises, we now have the opportunity to unlock the value of certain assets. These include the possible sale of two properties at Kaki Bukit and Serangoon, which we are considering.

## Sustainability Matters

We are including as part of this annual report, our inaugural sustainability report, which is guided by the Global Reporting Initiative (“GRI”) Standards: Core option. In this report, we provide insights into the way we do business, while highlighting our environmental, social, governance (“ESG”) and economic performance.

Apart from striving to conduct our business in an accountable and transparent manner, we are constantly seeking to find new and/or innovative ways to reduce our carbon footprint by preventing pollution, minimising waste and efficiently utilising resources in the course of our work. We are committed to maintain a sound sustainability reporting framework to fulfil our social responsibility and safeguard the interests of the Group’s stakeholders.

## Dividends

Despite the weaker performance in FY2018, the Group’s order book is at a record high of \$126.3 million (as at 10 August 2018), which will be delivered over the next two years. As such, the Board of Directors is confident that ISOteam’s long term prospects remain positive and has proposed a final tax-exempt, one-tier dividend of 0.18 Singapore cents per ordinary share for FY2018, representing a dividend payout ratio of 27.2% of our net attributable profit during the year.

## Appreciation

In closing, we would like to express our appreciation to all stakeholders for your support over the course of this challenging year. We will continue to leverage our multi-disciplinary capabilities to aggressively secure more projects in the private and public sectors.

We want to thank our business partners and customers for standing by us through both good and bad times, our entire workforce for their dedication and determination to complete their responsibilities to the best of their abilities, and to our shareholders for continuing to believe in our Company.

We also want to thank our fellow directors on the Board for their stewardship and guidance and the management team for executing the strategy and helping the Group to stay on course to achieve our corporate goals.

We hope to continue to work as a unified and cohesive team and do the best that we can to generate optimum results and returns for all stakeholders.

**David Ng,**  
*Executive Chairman*

**Anthony Koh,**  
*CEO*

# BOARD OF DIRECTORS

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**DAVID NG CHENG LIAN**  
Executive Chairman

Date of First Appointment: 12 Dec 2012  
Date of Last Re-election: 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 also 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 was in charge of work place 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

Date of First Appointment: 12 Dec 2012  
Date of Last Re-election: 27 Oct 2015

One of the co-founders of the Group, Mr Koh has around 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 ISO-Build 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

Date of First Appointment: 12 Dec 2012  
Date of Last Re-election: 25 Oct 2016

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 OHSAS18001:2007 standards. In addition, he heads our green products subsidiary, ISOTeam Green Solutions.

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.





**TAN ENG ANN**

Independent Director

Date of First Appointment: 7 Jun 2013  
Date of Last Re-election: 27 Oct 2017

Mr Tan is the Lead Independent Director and Chairman of the Audit Committee of the Group. He was formerly the executive director and the chief financial officer of SGX-ST Mainboard listed CWG International Ltd. (formerly known as R H Energy Ltd.) which was privatised in April 2018. 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

Date of First Appointment: 7 Jun 2013  
Date of Last Re-election: 27 Oct 2015

Mr Soh is Chairman of the Group's Remuneration Committee. He has over 17 years of experience in the legal and corporate finance sectors and specialises in capital markets transactions, mergers and acquisitions. He is currently a Director at Fortis Law Corporation and heads the Corporate Finance and Corporate Commercial Practice Group.

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. He left legal practice between May 2012 and February 2017 to head up various companies as chief executive.

Mr Soh has advised on many Singapore and international initial public offerings and on post-listing fund-raising, including secondary listings. 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 two SGX-ST Mainboard listed companies, Geo Energy Resources Limited and Triyards Holdings Limited.



**NG KHENG CHOO**

Independent Director

Date of First Appointment: 7 Jun 2013  
Date of Last Re-election: 25 Oct 2016

Ms Ng is Chairperson of the Group's Nominating Committee. She has extensive experience in mergers and acquisitions, investments, portfolio management, financing and accounting matters.

Ms Ng was chief financial officer of SingHaiyi Group Ltd since July 2013 and became its group chief operating officer overseeing the overall business operations and strategic development from July 2014 to September 2016. From 2012 to March 2013, she was previously general manager of investment (Singapore) for Sichuan Chuan Wei Group Co., Ltd, which is in real estate development, mining, cement, manufacturing of vanadium and steel products and logistics, and also headed investor relations for its Hong Kong-listed related corporation, China Vanadium Titano-Magnetite Mining Company Limited. Ms Ng was chief financial officer of SGX-ST Mainboard listed Sapphire Corporation Limited in 2007 and financial controller at Unigold International Pte Ltd from 2004 - 2006. She started her career with Deloitte & Touche, leaving as audit manager in 2003.

Ms Ng holds a Bachelor of Accountancy from Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants. She is currently Non-Executive Director of SGX-ST Mainboard listed OKH Global Ltd.

# EXECUTIVE OFFICERS



## **OR THIAM HUAT** Projects Director

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Mr Or has been the Group's Projects Director since 1999 and is responsible for the planning and execution of projects undertaken by the Group. 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 such as the NRP project at Yishun Avenues 6 and 11 and Yishun Ring Road in Nee Soon East Division. 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

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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

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*Standing from left*  
**Lim Kim Hock**  
**Albert Teng**  
**Lwin Lwin Aung**  
**Or Thiam Huat**  
**Chan Chung Khang**

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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 was handling 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.

### **ALBERT TENG** Chief Strategy Officer (CSO) and CEO (SG Bike)

Mr Teng became the Group's Chief Strategy Officer on 16 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 also became the CEO of the Group's 51%-owned subsidiary, SG Bike Pte. Ltd., Singapore's first locally established bike sharing company. Prior to his appointment to CSO, he was the General Manager of the Group's subsidiary, ISOTeam TMG Pte Ltd. Before joining ISOTeam, Mr Teng worked as an estate officer with the HDB from 1989 to 1990 and as a Town Council General Manager 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 of Civil Engineering with Honours. Mr Teng also holds a Master Degree in Business Administration from Nanyang Technological University.

### **LWIN LWIN AUNG** Chief Financial Officer (CFO)

Ms Lwin joined ISOTeam as finance manager in November 2012 and has been CFO since November 2015. With her experience in the accounting and financial fields, Ms Lwin is in charge of the Group's financial affairs 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, she was with Hong Hua Group Pte Ltd from 2011 to 2012 and with Yongnam Holdings Limited from 2007 to 2011. Previously, she founded an accountancy school that provided financial and accounting courses administered by the Association of Chartered Certified Accountants (ACCA) (UK) in Myanmar. Ms Lwin holds a professional degree from ACCA (UK) and she is also a member of the Institute of Singapore Chartered Accountants.

# BUSINESS DIVISION HEADS



## CHUA HOI TEK

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

Mr Chua is the founder and head of two of the Group's business units, ISO-Landscape and ISO Integrated M&E, formerly known as Rong Shun Landscape & Construction Pte. Ltd. and Rong Shun Engineering & Construction Pte Ltd respectively. He founded both companies about 10 years ago. Prior to setting up these companies, Mr Chua spent 22 years at a multinational corporation, 17 years of which were in senior managerial roles. Mr Chua graduated with a Bachelor of Engineering (Mechanical and Production Engineering) from 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 and 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 23 years of experience in the construction industry, he has completed projects for numerous agencies ranging from military and defence facilities, new build and addition & alteration of schools, nursing homes, sports and swimming complex, design & build of park connectors, HDB BTO flats, HDB electrical load upgrading and neighbourhood renewal programme, markets and hawker centres, various commercial and private projects. Mr Tan holds a Diploma in

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*Standing from left  
Kelvin Tan Meng Soo  
Chua Hoi Tek  
Cleon Lim Qin Kai  
Sam Chen  
Anders Teoh  
Dennis Chin Wai Tuck  
Jason Lim*

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Electrical Engineering awarded by Singapore Polytechnic in 1992 and he is also a Licensed Electrical Worker.

### **ANDERS TEOH KOK ANN**

Director  
(ISOTeam C&P)

Mr Teoh joined the Group's specialised coating and painting subsidiary, ISOTeam C&P, in 2002. With approximately 20 years of experience in the R&R industry, he has spearheaded numerous projects at ISOTeam C&P over the course of his career. These included R&R work for HDB blocks for the various Town Councils; public buildings such as churches, schools, community centres and libraries; MCST of commercial buildings, condominiums, industrial properties; as well as hotels and private residential properties. Mr Teoh holds a Bachelor of Building (Honours) from the University of South Australia and a Diploma in Building Management (with Merit) from Ngee Ann Polytechnic.

### **SAM CHEN**

Managing Director  
(ISOTeam Access) (ISOTeam C&P)

Mr Chen joined the Group's access provision subsidiary, 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 manages the Group's height access equipment and machinery provision business for numerous R&R projects in various market segments. They include projects for HDB housing blocks and private landed residential homes to institutional, industrial and

commercial buildings. In addition, Mr Chen is also a certified Safety Supervisor and a Work-At-Height Assessor and taps on this expertise to ensure a safe working environment within the Group.

### **DENNIS CHIN WAI TUCK**

Projects Director  
(Zara@ISOTeam)

Mr Chin joined the Group as the Projects Director of its interior design and fitting-out unit, Zara@ISOTeam in 2013. Backed by approximately 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 for many major multi-sector projects including the landmark Aloha at Loyang renovation contract. Mr Chin 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.

### **CLEON LIM QIN KAI**

Operations Manager  
(ISOTeam Green Solutions)

Mr Lim first joined the Group in 2010 as a project supervisor of its reroofing and waterproofing arm, ISO-Seal. He has spearheaded ISO-Seal since 2014. In July 2017, he was appointed Operations Manager of ISOTeam Green Solutions and tasked to manage its sales, operations and marketing functions. Mr Lim has participated in various industry-related leadership and managerial courses as well as attained professional certifications for Waterproofing Supervision;

ISO 9000 Internal Quality Audit for Quality, Occupational Health and Safety (2010); and Internal Auditor Training ISO 14001:2004 (2012).

### **JASON LIM CHIEW HOE**

Managing Director  
(ISOTeam TMG)

Mr Lim joined the Group's A&A, architectural and interior fitting-out for hospitality, industrial, commercial and retail specialist unit, ISOTeam TMG, in December 2015. With more than 30 years of experience in the interior construction industry, he played an instrumental role in growing the business during its early days into that of an award-winning architectural and interior construction company today. He oversees the key aspects of the unit's operations including tenders, management and review of project costs and budget, key materials procurement and the award of contracts to subcontractors. In addition, he also assists in the implementation of workflow and work processes in accordance to the latest market trends, and is responsible for the unit's business development as well. He holds a certificate in Construction Regulations and Management for Licensed Builders.

# OPERATING AND FINANCIAL REVIEW



R&R for Tekka Centre

Tekka Centre, which raised the total number of completed HUP projects under our belt to 38.

Along with many R&R jobs for residential properties, we also completed three commercial R&R projects that included The Supreme Court Building, Saint James' Church and Mimosa Park in FY2018.

As at 30 June 2018, we have 18 on-going R&R projects worth around \$32.2 million that we expect to complete by June 2019. These comprise mainly public sector contracts including paint jobs for around 117 HDB blocks and two market and food centres for several housing estates and building tradesmen and repair works. Private sector jobs included work for The Salvation Army and College of

## OPERATING REVIEW

### R&R

There were a few factors that had an impact on the performance of our R&R segment in FY2018. Our volume of book orders for R&R contracts were low in the first half of FY2017 which resulted in the Group completing fewer R&R contracts in FY2018 compared to previous years. There was also an overall dip in the size of R&R projects put up by the town councils for public tender last year with more L2-grade jobs in the \$1-2 million range, which is a highly competitive space with many smaller players, compared to L4-grade jobs in the \$3-5 million range. At the same time, some of our R&R jobs were categorised under our A&A division as part of NRP projects that also required repainting and repair works.

Against this backdrop, we completed eight R&R projects for 49 HDB blocks located in Pasir Ris-Punggol, Tanjong Pagar and Holland-Bukit Panjang town councils in FY2018 compared to 13 projects and 132 HDB blocks in FY2017. Under the HUP scheme, we completed two markets and food centres, Tiong Bahru Market and Food Centre and

Summary: Completed Projects (No.)	FY2018
<b>R&amp;R</b>	8
<b>A&amp;A</b>	14
<b>C&amp;P</b>	20
<b>Others</b>	27
- ID	8
- Landscaping	4
- Waterproofing	3
- Eco solutions	1
- M&E	10
- Fireproofing / Special Product	1

Summary: Ongoing Projects (No.)	FY2018
<b>R&amp;R</b>	18
<b>A&amp;A</b>	14
<b>C&amp;P</b>	41
<b>Others</b>	40
- ID	8
- Landscaping	12
- Waterproofing	2
- Eco solutions	3
- M&E	3
- Fireproofing / Special Product	12

Medicine at the Singapore General Hospital, and various industrial buildings and private residential properties.

## A&A

Our A&A segment performed well as we completed 14 A&A projects in FY2018 compared to nine projects in FY2017. They comprised five public sector jobs for approximately 78 blocks in Chua Chu Kang, Ang Mo Kio and Bishan-Toa Payoh town councils as well as Aloha Changi Resort - our second largest A&A project. We also completed nine projects in the private sector that included restaurants at Marina Bay Sands and Resorts World Sentosa among other commercial contracts.

As at 30 June 2018, we have 14 ongoing A&A projects amounting to approximately \$120.3 million which we expect to complete by September 2019. They include seven NRP projects for approximately 140 blocks, one HIP project for 19 blocks, and our first park connector project at Tanjong Rhu. In the private segment, we have a mega project for a leading resort in Singapore worth approximately \$46.5 million as well as some private residences.



R&R for The Salvation Army

## C&P

In FY2018, we completed 20 C&P projects compared to 10 projects in FY2017. We gained market share in the education and healthcare institution segment with the completion of works for Hwa Chong Institution, Singapore Management University, the Australian International School and the Assisi Hospice as well as continued to penetrate the industrial segment with a slew of contracts for factories and data centres in Singapore. In Myanmar, we completed two C&P projects as well.

As at 30 June 2018, we have 41 ongoing C&P projects, 10 of which are in Myanmar, valued at approximately \$17.7 million that are due for completion by June 2019, compared to 41 projects in FY2017. Significant projects include the National Centre for Infectious Diseases, Tampines Town Hub, the New State Court Building, Outram Community Hospital, Sengkang Community Hospital's SOC Building and Micron Semiconductor. We also have four infrastructure projects in hand for Changi Airport Terminal 1 and Bedok Town Park MRT station among others.



Landscaping for OUE Downtown Gallery

# OPERATING AND FINANCIAL REVIEW

## OTHERS

We completed 27 projects under our Others business segment in FY2018 and have 40 ongoing projects worth approximately \$36.5 million in the pipeline now compared to 20 completed projects and 32 ongoing projects in FY2017.

### Landscaping

We completed four landscaping projects in FY2018, and they included a park in the Tanglin area and two sites at the Punggol Waterway Park. As at 30 June 2018, we have 12 ongoing projects, compared to eight in FY2017. These include seven term contracts for landscape maintenance from various town councils which will run till March 2021, our first HDB built-to-order landscaping project at Bedok and AXA Tower among others. During the year, we also acquired Chinese Enterprise which positions us to penetrate the private condominium landscape maintenance business.

### Waterproofing

We completed three waterproofing jobs for 19 HDB blocks, an industrial building and a private residence in FY2018 compared to four projects in FY2017. As at 30 June 2018, we have two ongoing jobs for 53 HDB blocks, compared to four jobs in FY2017, which are slated for completion by October 2018.

### Eco-friendly Solutions

In FY2018, we completed one project for the installation of composite timber at Alexandra Canal compared to two projects in FY2017. We currently have three ongoing projects that are slated for



*Landscaping at Punggol Waterways*

completion by December 2020 including the installation of solar panels (40MWp) at 150 HDB blocks across Singapore.

Following the signing of a research collaboration agreement with the HDB, we are jointly working to develop solar floating modules for the marine environment. To-date, we have supplied 7,100 units of floating wetland modules to an offshore island.

Our Cockroaches and Odour Remover ("CnO") has made some progress with the NEA, who has cleared the first set of data for the approval of CnO as a botanical pesticide, bringing us closer to market commercialisation.

### SG Bike

Our bike sharing operations has been gaining momentum. As at August 2018, we have mobilised around 2,000 bikes, comprising mainly version 2 bikes which are lighter and easy for riders handle, and target to raise the fleet size to 3,000 by October 2018. In FY2018, we partnered with telco provider M1 as part of our efforts to improve our geostation technology and have approximately 3,000 stations to date. Moreover, we are the first shared bike company to apply for a full licence to operate dockless bicycle rental services under the LTA's new licencing regime and we expect to obtain LTA approval by October 2018.







### Handyman Services

ISOHomeCare was formally incorporated as a 51%-owned subsidiary in November in 2017. The unit is currently involved in our HIP project at Yishun Ring Road and Tampines Street 22 and many other private households.

### Mechanical and Electrical Engineering ("M&E")

Our M&E business took flight in January 2017 after we acquired ISO-Integrated M&E Pte. Ltd. (formerly known as Rong Shun Engineering & Construction Pte. Ltd.). Subsequently in March 2018, Taisei Oncho Co. Ltd. ("TOC"), a Japan-based M&E engineering firm listed on JASDAQ Securities Exchange, acquired a 34.1%

interest in ISO-Integrated M&E, thus kickstarting our partnership with them. Leveraging our partnership with TOC, we are currently exploring potential energy saving solutions with them.

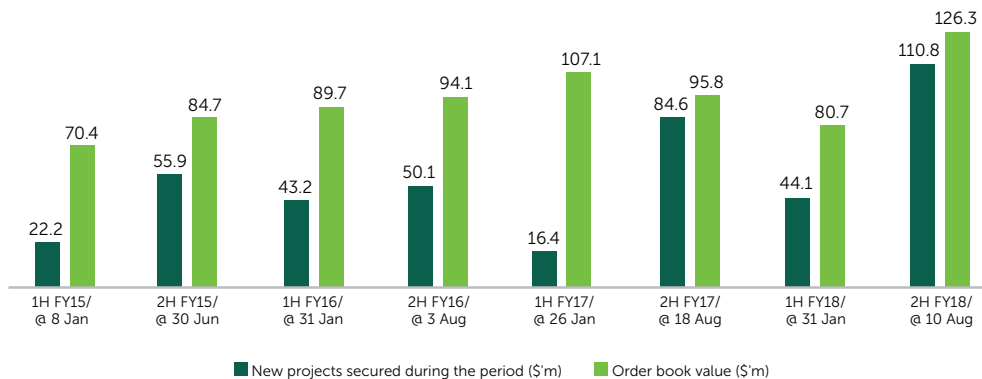
Compared to three projects in FY2017, we completed 10 M&E projects in FY2018, which were mainly for schools. As at 30 June 2018, we have three ongoing M&E jobs that we expect to complete by December 2020, compared to 10 projects in FY2017. These projects include the MOE Primary Education Review and Implementation (PERI) projects for four schools, nine HDB blocks in Jurong West and sub-stations in the Serangoon area.



Solar Panel installation at Toh Guan

## ORDER BOOK

Our order book is at an all-time high of \$126.3 million as at 10 August 2018 and will be progressively delivered over the next two years. Of the \$126.3 million, \$44.1 million was secured during the first half of FY2018, and \$110.8 million during the second half.



# OPERATING AND FINANCIAL REVIEW

## FINANCIAL REVIEW

### REVIEW OF INCOME STATEMENT

#### REVENUE

The Group's revenue increased slightly by \$0.9 million or 1.1% from \$82.9 million in FY2017 to \$83.8 million in FY2018 due to improved contribution from our A&A and Others business segments and partially offset by lower contribution from our R&R and C&P business segments due to lesser work performed during the year.

R&R accounted for 23.6% of our total revenue in FY2018. With eight completed projects, our revenue from this segment decreased by \$1.1 million or 5.4% from \$20.9 million in FY2017 to \$19.8 million in FY2018. This was due to a combination of factors that included fewer project completions during the year, intensified competition, and also some categorisation of R&R jobs under our A&A division as they were part of NRP projects.

A&A contributed 43.2% of our total revenue in FY2018. With 14 completed projects, A&A revenue increased by \$3.8 million or 11.9% from \$32.4 million in FY2017 to \$36.2 million in FY2018.

C&P accounted for 11.8% of the Group's revenue in FY2018. Our revenue from C&P decreased by 30.9% from \$14.3 million in FY2017 to \$9.9 million in FY2018. Even though we completed twice the number of C&P projects in FY2018 compared to FY2017, the value of these projects were lower.

Others accounted for 21.4% of our revenue in FY2018. This segment posted the strongest growth in FY2018, rising 16.9% from \$15.3 million in FY2017 to \$17.9 million on the back of 27 completed projects. In particular, the three stand-outs in FY2018 were our commercial ID, Landscaping, and Mechanical and Engineering divisions as momentum for these sub-units began to pick up after we acquired them.

#### PROFITABILITY

In FY2018, our gross profit decreased \$6.7 million or 31.2% to \$14.9 million while net attributable profit decreased \$4.5 million or 70.7% to \$1.9 million, compared to \$21.6 million and \$6.4 million respectively in FY2017. This was due to a generally more competitive environment, which resulted in lower project margins for certain segments.

Also, notwithstanding the slight revenue growth, the Group's fixed overhead costs remained constant as there were more business entities and employees due to past acquisitions. This included initial setup cost relating to our Myanmar, Malaysia and bike sharing operations, and equipment to support our expansion into the HIP segment. There were also some duplication of administrative functions and other resources prior to the centralisation of our operations at Changi North in April 2018.

#### OTHER INCOME AND EXPENSES

The Group's other income decreased by \$0.8 million or 30.1% from \$2.7 million in

FY2017 to \$1.9 million in FY2018. This was mainly attributable to a decrease in suppliers' rebate, lesser disposal of plant, property and equipment ("PPE") transactions and absence of one-off bargain on acquisition of a subsidiary.

Also, our general and administrative expenses decreased by \$1.4 million or 9.4% from \$15.1 million in FY2017 to \$13.7 million in FY2018, which was due mainly to the absence of one-time costs incurred in relation to allowance for doubtful receivables of a customer under receivership in FY2017.

Other operating expenses, however, increased by approximately \$86,000 or 24.4% from \$0.3 million in FY2017 to \$0.4 million in FY2018 from a rise in amortisation of intangible assets from the acquisition of a subsidiary. The Group's finance costs also increased by approximately \$77,000 or 15.6% from \$0.5 million in FY2017 to \$0.6 million in FY2018 due to finance cost relating to the purchase of our corporate office in Changi North.

Compared to a tax expense of \$0.3 million in FY2017, there was a negative tax expense of \$0.5 million in FY2018 largely from the utilisation of tax credits and decreased deferred tax expenses.

Income Statement	FY2018 (\$'000)	FY2017 (\$'000)	Change (\$'000)	Change (%)
<b>Revenue</b>				
- R&R	19,765	20,900	(1,135)	(5.4)
- A&A	36,236	32,385	3,851	11.9
- C&P	9,895	14,317	(4,422)	(30.9)
- Others	17,905	15,320	2,585	16.9
<b>Total revenue</b>	<b>83,801</b>	<b>82,922</b>	<b>879</b>	<b>1.1</b>
Cost of sales	(68,914)	(61,286)	7,628	12.4
Gross profit	14,887	21,636	(6,749)	(31.2)
Gross profit margin	17.8%	26.1%	-	(8.3)% points
Other Income	1,860	2,662	(802)	(30.1)
<b>Expenses</b>				
- Marketing and distribution	(1,813)	(1,375)	438	31.9
- General and administrative	(13,664)	(15,083)	(1,419)	(9.4)
- Finance costs	(570)	(493)	77	15.6
- Other operating expenses	(438)	(352)	86	24.4
<b>Profit before tax</b>	<b>262</b>	<b>6,995</b>	<b>(6,733)</b>	<b>(96.3)</b>
Tax credit/(expense)	520	(260)	(780)	(300.0)
<b>Profit for the year</b>	<b>782</b>	<b>6,735</b>	<b>(5,953)</b>	<b>(88.4)</b>
<b>Profit attributable to:</b>				
- Owners of the Company	1,889	6,447	(4,558)	(70.7)
- Non-controlling interest	(1,107)	288	(1,395)	NM
	782	6,735	(5,953)	(88.4)
Net attributable profit margin	2.3%	7.8%	-	(5.5)% points

## REVIEW OF FINANCIAL POSITION

### ASSETS

Our non-current assets increased by \$2.4 million or 5.5% from \$43.5 million as at 30 June 2017 to \$45.9 million as at 30 June 2018, mainly because of our PPE acquisition and partially offset by the depreciation and disposal of PPE, amortisation of intangible assets and redemption of other investments. Current assets increased by \$5.3 million or 9% from \$58.7 million as at 30 June 2017 to \$64.0 million

as at 30 June 2018. This was mainly due to the increase in the amount due from customers for contract work-in-progress and trade and other receivables, which were offset by a decrease in cash and bank balances.

### LIABILITIES

Our non-current liabilities increased marginally by \$111,000 or 0.7% from \$15.6 as at 30 June 2017 to \$15.7 million as at 30 June 2018 mainly due to the increase of bank borrowings and finance lease liabilities for the purchase of our corporate office

and PPE. Our current liabilities increased by \$4.8 million or 17.2% from \$27.8 million as at 30 June 2017 to \$32.6 million as at 30 June 2018 attributable mainly due to increases in amount due to customers for contract work-in-progress, bank borrowings and finance lease liabilities, which were partially offset by a decrease in trade and other payables.

# OPERATING AND FINANCIAL REVIEW

Statement of Financial Position	As at 30 June 2018 \$'000	As at 30 June 2017 \$'000
<b>Non-current Assets</b>		
- Property, plant and equipment	34,238	29,725
- Goodwill	2,658	2,658
- Intangible assets	2,923	4,650
- Other investments	6,048	6,462
<b>Current Assets</b>		
- Due from customers for contract work-in-progress	24,422	20,332
- Inventories	486	271
- Trade and other receivables	26,887	23,265
- Cash and bank balances	12,200	14,830
<b>Total Assets</b>	<b>109,862</b>	<b>102,193</b>
<b>Non-current Liabilities</b>		
- Finance lease liabilities	2,478	1,752
- Deferred tax liabilities	1,160	1,575
- Bank borrowings	12,101	11,701
- Other payable	-	600
<b>Current Liabilities</b>		
- Due to customers for contract work-in-progress	3,477	2,371
- Bank borrowings	11,699	6,408
- Trade and other payables	16,106	17,887
- Finance lease liabilities	1,150	972
- Tax payables	140	158
<b>Total Liabilities</b>	<b>48,311</b>	<b>43,424</b>
<b>Net Assets</b>	<b>61,551</b>	<b>58,769</b>
Share capital	29,618	29,618
Treasury shares	(256)	(562)
Accumulated profits	36,082	36,038
Foreign currency translation reserve	16	8
Merger reserve	(7,338)	(7,338)
Other reserve	1,065	(4)
Non-controlling interests	2,364	1,009
<b>Total Equity</b>	<b>61,551</b>	<b>58,769</b>

## REVIEW OF STATEMENT OF CASH FLOWS

### NET CASH USED IN OPERATING ACTIVITIES

Net cash used in operating activities amounted to \$3.4 million in FY2018 which was mainly due to increases in contract work-in-progress, inventories and trade and other receivables, as well as decreases in trade and other payables, which were in turn partially offset by an increase in operating cash flow before changes in working capital.

### NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities amounted to \$2.5 million which was mainly due to PPE purchase which were partially offset by the proceeds from divestment of a subsidiary and the disposal of PPE.

### NET CASH GENERATED FROM FINANCING ACTIVITIES

Net cash generated from financing activities of \$1.9 million was mainly due to the drawdown of bank borrowings and capital contributed by non-controlling interest. These were partially offset by dividend payment, purchase of treasury shares, fixed deposits pledged to banks and repayment of bank borrowings and finance lease.

Consolidated Statement of Cash Flows	As at 30 June 2018 \$'000	As at 30 June 2017 \$'000
Net cash used in operating activities	(3,447)	(5,540)
Net cash used in investing activities	(2,471)	(21,179)
Net cash generated from financing activities	1,905	7,682
Cash and cash equivalents at end of financial year	9,309	13,322



ID Works for The Bird, Marina Bay Sands

# SUSTAINABILITY REPORT



# SUSTAINABILITY REPORT

## ABOUT THIS REPORT

### Reporting Period and Scope

ISOteam Ltd.'s inaugural sustainability report is prepared in compliance with the requirements of SGX-ST Listing Rules 711A and 711B, and references the Global Reporting Initiative ("GRI") Standards (2016). It covers data and information from 1 July 2017 to 30 June 2018 ("FY2018") and discusses the Group's achievements on Environmental, Social and Governance ("ESG") issues.

### Report Background

In the ever-growing and challenging business climate of Singapore, sustainability has become a critical success factor for companies in ensuring long-term value creation. Our Group recognises the importance and value of aligning the strategies to meet stakeholder needs coupled with consistent sustainability reporting. We hereby proudly present our first sustainability report which discusses the challenges and material issues that are important to our stakeholders, our strategy in managing these challenges and issues, and how we have to align and position ourselves for further improvement in the future.

We adopted a formalised reporting approach by applying the international reporting framework, GRI Standards:

Core options, the latest set of standards issued by the GRI Global Sustainability Standards Board, in preparing our first sustainability report.

### Reporting Boundaries and Standards

The Report is prepared in accordance with GRI Principles for defining report content including:

- Materiality: focusing on issues that impact business growth and are of utmost importance to stakeholders;
- Stakeholder Inclusiveness: responding to stakeholder expectations and interests;
- Sustainability Context: presenting performance in the wider context of sustainability; and
- Completeness: including all information that is significant but not limited to the impact of economic factors, environmental factors, social responsibility and stakeholders.

To ensure quality of the report, we have applied the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness.

### Accessibility

This report is a part of our Annual Report and is available in printed version and in PDF format for download at our website at: <http://isoteam.listedcompany.com/ar.html>

Your feedback is welcome and you can reach us at: [ir@iso-team.com](mailto:ir@iso-team.com)



# SUSTAINABILITY REPORT

## Supply Chain Management

Sustainable construction and reliable procurement is integral to our Group's strategy. We embed sustainability in our supply chain and procurement processes through better selection of materials and suppliers.

The Group has a procurement policy to provide guidelines and reference to a more efficient and transparent purchase process. Information and components including supplier selection and evaluation as well as approved supplier lists are included to ensure authorised purchases from approved suppliers taking into consideration factors such as quality and cost-effectiveness. With the establishment of such practices, it also facilitates the development of our sustainability procurement practices.

## Sustainability Approach

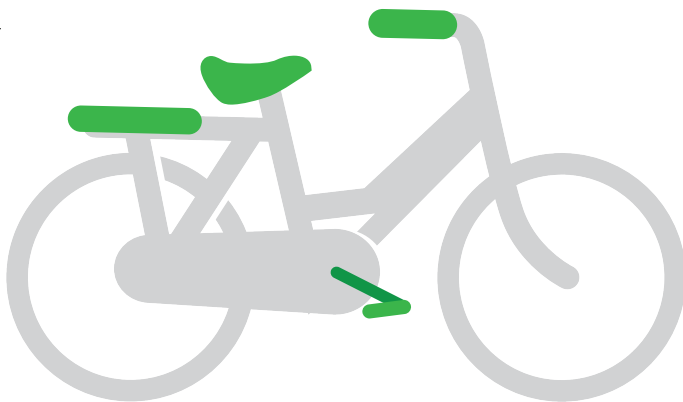
At ISOTeam, our philosophy is to deliver long-term and sustainable value to all our stakeholders. Our business is principled upon an unwavering commitment to the economic, social and environmental interests of those we serve and the communities we operate in.

Apart from striving to conduct our business in an accountable and transparent manner, we are constantly seeking to find new and/or innovative ways to reduce our carbon footprint by preventing pollution, minimising waste and efficiently utilising resources in the course of our work.

We believe that by adopting a strong sustainability approach and strategy, we are able to differentiate ourselves and gain competitive strengths which is key to our Group's continued success.

## Accreditations, Accolades, Memberships and Licenses

As an established group with a reputation for quality, speed and safety, together with a winning edge in eco-conscious innovations, we are honored to be part of organisations, and participants/members of various societies, associations, charters and recipients of fellow awards. Please refer to page 12 of Annual Report 2018 for full details of the Group's accreditations, accolades, memberships and licenses.





## STAKEHOLDERS AND MATERIAL TOPICS

### Stakeholders

EMPLOYEES	
Engagement Activities	<ul style="list-style-type: none"> <li>• Staff appraisals</li> <li>• Employee trainings</li> </ul>
Stakeholder Expectations	<ul style="list-style-type: none"> <li>• Staff welfare and benefits</li> <li>• Personal development</li> </ul>
CUSTOMERS	
Engagement Activities	<ul style="list-style-type: none"> <li>• Enquiry and feedback channels</li> <li>• Direct customer meetings</li> </ul>
Stakeholder Expectations	<ul style="list-style-type: none"> <li>• Good customer service</li> <li>• Price advantage</li> </ul>
SUPPLIERS	
Engagement Activities	<ul style="list-style-type: none"> <li>• Supplier evaluations</li> <li>• Periodic meetings</li> </ul>
Stakeholder Expectations	<ul style="list-style-type: none"> <li>• Prompt payment</li> <li>• Compliance with terms and conditions of transactions</li> </ul>
INVESTORS	
Engagement Activities	<ul style="list-style-type: none"> <li>• Annual meetings</li> <li>• Circulars, reports and news releases to shareholders</li> </ul>
Stakeholder Expectations	<ul style="list-style-type: none"> <li>• Profitability and dividends</li> <li>• Transparency and timely reporting</li> </ul>
GOVERNMENT AND REGULATORS	
Engagement Activities	<ul style="list-style-type: none"> <li>• Discussions with relevant authorities</li> <li>• Timely reporting to regulators and government agencies</li> </ul>
Stakeholder Expectations	<ul style="list-style-type: none"> <li>• Compliance with regulations</li> <li>• Proper reporting procedures and channels in place</li> </ul>
COMMUNITIES	
Engagement Activities	<ul style="list-style-type: none"> <li>• Corporate social responsibility activities</li> <li>• Environmental friendly product /service launches</li> </ul>
Stakeholder Expectations	<ul style="list-style-type: none"> <li>• Social responsibility to relevant communities</li> </ul>

# SUSTAINABILITY REPORT

## Shareholders and Investors Activities

ISOTeam endeavours to unlock long-term value for our shareholders through adopting stringent corporate governance standards and maintaining robust internal controls over the financial and operational aspects of our business. We are proud to place 95th on the 2018 Singapore Governance and Transparency Index, out of 589 companies that were evaluated for this exercise. This represents a significant improvement from our 151th placing in the previous year, and is testament to our hard work and effort to strengthen our corporate governance practices over the past year.

While aiming for an efficient capital structure, ISOTeam strives to balance cash return to shareholders and investment for sustainable growth. 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.

In line with this focus on strict corporate disclosure and transparency, we actively engage shareholders, the investing community and the media with the latest and most up-to-date information relating to the Group's operations, financial performance and strategic business updates via the following platforms:

- Singapore Exchange [www.sgx.com](http://www.sgx.com) and our corporate website [www.isoteam.com.sg](http://www.isoteam.com.sg);
- IR contact email: [ir@iso-team.com](mailto: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 2018

#### Financial Calendar

- 10 November 2017  
Announcement of 1QFY2018 financial results
- 12 February 2018  
Announcement of HY2018 financial results
- 11 May 2018  
Announcement of 3QFY2018 financial results
- 27 August 2018  
Announcement of FY2018 financial results
- 11 October 2018  
Notice of Annual General Meeting
- 26 October 2018  
Sixth Annual General Meeting

#### Analyst, Investor and Media Events

- 13 February 2018  
HY2018 financial results briefing
- 28 August 2018  
FY2018 financial results briefing
- Throughout FY2018  
Investor outreach  
(one-on-one / group sessions)

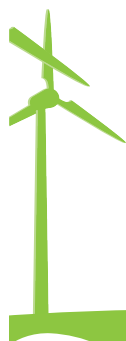


## Management Approach

Based on feedback gathered from our internal and external stakeholders, the Group has evaluated and identified factors which would have economic, environmental, social and governance impact and are material to the organisation and our internal and external stakeholders. The material assessment is

endorsed by the Sustainability Committee which comprises key executives and heads from all major business functions. For future sustainability reports, we will re-evaluate and review our material topics to ensure its relevance to our stakeholders.

No.	Topics	Description	Stakeholder Group in Concern	Reference
1	Economic Performance	Distribution of economic value to stakeholders	Employees, Customers, Suppliers, Investors, Government and Regulators	Finance Highlights (Page 14), Order Book (Page 29), Financial Review (Page 30)
2	Employment	Fair employment practices in aspects of hiring, benefits and welfare	Employees, Government and Regulators	Page 40
3	Occupational Health and Safety	Measures in place to ensure health and safety of our people	Employees, Customers	Page 41
4	Training and Education	Practice in place to develop our people's potential and talent management	Employees	Page 42
5	Community Engagement	Community outreach activities	Communities, Government and Regulators	Page 43, 44
6	Green-Value and Initiatives	Practice in place to introduce environmental-friendly solutions in delivering products and services	Customers, Suppliers, Government, Regulators and Employees	Page 44, 45
7	Regulatory Policies	Government's initiatives such as collaboration with town councils	Investors, Employees, Customers, Government and Regulators	To be discussed in future sustainability reports
8	Supply Chain	Merger and acquisition, including efforts to enhance organic growth	Investors, Employees	To be discussed in future sustainability reports
9	Customer Privacy	Measures in place to protect personal data and comply with relevant regulations	Customers, Government and Regulators	To be discussed in future sustainability reports
10	Governance and Compliance	Policies and practice in place to uphold good corporate governance and manage ethical issues	Government, Regulators, Employees, Customers, Suppliers and Investors	Corporate Governance Report (Page 48) and to be discussed in more detail in future sustainability reports



# SUSTAINABILITY REPORT

## EMPLOYMENT

Due to the labour intensive nature of the sector which the Group is in, employment becomes a crucial component of consideration for the Management. 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 provides the setting for the community's activities – without whom the Group will not be able to achieve the success.

### Policies on Employment

The Management has established the employee handbook, human resource policies as well as procedures such as appraisals, interviews and orientations to integrate new employees into the ISO Team Family.

### New Employees and Turnover of Staff

With reference to the tables below, we can see the diversity of the employment of staff of different age groups and gender of the Group. The disparity in hiring across genders would be due to the nature of the heavy labour required by the Group in areas such as construction and repairs. The diversification of new employees shows the all-embracing nature of the Group and the low turnover rate reflects the emphasis on staff retention and positive culture maintained by the Group.

At ISO Team, benefits to the employees are also emphasised. We aim to aid in the personal development of our staff while maintaining a positive working environment for all employees of the Group.

New Employees According to Age Group	
Under 30 years old	22
Between 30 to 60 years old	59
Above 60 years old	18

Category of Staff and Turnover	Male	Female
Number of Employees	204	89
Number of New Employees	71	28
Number of Resigned Employees	19	5
Turnover rate	0.0986	

Employee benefits include and are not limited to:



### Subsequent Reporting for FY2019

We seek to forge a positive working environment and reward our staff for their excellent performance by regularly reviewing and revising our employee benefits to ensure that they are adequately provided for.

## OCCUPATIONAL HEALTH & SAFETY

The Group is committed to maintaining high standards of occupational health and safety for all our workers and employees. Maintenance of the health and safety of our employees, contractors and the general public is a key business driver for the Group's continued success.

Respect for the rights of workers and their participation in health and safety decisions are ensured as briefings and trainings have been conducted by the Group to ensure that all employees and workers are fully aware of the hazards of their work and are fully equipped with the knowledge, skills and equipment to perform such work.

In terms of the number of workplace accidents, frequency rate and severity rate, we are pleased to report that such cases were minimally observed for the previous years of operations. The table below depicts the respective data.

Our employees are also covered under the Group's collective insurance scheme while those who have served for at least one year are entitled to regular health screenings paid for by the Group to allow our employees to observe and be aware of their health.

Period	Number of Workers	Number of Workplace Accidents	Workplace Accident Frequency Rate <sup>1</sup>	Workplace Accident Severity Rate <sup>2</sup>
July 2017 to June 2018	573	4	2.78	27.83

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

### Subsequent Reporting for FY2019

The Group will continue to strive for excellence in occupational health and safety areas and continue with the goal of reducing workplace accident rates. Through consistent internal monitoring and

collaboration with local regulatory bodies, we seek to provide a safe and conducive working environment for our employees and our workers to serve as a platform for services of higher quality and efficiency.



# SUSTAINABILITY REPORT

## TRAINING & EDUCATION

One of the Group's values is people development. The Group strongly believes in offering fulfilling career prospects and developing each individual's potential. The Group believes in talent management and that building a highly committed and competent team with integrity and adaptability provides the Group with a platform to reach greater heights.

At ISOteam, policies and procedures on training are established to guide employees on furthering their abilities and skills. Management is responsible for the identification and execution of training needs for the Group's employees to enhance their competence and skills.

Training plans are established and approved on an annual basis, and approved by the management to ensure that the management is kept abreast of the training received by the employees.

For FY2018, 152 employees clocked in 3,590 training hours as they underwent training and education conducted by external parties in areas such as:

- 1) Administrative Support
- 2) Technical Support
- 3) Workplace Safety & Health
- 4) Personal Performance
- 5) Leadership

Type	No. of Employees	No. of Training Hours	Costs of Training
Technical/ Functional Skills and Knowledge Excellence	68	491	\$22,691
Personal Performance Excellence	23	2,038	\$78,083
People Management Excellence	10	184	\$7,422
Workplace Safety and Health Excellence	46	760	\$9,359
Service Excellence	3	21	\$1,420
Certificates in Work Health and Safety	2	96	\$4,200
Total	152	3,590	\$123,175

Additionally, in-house training and orientations are provided for different types of employees to cater to their specific needs and varying job scopes.

Employee performance and career development reviews are performed annually to help and provide assistance as well as to create a two-way communication channel with the employees to identify skills and opportunities for further growth

through the E-appraisal system implemented to provide an environmentally friendly platform.

### Subsequent Reporting for FY2019

The Group continues to aid our employees in training and development with a broad target to ensure that all employees are well-rounded and aptly skilled to take up multi-faceted roles.



## COMMUNITY ENGAGEMENT



ISOTeam contributed to the Garden City Fund, planting 20 trees and donating \$2,000.

Entrenched in ISOTeam's corporate culture is the spirit of giving back to society and local communities, and by offering environmentally green products and services to the built environment. Initiatives include providing green mobility solutions through SG Bike and our Cockroaches and Odour Remover ("CnO") which is pending NEA approval as an eco-friendly botanical pesticide, as well as expanding our suite of eco-friendly solutions, particularly in the renewable energy installation space for solar panels and hydrogen fuel cells as back-up power generators for lifts in HDB blocks. This reduces the use of conventional energy sources to generate power as they are tapping on renewable energy for their needs.

Most recently in FY2018, the Group took part in our largest community outreach programme to-date, as we reached out to 150 underprivileged households to give their homes a fresh coat of paint. Many of these occupants are advanced in age, and would have found it inconvenient to repaint their homes if not for this initiative. Having had their homes last repainted more than a decade ago, they were thus delighted to receive a brand-new coat of paint for free. 600 of our employees and workers were involved in this meaningful round-the-island exercise, which took six months to plan and execute. This follows the success of a similar, albeit smaller-

scale programme in 2015, where we undertook the repainting of 50 homes.

In 2017, the Group launched its community bicycle programme: SG Bike, which provides the community with a greener transportation platform to help promote a car-lite society. With approximately 2,000 bikes as at August 2018, SG Bike has benefited the communities of Bukit Panjang, Sembawang, Nee Soon, Bedok, Yio Chu Kang and Marina South. A target of up to 3,000 bikes has been set to further boost convenience and provide a green transportation option.



FY2018: Charity painting programme for underprivileged households

# SUSTAINABILITY REPORT

Our eco-product CnO is expected to reduce or potentially eliminate the use of chemical pesticide for all HDB blocks' refuse chutes as the chutes are fumigated 2 to 3 times a year to eradicate cockroach infestations. This is expected to generate significant savings for HDB blocks in terms of chemical costs. This reinforces our commitment to continue to improve the efficiency of our methods which have a lasting impact on the environment and the respective communities.

Other programmes and events involving community engagement over the years include:

- FY2015: ISOteam contributed to the Garden City Fund, planting 20 trees and donating \$2,000.
- FY2016: Over 60 ISOteam employees were involved in our beach clean-up drive at Changi Beach.
- FY2018: Charity painting programme for underprivileged households

In addition, we made cash contributions to various organisations for activities in support of community development, the needy and underprivileged. Some of the donations in FY2018 included:

- \$10,000 to the 1000 Enterprises for Children-In-Need Programme, a fund-raising initiative by

the Singapore Children's Society which is into its 5th year

- \$17,200 to religious organisations
- \$4,000 to a charity golf event in support of various beneficiaries



*Over 60 ISOteam employees were involved in our beach clean-up drive at Changi Beach.*

## Subsequent Reporting for FY2019

At ISOteam, giving back to the community continues to play a large part in the Group's activities. We believe that we should continue to support the less fortunate and underprivileged through various programmes and donations. We will also continue to make a conscious effort to ensure that eco-friendliness is taken into account for our products and services and to do our part in making a positive impact to the environment.

## GREEN-VALUE AND INITIATIVES

The Group is a strong advocate of environmentally responsible solutions and putting eco-friendly products and designs to work. The Group actively engages in strategic partnerships and collaborations to roll out sustainable green products and solutions.

The Group is aware of the environmental impact associated with the materials used during the construction of our projects, and we take great pains to incorporate the use of renewable and recyclable materials in our products.

We are also proud to announce to our stakeholders that we are a recipient of the BCA Green Mark Award for our office at No. 57 Kaki Bukit Place and the BCA Green and Gracious Builder Award (Excellent). We have always incorporated eco-friendly and sustainable materials into our building materials,

and these accolades reaffirm our commitment to the environment.

One example that showcases our use of sustainable materials is the use of composite timber for our building materials. The eco-friendly wood plastic composite profile is made up of a combination of 30% recycled plastic and 60% hardwood saw dust. The remaining balance of 10% is mixed with anti-oxidation agent, stabilisers, anti-fungus agents and ultraviolet inhibitors.

The material is extruded by professional wood plastic extruding machines under high temperature and pressing so as to achieve the best capacity of UV resistance and low property of thermal expansion and contraction.



With its traditional appearance of natural timber, composite timber is aesthetically pleasing with many benefits compared to natural wood. Benefits include being slip resistant and splinter free, a high

resistance to fire and termites, and 100% recyclable and environmentally friendly.

Some of the projects that have incorporated composite timber are as follows:



*HDB Project at Teban Gardens*



*DSTA at Depot Road*

Another green initiative we have in place is the adoption of solar panels used in our buildings. We have facilitated the installation of Photovoltaic ("PV") solar panels which aims to reduce dependency on traditional energy sources to power structures and buildings.

energy has thousands of energy production centres which are evenly spread out, and it improves the security of the grid, in the event of overloading, be it caused by natural or man-made disasters.

As solar energy is a renewable source of energy, it is abundant as long as there is sunlight. Therefore, scarcity is not an issue. Also, the use of solar energy improves grid security making it less vulnerable to blackouts. A grid with a high penetration rate of solar

Solar energy also reduces electrical bills, as the surplus generated from the energy grid will be sold back to the utility company, and the owner will be able to receive bonus payments for the surplus.

Below showcases some of the solar panels that have been incorporated into structures:



*Solar panels on top of a HDB building*

### Subsequent Reporting for FY2019

As part of our green leadership, we will focus more on research and development which can make our products eco-friendlier, without losing their desired properties. We will continue to incorporate these new findings and materials into our production mix, ensuring that we continue to minimise the impact on the environment.

We will continue to strive to increase the amount of recycled materials used in our finished products. As part of our future plans, we aim to create products which are 100% sustainable and recyclable.

# SUSTAINABILITY REPORT

## GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard	Disclosure	Page Reference and Reasons for Omission, where applicable
<b>GENERAL DISCLOSURE</b>		
GRI 102: General Disclosures 2016	<b>Organisational Profile</b>	
	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 (Page 13)
	102-4 Location of operations	Corporate Information (Page 13)
	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), Financial Highlights (Page 14), Employment (Page 40)
	102-8 Information on employees and other workers	Employment (Page 40)
	102-9 Supply chain	Supply Chain Management (Page 36)
	102-10 Significant changes to the organisation and its supply chain	Joint Chairman and CEO Message (Page 18)
	102-11 Precautionary principle or approach	Green Value and Initiatives (Page 44)
	102-12 External initiatives	Community Engagement (Page 43)
	102-13 Membership of associations	Certifications and Accolades (Page 12)
<b>Strategy</b>		
102-14 Statement from senior decision maker	Joint Chairman and CEO Message (Page 19)	
<b>Ethics and Integrity</b>		
102-16 Values, principles, standards, and norms of behaviour	Cover pages	
<b>Governance</b>		
102-18 Governance structure	Corporate Information (Page 13)	
<b>Stakeholder Engagement</b>		
102-40 List of stakeholder groups	Stakeholders and Material Topics (Page 37)	
102-41 Collective bargaining agreements	Not applicable	
102-42 Identifying and selecting stakeholders	Stakeholders and Material Topics (Page 37, 39)	
102-43 Approach to stakeholder engagement	Stakeholders and Material Topics (Page 37, 38)	
102-44 Key topics and concerns raised	Stakeholders and Material Topics (Page 39)	

GRI Standard	Disclosure	Page Reference and Reasons for Omission, where applicable
GRI 102: General Disclosures 2016 (Cont'd)	<b>Reporting Practice</b>	
	102-45 Entities included in the consolidated financial statements	Corporate Structure (Page 3)
	102-46 Defining report content and topic boundaries	About This Report (Page 35)
	102-47 List of material topics	Stakeholders and Material Topics (Page 39)
	102-48 Restatements of information	Not applicable as this is the first report
	102-49 Changes in reporting	Not applicable as this is the first report
	102-50 Reporting period	About This Report (Page 35)
	102-51 Date of most recent report	About This Report (Page 35)
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	About This Report (Page 35)
	102-54 Claims of reporting in accordance with the GRI Standards	About This Report (Page 35)
	102-55 GRI content index	GRI Content Index (Page 46)
102-56 External assurance	Not applicable	
<b>MATERIAL TOPICS</b>		
<b>Management Approach</b>		
GRI 10 3: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Management Approach (Page 39)
	103-2 The management approach and its components	Management Approach (Page 39)
	103-3 Evaluation of the management approach	Management Approach (Page 39)
<b>Employment</b>		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employment (Page 40)
<b>Occupational Health and Safety</b>		
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety (Page 41)
<b>Training and Education</b>		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Training and Education (Page 42)
	404-2 Programs for upgrading employee skills and transition assistance programmes	Training and Education (Page 42)
<b>Community Engagement (Local Communities)</b>		
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	Community Engagement (Page 43, 44)

# 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 (the “**SGX-ST**”). This section outlines the main corporate governance practices and procedures adopted by the Company during the financial year ended 30 June 2018 (“**FY2018**”), with reference made to each of the principles of the Code of Corporate Governance 2012 (the “**Code**”).

## BOARD MATTERS

### The Board’s Conduct of its Affairs

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**Principle 1:** *Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this objective and management remains accountable to the board.*

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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.

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 Company’s management (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.

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 Board meets at least four times a year. 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 through circulating resolutions.

During FY2018, the number of Board and Board committee meetings held and attended by each member of the Board is as follows:

Names of Directors	Types of Meetings			
	Board	AC	NC	RC
<b>Total held for FY2018</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>
Ng Cheng Lian	4 <sup>#</sup>	4 <sup>*</sup>	1 <sup>*</sup>	1 <sup>*</sup>
Koh Thong Huat	4	4 <sup>*</sup>	1 <sup>*</sup>	1 <sup>*</sup>
Foo Joon Lye	4	4 <sup>*</sup>	1 <sup>*</sup>	1 <sup>*</sup>
Tan Eng Ann	4	4 <sup>#</sup>	1	1
Soh Chun Bin	3	4	1	1 <sup>#</sup>
Ng Kheng Choo	4	4	1 <sup>#</sup>	1

**Notes:**

- # Chairman
- \* By invitation

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 to the Board and appointment of key personnel;
- announcement of quarterly and full year results, the annual report and 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.

The Company has in place an orientation programme and materials to ensure that all Directors are familiar with the business and organisation structure of the Group. Every new Director will also receive a formal letter of appointment setting out the duties and obligations of the Director upon appointment. 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. There was no new Director appointed in FY2018.

The Management keeps the Directors up-to-date on pertinent developments including the Group's business, financial reporting standards and industry-related matters. The Company encourages Directors to attend training courses organised by the Singapore Institute of Directors or other training institutions in connection with their duties.

# CORPORATE GOVERNANCE REPORT

## Board Composition and Guidance

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**Principle 2:** *There should be a strong and independent element on the board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.*

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The Board currently comprises six 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 (Director (Operations))

### Independent Directors

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

This composition complies with the Code's guideline that at least half of the Board should be made up of Independent Directors where the Chairman of the Board is part of the management team or not an Independent Director.

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the Code as to what constitutes an Independent Director in its review 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 do not have any relationship with the Company or its related corporations, its 10% 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 view that half of the Board is made up of Independent Directors, the NC is satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs independently from the Management.

Currently, no Independent Director has served on the Board beyond nine years from the date of his/her first appointment.

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 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 will meet in the absence of the Management to facilitate a more effective check on the Management.

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## Chairman and Chief Executive Officer

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**Principle 3:** *There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

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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.

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, set 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.

In view that the Chairman of the Board is part of the management team and 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 in accordance with the Code. 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 FY2018.

Where necessary, the Lead Independent Director will chair meetings without involvement of the Executive Directors and provide feedback to the Chairman of the Board after such meetings.

## Board Membership

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**Principle 4:** *There should be a formal and transparent process for the appointment and re-appointment of directors to the board.*

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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. 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 Code;
- (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; and
- (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.

# CORPORATE GOVERNANCE REPORT

The NC has reviewed the independence of each Director annually in accordance with the Code's definition of independence and is satisfied that half of the Board is made up of Independent Directors.

In the selection and appointment of a new Director, the NC will identify the key desired competencies to be possessed by the new Director which would complement the skills and competencies of the existing Directors. Potential candidates will then be sourced from the Directors' personal contacts or through external consultants or recruitment agencies. Interviews shall be conducted by the NC and suitable candidates are recommended to the Board for consideration.

The Company's Constitution provides that one-third of the Directors shall retire from office by rotation at each annual general meeting ("AGM") of the Company 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 two retiring Directors, namely Mr Koh Thong Huat and Mr Soh Chun Bin at the forthcoming AGM. The Board has accepted the NC's recommendation.

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 Three Years)
Ng Cheng Lian	12 December 2012	27 October 2017	Nil	Nil
Koh Thong Huat	12 December 2012	27 October 2015	Nil	Nil
Foo Joon Lye	12 December 2012	25 October 2016	Nil	Nil
Tan Eng Ann	7 June 2013	27 October 2017	Nil	<ul style="list-style-type: none"> <li>• GCCP Resources Limited</li> <li>• Hiap Tong Corporation Ltd.</li> <li>• SingAsia Holdings Limited*</li> </ul>
Soh Chun Bin	7 June 2013	27 October 2015	<ul style="list-style-type: none"> <li>• Geo Energy Resources Limited</li> <li>• Triyards Holdings Limited</li> </ul>	Nil
Ng Kheng Choo	7 June 2013	25 October 2016	<ul style="list-style-type: none"> <li>• OKH Global Ltd.</li> </ul>	Nil

\* 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 Director of the Company. 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.

Currently, there is no alternate Director on the Board.



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## Board Performance

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**Principle 5:** *There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.*

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The NC has adopted a formal process to assess the performance and effectiveness of the Board and its committees, and the contribution of each Director to the effectiveness of the Board on a yearly basis. No external facilitator was engaged by the Company.

Assessment checklist for the Board and its committees 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, is disseminated to each Director for completion and the assessment results are discussed at the NC meeting.

Assessment checklist for Directors which include assessment parameters such as their knowledge and abilities, attendance records at the meetings of the Board and Board committees, the intensity and quality of participation at meetings, contribution to the decision-making procedures, compliance with the Company's policies and procedures, and disclosure of interests, is disseminated to each Director for completion and the assessment results are discussed at the NC meeting. The Executive Chairman will, in consultation with the NC, act on the results of the performance evaluations and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors.

The abovementioned evaluation factors and assessment parameters do not change from year to year. The Board also reviews its performance against qualitative and quantitative targets on an annual basis and is of the view that it has met its performance objectives during FY2018.

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.

## Access to Information

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**Principle 6:** *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

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The Directors are furnished with timely and adequate information from the Management to enable them to discharge their duties effectively. Such information include budgets, forecasts, quarterly and annual financial statements, as well as information relating to matters to be tabled at Board meetings for approval. The Directors have unrestricted access to the Company's records and information and have separate and independent access to the Company Secretaries and Management at all times to obtain further information, where necessary.

Either one of the Company Secretaries is required to attend Board and Board committees' meetings and 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. The appointment and removal of the Company Secretaries are subject to the Board's approval.

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 Director.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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**Principle 7:** *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.*

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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. 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 Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

Each member of the RC shall abstain from voting on any resolutions in respect of his or her remuneration package.

The RC did not seek any external professional advice on the remuneration of the Directors. Where necessary, the RC would seek independent professional advice on remuneration matters at the expense of the Company.

The RC 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.

### Level and Mix of Remuneration

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**Principle 8:** *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

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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. 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 (Executive Chairman), Mr Koh Thong Huat (CEO) and Mr Foo Joon Lye (Director (Operations)) 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.

The Independent Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are 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. Except as disclosed, the Independent Directors do not receive any other remuneration from the Company.

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 9:** *Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

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.

A breakdown, showing the level and mix of each Director's remuneration for FY2018 is set out below:

Remuneration Band and Name of Director	Fee %	Salary* %	Bonus %	Allowance %	Total %
<b>\$250,000 to \$500,000</b>					
Ng Cheng Lian	–	90	1	9	100
Koh Thong Huat	–	91	1	8	100
Foo Joon Lye	–	86	2	12	100
<b>Below \$250,000</b>					
Tan Eng Ann	100	–	–	–	100
Soh Chun Bin	100	–	–	–	100
Ng Kheng Choo	100	–	–	–	100

**Note:**

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

# CORPORATE GOVERNANCE REPORT

A breakdown, showing the level and mix of each key management personnel's remuneration for FY2018 is set out below:

Remuneration Band and Name of Key Management Personnel	Fee %	Salary* %	Bonus %	Allowance %	Total %
<b>Below \$250,000</b>					
Or Thiam Huat	10	69	7	14	100
Lim Kim Hock	10	69	7	14	100
Chan Chung Khang	–	85	15	–	100
Lwin Lwin Aung	–	69	24	7	100
Teng Ann Boon	–	77	18	5	100

**Note:**

\* These amounts are inclusive of employer's CPF contribution.

The aggregate remuneration paid to the above key management personnel amounted to \$904,000 for FY2018.

There were no termination, retirement and post-employment benefits that may be granted to the Directors, CEO and key management personnel of the Group for FY2018.

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.

There was no employee of the Group who is an immediate family of the Directors or CEO in FY2018.

## ACCOUNTABILITY AND AUDIT

### Accountability

**Principle 10:** *The board should present a balanced and understandable assessment of the company's performance, position and prospects.*

In presenting the quarterly results and annual financial statements of the Group to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects. Financial reports and other price-sensitive information are disseminated to shareholders through announcements and/or press releases via SGXNET.

The Board reviews compliance requirements with the Management to ensure that the Group complies with the relevant requirements. In line with the requirements of the Catalist Rules, the Board provides a negative assurance statement to the shareholders in its quarterly results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. In addition, the Company had, pursuant to Rule 720(1) of the Catalist Rules, received undertakings from all the Directors and executive officers that they each shall, in the exercise of their powers and duties as Directors or executive officers of the Group, use their best endeavours to comply with the provisions of the SGX-ST's listing rules and will also procure the Company to do so.

The Management updates the Executive Directors with the financial results on a monthly basis and the Independent Directors on a quarterly basis to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

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## Risk Management and Internal Controls

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**Principle 11:** *The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.*

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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.

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.

The Board has received assurance from the CEO and the Chief Financial Officer that (a) the financial records have been properly maintained and the financial statements for FY2018 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.

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 2018. 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

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**Principle 12:** *The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.*

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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. The AC is regulated by a set of written terms of reference which are in line with the Code. 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 sufficient financial and management expertise and experience amongst its members to discharge the AC's responsibilities.

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 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;

# CORPORATE GOVERNANCE REPORT

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- (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.

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

The aggregate amount of fees paid or payable to the external auditor for the audit and non-audit services for FY2018 is reflected in Note 6 to the audited financial statements of the Group for FY2018.

The AC has conducted an annual review of the volume of non-audit services provided by the external auditor to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor before confirming its re-nomination. In the AC's opinion, Baker Tilly TFW LLP is suitable for re-appointment and the AC 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 Company has complied with Rules 712 and 715 of the Catalist Rules in appointing the audit firm for the Group.

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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/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 FY2018.

It is the Company's practice for the external auditor to present to the AC its audit plan and with updates relating to any changes in accounting standards impacting the financial statements before an audit commences. During FY2018, the changes in accounting standards did not have any material impact on the Group's financial statements.

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

### Internal Audit

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**Principle 13:** *The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

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The AC, in consultation with the Management, 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 have 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 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. 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 is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

The AC has reviewed and is satisfied that the Group's internal audit function is effective and adequately resourced and has an appropriate standing within the Company. Such review is carried out on an annual basis.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights

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**Principle 14:** *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

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The Group's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Group ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company, and will ensure that all information disclosed is as descriptive, detailed and forthcoming as possible.

# CORPORATE GOVERNANCE REPORT

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 conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting procedures, were clearly explained by the scrutineers at such general meetings.

The Company's Constitution allows a shareholder to appoint not more than two proxies to attend and vote in the shareholder's place at the general meetings. A proxy need not be a member of the Company. In line with the provisions of the Companies Act, corporate shareholders of the Company which 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.

## Communication with Shareholders

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**Principle 15:** *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

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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 Catalyst 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.

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.

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 second quarter and full year financial results.

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.

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.



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## Conduct of Shareholder Meetings

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**Principle 16:** *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

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All shareholders will 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 the Directors or the Management questions regarding the Company at the forthcoming AGM or any general meetings.

The Chairman of the Board and of each Board committee are required to be present to address questions at the AGM or, if necessary, any general meetings. The external auditor will also be present at such meeting to assist the Directors to address shareholders' queries, if necessary.

The Company has separate resolutions at general meetings for each distinct issue. 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.

The Company's Constitution allows any member of the Company, if he or she is unable to attend any general meetings, to appoint not more than two proxies to attend and vote on his or her behalf at the meetings through proxy forms sent in advance. In line with the provisions of the Companies Act, 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, and legislative changes are effected to recognise remote voting.

The Board adheres to the requirements of the Catalist Rules where all resolutions are to be voted by way of poll for general meetings held on or after 1 August 2015 and the Company will announce the detailed results, showing the number of votes cast for and against each resolution and the respective percentages, to the shareholders and the public. The Company has adopted electronic poll voting for all meetings.

## 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 price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month and two weeks before the date of the announcement of the full year and quarterly results, respectively, 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.

# CORPORATE GOVERNANCE REPORT

## 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 their 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 transactions entered into by the Group for FY2018 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 FY2018 (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.	\$109,000	Nil

The Board confirms that the above interested person transactions were entered into 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.

## Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to the Company's sponsor, Hong Leong Finance Limited for FY2018.

## 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 FY2018, 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.

# 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 2018.

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 71 to 126 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 2018 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 Financial Reporting Standards in Singapore; 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  
 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 1.7.2017	At 30.6.2018	At 1.7.2017	At 30.6.2018
<b>Company</b>				
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 2018, 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 2018.

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 subsidiaries corporation 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
	1.7.2017	30.6.2018
Zara@ISOTeam Pte. Ltd.	51,000	51,000
ISOTeam TMS (Myanmar) Limited	45,000	45,000
ITG Projects Sdn. Bhd.	1,100,000	1,100,000
SG Bike Pte. Ltd.	–	510,000

The directors' interests as at 21 July 2018 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 subsidiaries 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.

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## 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 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 Catalyst Rules;

# DIRECTORS' STATEMENT

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## AUDIT COMMITTEE

- (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

27 September 2018

# 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 71 to 126, which comprise the statements of financial position of the Group and the Company as at 30 June 2018, 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 Financial Reporting Standards in Singapore ("FRSs") 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 2018 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 2bb, 3 and 15 to the financial statements)

#### Description of key audit matter

Revenue arising from construction contracts represents 95% of the Group's total revenue. The accounting policy for revenue recognition is set out in Note 2(g) and 2(o) to the financial statements.

Revenue recognition involves a significant degree of judgement, with estimates being made to assess total contract revenue, stage of completion of the contract, related profit margin and contract costs after taking into consideration additional revenue arising from variations to the original contract and appropriate provision for loss making contracts, where necessary.

# 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)**

##### *Our audit procedures to address the key audit matter*

We 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 and risks which allowed us to assess the recognition of revenue. We tested and assessed the effectiveness of key internal controls over the accuracy and timing of revenue and contract costs recognised.

We reviewed the Group's estimates for total contract costs and profit margin for reasonableness and any evidence of management bias. We tested the stage of completion at year end through checking of evidence such as professional's certification of value of work done to-date, approved variations and customer acknowledgement of work completed. We also reviewed management's review and assessment of unapproved variations and claims. No significant loss-making projects were noted.

We performed year end cut-off tests on contract revenue and costs.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, 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 FRSs, 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.



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## 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.

# INDEPENDENT AUDITOR'S REPORT

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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 (cont'd)*

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.

## 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 Tiang Yii.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

27 September 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
<b>Revenue</b>	3	<b>83,801</b>	82,922
Cost of sales		(68,914)	(61,286)
Gross profit		<b>14,887</b>	21,636
Other income	4	<b>1,860</b>	2,662
Marketing and distribution expenses		(1,813)	(1,375)
General and administrative expenses		(13,664)	(15,083)
Finance costs	5	(570)	(493)
Other operating expenses		(438)	(352)
<b>Profit before tax</b>	6	<b>262</b>	6,995
Tax credit/(expense)	8	<b>520</b>	(260)
<b>Profit for the year</b>		<b>782</b>	6,735
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation gain		<b>8</b>	1
Other comprehensive income for the year, net of tax		<b>8</b>	1
<b>Total comprehensive income for the year</b>		<b>790</b>	6,736
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>1,889</b>	6,447
Non-controlling interests		(1,107)	288
		<b>782</b>	6,735
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>1,897</b>	6,454
Non-controlling interests		(1,107)	282
		<b>790</b>	6,736
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted (cents)	9	<b>0.66</b>	2.27

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

# STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2018

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	10	34,238	29,725	–	–
Goodwill	11	2,658	2,658	–	–
Intangible assets	12	2,923	4,650	–	–
Other investments	13	6,048	6,462	5,000	5,000
Investment in subsidiaries	14	–	–	34,229	35,767
<b>Total non-current assets</b>		<b>45,867</b>	43,495	<b>39,229</b>	40,767
<b>Current assets</b>					
Due from customers for contract work-in-progress	15	24,422	20,332	–	–
Inventories	16	486	271	–	–
Intangible assets	12	–	–	–	–
Trade and other receivables	17	26,887	23,265	12,145	9,456
Cash and bank balances	18	12,200	14,830	3,376	1,303
<b>Total current assets</b>		<b>63,995</b>	58,698	<b>15,521</b>	10,759
<b>Total assets</b>		<b>109,862</b>	102,193	<b>54,750</b>	51,526
<b>Non-current liabilities</b>					
Finance lease liabilities	19	2,478	1,752	–	–
Deferred tax liabilities	20	1,160	1,575	–	–
Bank borrowings	21	12,101	11,701	–	–
Other payable	22	–	600	–	600
<b>Total non-current liabilities</b>		<b>15,739</b>	15,628	–	600
<b>Current liabilities</b>					
Due to customers for contract work-in-progress	15	3,477	2,371	–	–
Bank borrowings	21	11,699	6,408	4,400	3,179
Trade and other payables	22	16,106	17,887	4,763	3,991
Finance lease liabilities	19	1,150	972	–	–
Tax payables		140	158	–	–
<b>Total current liabilities</b>		<b>32,572</b>	27,796	<b>9,163</b>	7,170
<b>Total liabilities</b>		<b>48,311</b>	43,424	<b>9,163</b>	7,770
<b>Net assets</b>		<b>61,551</b>	58,769	<b>45,587</b>	43,756
<b>Share capital and reserves</b>					
Share capital	23(a)	29,618	29,618	29,618	29,618
Treasury shares	23(b)	(256)	(562)	(256)	(562)
Accumulated profits	23(c)	36,082	36,038	16,150	14,597
Foreign currency translation reserve	24	16	8	–	–
Merger reserve	25	(7,338)	(7,338)	–	–
Other reserves		1,065	(4)	75	103
Equity attributable to equity holders of the Company		59,187	57,760	45,587	43,756
Non-controlling interests		2,364	1,009	–	–
<b>Total equity</b>		<b>61,551</b>	58,769	<b>45,587</b>	43,756

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	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			
<b>2018</b>									
Balance at 1.7.2017	29,618	36,038	(7,338)	(562)	8	(4)	57,760	1,009	58,769
Profit for the year	-	1,889	-	-	-	-	1,889	(1,107)	782
<i>Other comprehensive income</i>									
Foreign currency translation gain (Note 24)	-	-	-	-	8	-	8	-	8
Other comprehensive income for the year, net of tax	-	-	-	-	8	-	8	-	8
Total comprehensive income for the year	-	1,889	-	-	8	-	1,897	(1,107)	790
<i>Contributions by and distributions to equity holders</i>									
Dividend (Note 27)	-	(1,845)	-	-	-	-	(1,845)	(127)	(1,972)
Purchase of treasury shares	-	-	-	(322)	-	-	(322)	-	(322)
Treasury shares reissued pursuant to acquisition of a subsidiary (Note 23(b))	-	-	-	628	-	(28)	600	-	600
Contribution by non-controlling interests (Note 14(iii))	-	-	-	-	-	-	-	686	686
<i>Changes in ownership interest in a subsidiary</i>									
Divestment in a subsidiary (Note 14(vi))	-	-	-	-	-	1,097	1,097	1,903	3,000
Total transactions with equity holders of the Company	-	(1,845)	-	306	-	1,069	(470)	2,462	1,992
<b>Balance at 30.6.2018</b>	<b>29,618</b>	<b>36,082</b>	<b>(7,338)</b>	<b>(256)</b>	<b>16</b>	<b>1,065</b>	<b>59,187</b>	<b>2,364</b>	<b>61,551</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	← Attributable to equity holders of the Company →							Non-controlling interests	Total equity
	Share capital	Accumulated profits	Merger reserve	Treasury shares	Foreign currency translation reserve	Other reserves	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017									
Balance at 1.7.2016	29,618	31,726	(7,338)	(373)	1	(151)	53,483	429	53,912
Profit for the year	-	6,447	-	-	-	-	6,447	288	6,735
<i>Other comprehensive income</i>									
Foreign currency translation gain (Note 24)	-	-	-	-	7	-	7	(6)	1
Other comprehensive income for the year, net of tax	-	-	-	-	7	-	7	(6)	1
Total comprehensive income for the year	-	6,447	-	-	7	-	6,454	282	6,736
<i>Contributions by and distributions to equity holders</i>									
Dividend (Note 27)	-	(2,135)	-	-	-	-	(2,135)	-	(2,135)
Purchase of treasury shares	-	-	-	(1,626)	-	-	(1,626)	-	(1,626)
Treasury shares reissued pursuant to acquisition of a subsidiary (Note 23(b))	-	-	-	1,437	-	147	1,584	-	1,584
	-	(2,135)	-	(189)	-	147	(2,177)	-	(2,177)
<i>Changes in ownership interest in a subsidiary</i>									
Incorporation of a subsidiary	-	-	-	-	-	-	-	298	298
Total transactions with equity holders of the Company	-	(2,135)	-	(189)	-	147	(2,177)	298	(1,879)
Balance at 30.6.2017	29,618	36,038	(7,338)	(562)	8	(4)	57,760	1,009	58,769

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>		
Profit before tax	262	6,995
Adjustments for:		
Amortisation of intangible assets	2,023	1,585
Amortisation of fair value adjustment on contract work-in-progress	–	140
Depreciation of property, plant and equipment	3,109	2,247
Gain on disposal of property, plant and equipment (net)	(87)	(304)
Interest income	(105)	(261)
Interest expense	509	446
Property, plant and equipment written off	32	12
Allowance for doubtful receivables (net)	65	1,420
Bad debts written off	22	33
Bad debts written back	–	(54)
Inventories written off	7	36
Bargain on purchase	–	(228)
Operating profit before working capital changes	5,837	12,067
Contract work-in-progress	(2,984)	(7,638)
Trade and other receivables	(3,567)	(2,831)
Trade and other payables	(2,045)	(5,673)
Inventories	(222)	(127)
Cash used in operations	(2,981)	(4,202)
Interest received	119	261
Interest paid	(509)	(446)
Tax paid	(76)	(1,153)
<b>Net cash used in operating activities</b>	<b>(3,447)</b>	<b>(5,540)</b>
<b>Cash flows from investing activities</b>		
Purchase of other investments	–	(5,000)
Net cash outflows on acquisition of subsidiaries	–	(3,287)
Purchases of property, plant and equipment (Note A)	(5,686)	(14,400)
Proceeds from disposal of property, plant and equipment	398	508
Proceeds from disposal of other investments	–	1,000
Proceeds from divestment of a subsidiary	3,000	–
Additions to intangible assets	(60)	–
Net cash outflows on acquisition of business (Note B)	(123)	–
<b>Net cash used in investing activities</b>	<b>(2,471)</b>	<b>(21,179)</b>
<b>Cash flows from financing activities</b>		
Fixed deposits pledged to bank	(1,111)	–
Fixed deposits released from pledge	–	550
Drawdown of bank borrowings	7,424	12,249
Repayment of bank borrowings	(1,605)	(702)
Repayment of finance lease	(1,316)	(952)
Dividend paid	(1,845)	(2,135)
Dividend paid by subsidiary company to non-controlling interests	(127)	–
Capital contributed by non-controlling interest	686	298
Purchase of treasury shares	(322)	(1,626)
Due from related parties (non-trade)	121	–
<b>Net cash generated from financing activities</b>	<b>1,905</b>	<b>7,682</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	2018 \$'000	2017 \$'000
<b>Net decrease in cash and cash equivalents</b>	<b>(4,013)</b>	(19,037)
<b>Cash and cash equivalents at beginning of financial year</b>	<b>13,322</b>	32,359
<b>Cash and cash equivalents at end of financial year</b>	<b>9,309</b>	13,322

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

	\$'000	\$'000
Cash in hand and at bank (Note 18)	4,826	9,994
Fixed deposits (Note 18)	7,374	4,836
	<b>12,200</b>	14,830
Less: Fixed deposits pledged (Note 18)	(2,750)	(1,239)
Less: Bank overdrafts (Note 21)	(141)	(269)
	<b>9,309</b>	13,322

## Note A

The Group acquired property, plant and equipment with an aggregate cost of \$7,848,000 (2017: \$15,129,000). The addition were by way of cash payments of \$5,686,000 (2017: \$14,400,000) and finance lease of \$2,162,000 (2017: \$729,000).

## Note B

The fair value of the identifiable assets and liabilities of the business acquired at the acquired date were:

	\$'000
Property, plant and equipment	114
Trade and other receivables	206
Cash and bank balances	7
Trade and other payables	(148)
Finances lease liabilities	(58)
Deferred tax liabilities	(9)
<b>Total identifiable net assets at fair value</b>	<b>112</b>
Intangible assets	18
<b>Total purchase consideration settled in cash</b>	<b>130</b>
Less cash and bank balances of the business acquired	(7)
<b>Net cash outflows on acquisition of business</b>	<b>123</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 14.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements are presented in Singapore dollar (\$), 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 Financial Reporting Standards in Singapore ("FRSs"). 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 FRSs 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 resulting in material adjustment within next financial year, are disclosed in Note 2(bb) to the financial statements.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of preparation (cont'd)

#### *New and revised standards*

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") 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 FRSs and INT FRSs.

From 1 July 2017, as a result of the amendments to FRS 7 Statement of Cash Flows (Disclosure Initiative), the Group has provided additional disclosure in relation to changes in liabilities from financing activities for the current financial year.

The adoption of these new/revised FRSs and INT FRSs did not have any material effect on the financial results or position of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 30 June 2018 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, except as disclosed as follows:

#### **Convergence with International Financial Reporting Standards (IFRS)**

The Accounting Standards Council ("ASC") announced that Singapore incorporated companies listed on the Singapore Exchange ("SGX") or are in the process of issuing equity or debt instruments for trading on SGX, will apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS Convergence), known as Singapore Financial Reporting Standards (International) ("SFRS(I)"), with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 30 June 2019 will be prepared in accordance with SFRS(I) issued by ASC. These financial statements will be the last set of financial statements prepared under the current FRS in Singapore.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. In addition to the adoption of the new framework, the Group will be adopting other new SFRS(I), amendments to standards and interpretations of SFRS(I) which are effective from the same date.

On adoption of SFRS(I), the Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach, if applicable.

The Group does not expect the application of the new standards, amendments to standards and interpretations, and the IFRS Convergence to have a significant impact on the financial statements, other than as disclosed below.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

#### **SFRS(I) 15 Revenue from Contracts with Customers**

SFRS(I) 15 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. SFRS(I) 15 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group plans to adopt the new standard when it becomes effective in financial year ending 30 June 2019. Based on the existing sources of revenue as at 30 June 2018, management does not anticipate that the application of SFRS(I) 15 will have a material impact on the Group's financial statements. Further evaluation will be undertaken should the source of revenue change in the year when SFRS(I) 15 becomes effective.

#### **SFRS(I) 9 Financial Instruments**

SFRS(I) 9 which replaces FRS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace FRS 39 incurred loss model.

### (a) *Classification and measurement*

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9:

- Loans and receivables and held-to-maturity debt securities that are currently accounted for at amortised cost are expected to continue to be measured at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

#### **SFRS(I) 9 Financial Instruments (cont'd)**

##### (a) *Classification and measurement (cont'd)*

- The Group elects to present changes in fair value in other comprehensive income (OCI) for equity instruments currently classified as available-for-sale (AFS) financial assets because these investments are not held for trading.
- For AFS debt securities, the Group intends to hold the debt instruments to collect contractual cash flows and sell them from time to time should the need arise, and accordingly measures the financial asset at fair value through OCI when it applies SFRS(I) 9.

For unquoted equity securities currently classified as AFS but which is measured at cost under FRS 39 will be measured at fair value under SFRS(I) 9 and the Group will present changes in fair value of these assets in OCI.

##### (b) *Impairment*

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects that the new expected loss model may result in an earlier recognition of credit losses.

The Group plans to adopt the new standard when it becomes effective in financial year ending 30 June 2019. The Group is finalising its assessment and quantification of the impact and of the transition adjustments on its financial statements, if applicable.

#### **SFRS(I) 16 Leases**

SFRS(I) 16 replaces the existing FRS 17: Leases. 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 payment (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 these leases will change as FRS 116 replaces the straight-line operating lease expenses with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has operating lease commitments of \$610,000 (Note 29(a)). The Group anticipates that the adoption of SFRS(I) 16 in the future may potentially have a material impact on the amounts reported and disclosures made in the financial statements. It is not practicable to provide a reasonable estimate of the impact of SFRS(I) 16 until the Group performs a detailed assessment. The Group is in the process of performing a detailed assessment of the impact and plans to adopt the standard on the required effective date.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (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(d). 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 statement 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.

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).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Basis of consolidation (cont'd)

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 FRS.

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 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) 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.

A bargain purchase gain is recognised directly in the consolidated statement of comprehensive income.

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Other intangible assets

Other intangible assets which are acquired in business combinations are carried at fair values at the date of acquisition, and amortised on a straight-line basis over the period of the expected benefits 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.

### (f) 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.

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

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:

	Years
Furniture and fittings	3 – 5
Renovation	3 – 5
Office equipment and fittings	3 – 5
Site equipment and fittings	4 – 6
Motor vehicles	2 – 10
Gondolas and machineries	3 – 10
Computers	3
Leasehold properties	10 – 55
Bicycles	4

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (g) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

Costs incurred during the financial year in connection with future activity on a contract are shown as gross amount due from contract work-in-progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

The stage of completion is measured by reference to the professional's certification of value of work done to-date, approved variations and customer acknowledgement of work completed.

At the reporting date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers for contract work-in-progress. Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers for contract work-in-progress.

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

### (h) Financial assets

#### *Classification*

The Group classifies its financial assets according to the nature of the assets and purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are loans and receivables, available-for-sale financial assets and held-to-maturity investments.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables" and "cash and bank balances" on the statement of financial position.



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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Financial assets (cont'd)

#### *Classification (cont'd)*

##### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

##### *Financial assets, available-for-sale*

Financial assets, include equity and debt securities, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the assets within 12 months after the end of the reporting period.

#### *Recognition and derecognition*

Regular 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.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to profit or loss.

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.

#### *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

#### *Subsequent measurement*

Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method, less impairment. Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment loss.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

Interest and dividend income on financial assets, available-for-sale are recognised separately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Financial assets (cont'd)

#### *Determination of fair value*

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

#### *Impairment*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

#### *Financial assets carried at amortised cost*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

#### *Financial assets, held-to-maturity*

If there is objective evidence that an impairment loss on held-to-maturity financial assets has incurred, the carrying amount of the asset is reduced by an allowance for impairment and the impairment loss is recognised in profit or loss. This allowance, calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, is recognised in profit or loss in the period in which the impairment occurs.

Impairment loss is reversed through the profit or loss if the impairment loss decrease can be related objectively to an event occurring after the impairment loss was recognised. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Financial assets (cont'd)

#### *Impairment (cont'd)*

##### *Financial assets, available-for-sale*

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised.

Impairment losses on debt instruments classified as available-for-sale financial assets are reversed through profit or loss. However, impairment losses recognised in profit or loss on equity instruments classified as available-for-sale financial assets are not reversed through profit or loss.

### (i) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) Financial liabilities

Financial liabilities include trade and other payables (excluding provision for unutilised annual leave), bank borrowings and finance lease liabilities. Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently 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.

### (k) 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.

### (l) 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.

### (m) 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.

### (n) 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.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and related cost can be reliably measured.

Revenue from construction contract is recognised by reference to the stage of completion of the contract activity at the reporting date (the percentage of completion method) as set out in note 2(g).

Service income is recognised upon the performance of the services.

Revenue from sale of goods is recognised when the Company has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to 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 the payment is established.

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

### (p) 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.

### (q) 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.

### (r) 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 amount payable to the holder. 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 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (s) Leases

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 rental obligations, net of finance charges, are included in finance lease liabilities. 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 a 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.

### (t) 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 leave entitlement*

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.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (u) 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.

### (v) 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.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (w) 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 dollars, 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.



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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (x) Dividends

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

### (y) Cash and cash equivalents

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 statement of financial position.

### (z) Related parties

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

### (aa) 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.

### (bb) 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 of loans and receivables*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's loans and receivables at the reporting date are disclosed in Note 30(a) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (bb) Key source of estimation uncertainty (cont'd)

#### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of the property, plant and equipment, goodwill and intangible assets are disclosed in Notes 10, 11 and 12 respectively.

#### *Construction contracts*

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of the reporting period, 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 and customer acknowledgement of work completed.

Significant estimates and judgements are required in determining the stage of completion, the estimated additional contract revenue to be accrued (where the work completed at year end is not yet certified) and related costs and profit margin to be recognised as well as provision for foreseeable losses. Total contract revenue also includes an estimation of the variation works and claims that are recoverable from the customers. In making these estimates, the Group relied on past experience and knowledge of the project managers. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 15 to the financial statements.

## 3 REVENUE

	Group	
	2018 \$'000	2017 \$'000
Revenue from contracts	79,970	78,762
Revenue from other services	3,736	3,977
Sale of goods	95	183
	<b>83,801</b>	82,922

#### 4 OTHER INCOME

	Group	
	2018 \$'000	2017 \$'000
Government grants	870	604
Gain on disposal of property, plant and equipment	133	356
Interest income	105	261
Rental income	28	28
Bargain on purchase	–	228
Supplier rebate	13	315
Others	711	870
	<b>1,860</b>	<b>2,662</b>

Government grants include Productivity and Innovation Credit Scheme, Wage Credit Scheme, Temporary Employment Credit and other grants.

#### 5 FINANCE COSTS

	Group	
	2018 \$'000	2017 \$'000
Interest expense:		
– finance lease	143	131
– factoring loan	10	18
– term loan	157	149
– others	199	148
Bank charges	43	24
Factoring charges	18	23
	<b>570</b>	<b>493</b>

#### 6 PROFIT BEFORE TAX

	Group	
	2018 \$'000	2017 \$'000
This is arrived at after charging:		
Allowance for doubtful receivables (Note 17)	65	1,420
Amortisation of fair value adjustments on contract work-in-progress	–	140
Amortisation of intangible asset (Note 12)	2,023	1,585
Audit fee paid/payable to auditor of the Company	210	204
Audit fee paid/payable to other auditors	6	10
Bad debts written off (Note 17)	22	33
Depreciation of property, plant and equipment (Note 10)	3,109	2,247
Fees for non-audit services payable to auditor of the Company	33	49
Loss on disposal of property, plant and equipment	46	52
Personnel expenses (Note 7)	28,849	26,600
Property, plant and equipment written off	32	12
Rental expense	1,702	490

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 7 PERSONNEL EXPENSES

	Group	
	2018 \$'000	2017 \$'000
Directors of the Company:		
– Salaries and bonus	1,040	1,523
– CPF	38	34
– Fees	141	141
– Other short-term benefits	108	108
Other directors of the subsidiaries:		
– Salaries and bonus	1,247	1,384
– CPF	101	118
– Fees	126	162
– Other short-term benefits	157	217
Other key management personnel (non-directors):		
– Salaries and bonus	377	362
– CPF	30	31
– Other short-term benefits	17	15
Total remuneration of key management personnel	<b>3,382</b>	4,095
Staff costs:		
– Salaries and bonus	17,365	15,585
– CPF	1,067	951
– Other short-term benefits	7,035	5,969
	<b>28,849</b>	26,600

## 8 TAX (CREDIT)/EXPENSE

	Group	
	2018 \$'000	2017 \$'000
Tax expense attributable to profits is made up of:		
Income tax:		
– Current year	438	85
– (Over)/under provision in prior years	(534)	135
Deferred tax:		
– Current year	(424)	40
	<b>(520)</b>	260

## 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 profit before tax due to the following factors:

	Group	
	2018	2017
	\$'000	\$'000
Profit before tax	262	6,995
Tax calculated at a tax rate of 17%	45	1,189
Singapore statutory stepped income exemption	(122)	(47)
Expenses not deductible for tax purposes	399	176
Income not subject to tax	(158)	(162)
Utilisation of prior year unrecognised deferred tax assets	(247)	–
(Over)/under provision of taxation in prior years	(534)	135
Deferred tax assets not recognised for the year	389	105
Effect of tax incentives	(180)	(1,216)
Others	(112)	80
	<b>(520)</b>	260

At the reporting date, the Group has unutilised tax losses of approximately \$2,908,000 (2017: \$1,974,000) and unabsorbed capital allowances of approximately \$Nil (2017: \$94,000) that are available for carry forward to offset against future taxable income subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation. Deferred tax assets have been recognised in respect of \$Nil (2017: \$1,357,000) and \$Nil (2017: \$94,000) of such losses and capital allowances respectively. No deferred tax asset has been recognised in respect of the remaining \$2,908,000 (2017: \$617,000) of such losses as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

## 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	
	2018	2017
Profit attributable to equity holders of the Company (\$'000)	1,889	6,447
Weighted average number of ordinary shares ('000)	284,509	284,206
Earnings per share (cents)		
– Basic and diluted	0.66	2.27

The basic and diluted earnings per share are the same as the Group does not have any potentially dilutive instruments for the relevant periods.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 10 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings \$'000	Renovation \$'000	Office equipment and fittings \$'000	Site equipment and fittings \$'000	Motor vehicles \$'000	Gondolas and machineries \$'000	Computers \$'000	Leasehold properties \$'000	Bicycles \$'000	Total \$'000
<b>Group</b>										
<b>2018</b>										
<b>Cost</b>										
At 1.7.2017	56	994	341	488	6,766	11,122	1,454	20,043	-	41,264
Additions	56	4,885	14	136	1,161	568	91	143	794	7,848
Disposals	-	-	(39)	(8)	(540)	(122)	-	-	-	(709)
Acquisition of business	-	-	-	-	189	1	-	-	-	190
Written off	(2)	(29)	(6)	(10)	-	-	(5)	-	-	(52)
Exchange differences	-	1	1	-	-	(1)	3	-	-	4
At 30.6.2018	110	5,851	311	606	7,576	11,568	1,543	20,186	794	48,545
<b>Accumulated depreciation</b>										
At 1.7.2017	22	768	194	334	2,593	5,506	767	1,355	-	11,539
Depreciation charge	14	271	53	75	956	812	351	462	115	(3,109)
Disposals	-	-	(39)	(7)	(257)	(95)	-	-	-	(398)
Acquisition of business	-	-	-	-	76	-	-	-	-	76
Written off	-	(11)	(2)	(7)	-	-	-	-	-	(20)
Exchange differences	-	-	-	-	-	-	1	-	-	1
At 30.6.2018	36	1,028	206	395	3,368	6,223	1,119	1,817	115	14,307
<b>Net carrying value</b>										
At 30.6.2018	74	4,823	105	211	4,208	5,345	424	18,369	679	34,238

## 10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture and fittings \$'000	Renovation \$'000	Office equipment and fittings \$'000	Site equipment and fittings \$'000	Motor vehicles \$'000	Gondolas and machineries \$'000	Computers \$'000	Leasehold properties \$'000	Total \$'000
<b>Group</b>									
<b>2017</b>									
<b>Cost</b>									
At 1.7.2016	41	957	289	489	5,546	10,800	1,024	7,069	26,215
Additions	14	37	49	42	953	622	438	12,974	15,129
Disposals	-	-	-	(16)	(360)	(299)	-	-	(675)
Acquisition of subsidiary	1	-	9	-	629	88	-	-	727
Written off	-	-	(6)	(27)	(2)	(88)	(7)	-	(130)
Exchange differences	-	-	-	-	-	(1)	(1)	-	(2)
At 30.6.2017	56	994	341	488	6,766	11,122	1,454	20,043	41,264
<b>Accumulated depreciation</b>									
At 1.7.2016	11	680	138	302	2,162	5,020	493	980	9,786
Depreciation charge	10	88	54	60	575	804	281	375	2,247
Disposals	-	-	-	(10)	(216)	(245)	-	-	(471)
Acquisition of subsidiary	1	-	7	-	72	15	-	-	95
Written off	-	-	(5)	(18)	-	(88)	(7)	-	(118)
At 30.6.2017	22	768	194	334	2,593	5,506	767	1,355	11,539
<b>Net carrying value</b>									
At 30.6.2017	34	226	147	154	4,173	5,616	687	18,688	29,725

The carrying amount of property, plant and equipment acquired under finance lease arrangement are as follows:

	Group	
	2018 \$'000	2017 \$'000
Motor vehicles	2,560	2,364
Gondolas and machineries	3,203	1,887
Site equipment and fittings	-	6
	<b>5,763</b>	<b>4,257</b>

The leasehold properties with carrying amount of \$18,369,000 (2017: \$18,688,000) are mortgaged to a bank to secure banking facilities of the Group (Note 21).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 11 GOODWILL

	Group	
	2018 \$'000	2017 \$'000
<b>Cost</b>		
At 1 July and 30 June	<b>3,236</b>	3,236
<b>Accumulated impairment losses</b>		
At 1 July and 30 June	<b>578</b>	578
<b>Net carrying value</b>	<b>2,658</b>	2,658

### *Impairment testing of goodwill*

The carrying values of the Group's goodwill on acquisition of four subsidiaries as at 30 June 2018 were assessed for impairment during the financial year.

The Group is structured into four business segments:

- Repair & redecoration ("R&R")
- Coatings & paintings ("C&P")
- Addition and Alteration ("A&A")
- Others which include commercial interior design, home retrofitting, landscaping works, leasing services, waterproofing, green solutions and maintenance & electrical service

Goodwill is allocated for impairment testing purpose to the individual subsidiary which is also the cash generating unit ("CGU").

The carrying amount of goodwill allocated to each CGU are as follows:

	Group	
	2018 \$'000	2017 \$'000
<b>Cash Generating Unit and principal activities</b>		
Subsidiary 1 – Repair & redecoration and coatings & paintings	<b>1,383</b>	1,383
Subsidiary 2 – Landscaping works	<b>279</b>	279
Subsidiary 3 – Leasing services	<b>821</b>	821
Subsidiary 4 – Commercial interior designs	<b>175</b>	175
	<b>2,658</b>	2,658



## 11 GOODWILL (CONT'D)

### *Impairment testing of goodwill (cont'd)*

The recoverable amounts for the above subsidiaries have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a 5 year period. Cash flows beyond the five-year period are forecasted based on terminal growth rate of 1.5% which does not exceed the nominal GDP rates for the countries in which the CGU operates. The pre-tax discount rate applied to the cash flow projections are as follows:

	Repair & redecoration/Coating & paintings/Landscaping works/ Leasing services/Commercial interior designs	
	2018	2017
Pre-tax discount rates	<b>8.05% to 11.05%</b>	11.14%

The calculations of value in use for the above CGUs are most sensitive to the following assumptions:

Budgeted gross margins - Gross margins are based on the past trend and are expected to be consistent over the budget period. The forecast prepared were based on the past performance market and economic condition as at the time of preparation and reporting date;

Budgeted revenue - Revenue is computed based on secured order book and potential contracts; and

Pre-tax discount rates - 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 financial structure of the Group, the industry environment and the economic conditions within which the Group operates and derived from its weighted average cost of capital (WACC) which takes into account both debt and cost of equity. The cost of debt is based on the average Singapore's bank prime lending rate. The cost of equity is derived from the minimum acceptable return on investment required by shareholders. The risk factors are considered in the computation of beta.

### *Sensitivity to changes in assumptions*

As at 30 June 2018, any reasonable change to the key assumptions applied is not likely to cause the recoverable values to be below their carrying values.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 12 INTANGIBLE ASSETS

	Order books \$'000	Brand \$'000	Licenses \$'000	Service agreement \$'000	Customer relationship \$'000	Software \$'000	Total \$'000
<b>Group</b>							
<b>Non-current asset</b>							
<b>Cost</b>							
At 1 July 2016	2,317	1,362	43	97	–	–	3,819
Acquisition of business	2,805	–	–	88	1,022	–	3,915
At 30 June 2017	5,122	1,362	43	185	1,022	–	7,734
Acquisition of business	18	–	–	–	–	–	18
Additions	–	–	–	–	–	278	278
At 30 June 2018	<b>5,140</b>	<b>1,362</b>	<b>43</b>	<b>185</b>	<b>1,022</b>	<b>278</b>	<b>8,030</b>
<b>Accumulated amortisation</b>							
At 1 July 2016	1,481	68	11	16	–	–	1,576
Amortisation	1,234	136	18	47	73	–	1,508
At 30 June 2017	2,715	204	29	63	73	–	3,084
Amortisation	1,589	136	14	63	146	75	2,023
At 30 June 2018	<b>4,304</b>	<b>340</b>	<b>43</b>	<b>126</b>	<b>219</b>	<b>75</b>	<b>5,107</b>
<b>Net carrying amount</b>							
At 30 June 2017	2,407	1,158	14	122	949	–	4,650
At 30 June 2018	<b>836</b>	<b>1,022</b>	<b>–</b>	<b>59</b>	<b>803</b>	<b>203</b>	<b>2,923</b>
							<b>Favourable contract \$'000</b>

### Group

#### Current asset

##### Cost

At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018 192

##### Accumulated amortisation

At 1 July 2016 115  
Amortisation 77

At 30 June 2017 192  
Amortisation –

At 30 June 2018 192

##### Net carrying value

At 30 June 2017 –

**At 30 June 2018 –**

On 7 May 2018, ISO-Landscape Pte. Ltd. entered into a sale and purchase agreement to acquire a business for a consideration of \$130,000. The fair value of the identifiable assets and liabilities of the business acquired as at the acquisition date is disclosed in the Consolidated Statement of Cash Flows (Note B).

### 13 OTHER INVESTMENTS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Non-current</b>				
Held-to-maturity investment				
– Structured deposit with a financial institution	–	400	–	–
– 4.60% p.a. SGD corporate bond due 19 January 2021 (unquoted)	<b>1,048</b>	1,062	–	–
Available-for-sale financial assets				
– Equity securities (unquoted)	<b>5,000</b>	5,000	<b>5,000</b>	5,000
	<b>6,048</b>	6,462	<b>5,000</b>	5,000

The structured deposit was denominated in Singapore dollars and matured on 4 June 2018.

The SGD corporate bond is pledged to a bank to secure banking facilities of the Group (Note 21).

The unquoted bonds have fair values at the reporting date amounting to \$1,042,000 (2017: \$1,074,000) respectively. The fair values are determined based on indicative mid market price as at the reporting date, which is classified in Level 2 of the fair value hierarchy.

The investments are carried at cost as the fair value of these unquoted equity investments cannot be measured reliably.

### 14 INVESTMENT IN SUBSIDIARIES

	Company	
	2018 \$'000	2017 \$'000
<b>Unquoted equity shares, at cost</b>		
Balance at beginning of financial year	<b>38,509</b>	30,185
Acquisition during financial year	–	6,459
Incorporation of subsidiaries	<b>714</b>	365
Increase of share capital by a subsidiary	<b>100</b>	1,500
Divestment of a subsidiary	<b>(2,203)</b>	–
	<b>37,120</b>	38,509
Less: Allowance for impairment in value	<b>(2,891)</b>	(2,742)
	<b>34,229</b>	35,767

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Movement in allowance for impairment in value are as follows:

	Company	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	2,742	2,581
Allowance made	149	161
Balance at end of financial year	2,891	2,742

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

Name of subsidiary (Country of incorporation)	Principal activities	Group's equity interest held	
		2018 %	2017 %
<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

## 14 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	
		2018 %	2017 %
<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 TMG Pte. Ltd.* (Singapore)	Provision of Addition and Alteration services and commercial interior designs	100	100
ITG Projects Sdn. Bhd.** (Malaysia)	Provision of interior design services	55	55
ISO-Integrated M&E Pte. Ltd. * (Singapore)	Provision of electrical engineering services	65.9	100
SG Bike Pte. Ltd.*	Provision of bike sharing services	51	–
ISO-Homecare Pte. Ltd.*	Provision of handyman services	51	–
<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 independent overseas member firm of Baker Tilly International

# Audited by Win Thin & Associates, Myanmar

- (ii) Incorporation of subsidiaries

During the financial year, the Company incorporated two subsidiaries, SG Bike Pte. Ltd. and ISO-Homecare Pte. Ltd., with registered paid up share capital of \$1,000,000 and \$400,000 respectively.

- (iii) Increase of issued and paid-up share capital in a wholly-owned subsidiary

During the financial year, the Company increased its investment in ISO-Landscape Pte. Ltd., a wholly-owned subsidiary of the Company, by subscribing for an additional 100,000 ordinary shares for a total consideration of \$100,000 without any change in percentage of equity interest.

- (iv) 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 2018

## 14 INVESTMENT IN SUBSIDIARIES (CONT'D)

- (v) Impairment review of investment in subsidiaries

During the financial year, management made impairment loss for the cost of investment in a subsidiary of \$149,000 as the subsidiary has been making losses in the current and past financial years.

- (vi) Changes in ownership interest in subsidiaries

During the financial year ended 30 June 2018, the Group disposed 34.1% equity interest held in ISO-Integrated M&E Pte. Ltd. ("IME") to a third party. Accordingly, the effective equity interest held on IME is diluted from 100% to 65.9%.

The following summarises the effect of the changes in the Group ownership interest in IME on the equity contribution to equity holders of the Company:

	2018 \$'000
Consideration from non-controlling interest, net of transaction costs	3,000
Carrying amount of non-controlling interests	<u>(1,903)</u>
Increase in equity attributable to equity holders of the Company	<u>1,097</u>

## 15 DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2018 \$'000	2017 \$'000
Aggregate costs incurred to-date	67,440	112,665
Attributable profits recognised to-date	<u>17,408</u>	<u>30,057</u>
Less: Progress billings	84,848 <u>(63,903)</u>	142,722 <u>(124,761)</u>
	<u>20,945</u>	<u>17,961</u>
Presented as:		
Due from customers for contract work-in-progress	24,422	20,332
Due to customers for contract work-in-progress	<u>(3,477)</u>	<u>(2,371)</u>
	<u>20,945</u>	<u>17,961</u>

## 16 INVENTORIES

	Group	
	2018 \$'000	2017 \$'000
Trading stocks	486	271
Inventories directly written off to profit or loss	7	36

Inventories included as cost of sales and cost of contracts amounted to \$470,661 (2017: \$183,000).

## 17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade receivables:				
– third parties	15,195	14,416	–	–
Less: Allowance for doubtful debts	(140)	(1,540)	–	–
	15,055	12,876	–	–
–related parties (trade)	8	11	–	–
	15,063	12,887	–	–
Retention sums on contracts:				
– third parties	4,210	4,128	–	–
GST receivables	166	887	–	–
Sundry deposits	1,040	968	–	–
Prepayment	486	535	6	8
Sundry receivables:				
– third parties	5,770	3,860	–	–
– subsidiaries	–	–	12,139	9,448
Tax recoverable	152	–	–	–
	26,887	23,265	12,145	9,456

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 17 TRADE AND OTHER RECEIVABLES (CONT'D)

Movements in allowance for doubtful debts during the financial year are as follows:

	Group	
	2018 \$'000	2017 \$'000
At 1 July	1,540	143
Allowance made (Note 6)	65	1,420
Allowance written off	(1,465)	(23)
At 30 June	140	1,540
Bad debts written off directly to profit or loss (Note 6)	22	33

Included in sundry receivables are estimated profit guarantee sums recoverable in connection with the acquisition of subsidiaries and amount due from directors of subsidiaries totalling \$2,345,000 (2017: \$2,205,000) and \$1,383,000 (2017: \$Nil) respectively.

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

## 18 CASH AND BANK BALANCES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash in hand and at bank	4,826	9,994	368	1,303
Fixed deposits	7,374	4,836	3,008	–
	12,200	14,830	3,376	1,303

Fixed deposits were placed with the reputable financial institutions and matured within 1 to 10 months (2017: 1 to 10 months) from the reporting date. The effective interest rates at year end ranged from 0.05% to 2.39% (2017: 0.10% to 1.32%) per annum.

Fixed deposits include an amount of \$2,750,000 (2017: \$1,239,000) which have been pledged to banks as collateral for bank borrowings (Note 21).



## 19 FINANCE LEASE LIABILITIES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Group</b>				
Within 1 financial year	<b>1,284</b>	1,078	<b>1,150</b>	972
Within 2 to 5 financial years	<b>2,549</b>	1,832	<b>2,365</b>	1,700
After 5 financial years	<b>117</b>	53	<b>113</b>	52
Total minimum lease payments	<b>3,950</b>	2,963	<b>3,628</b>	2,724
Less: future finance charges	<b>(322)</b>	(239)	<b>–</b>	–
	<b>3,628</b>	2,724	<b>3,628</b>	2,724
Representing finance lease liabilities:				
– Current	<b>1,150</b>	972		
– Non-current	<b>2,478</b>	1,752		
	<b>3,628</b>	2,724		

The finance leases bear effective rates of interest between 1.80% to 7.64% (2017: 3.05% to 7.69%) per annum.

Certain directors of the Company have provided personal guarantees for finance lease liabilities amounting to \$302,000 (2017: \$319,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 20 DEFERRED TAX LIABILITIES

The movements in the deferred tax liabilities are as follows:

	Group	
	2018	2017
	\$'000	\$'000
At 1 July	1,575	869
Acquisition of business	9	666
Tax (credited)/charged to profit or loss	(424)	40
	<hr/>	<hr/>
At 30 June	1,160	1,575

Deferred tax liabilities as at 30 June relates to the following:

	Group	
	2018	2017
	\$'000	\$'000
<b>Deferred tax liabilities</b>		
Differences in depreciation for tax purposes	752	875
Fair value adjustment on business combination	453	788
	<hr/>	<hr/>
	1,205	1,663
<b>Deferred tax assets</b>		
Unabsorbed capital allowances and unutilised tax losses	–	(29)
Others	(45)	(59)
	<hr/>	<hr/>
	(45)	(88)

## 21 BANK BORROWINGS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Non-current liabilities</i>				
Term loans	<b>12,101</b>	11,701	–	–
<i>Current liabilities</i>				
Factoring loan	<b>260</b>	1	–	–
Trust receipts	<b>3,200</b>	1,889	–	–
Bank overdraft	<b>141</b>	269	–	–
Revolving credit facilities	<b>5,970</b>	3,179	<b>4,400</b>	3,179
Term loans	<b>2,128</b>	1,070	–	–
	<b>11,699</b>	6,408	<b>4,400</b>	3,179
<b>Total</b>	<b>23,800</b>	18,109	<b>4,400</b>	3,179

The following are the remaining contractual maturities of borrowings of the Group and the Company:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Within 1 year	<b>11,699</b>	6,408	<b>4,400</b>	3,179
Within 2 to 5 years	<b>4,352</b>	3,446	–	–
Over 5 years	<b>7,749</b>	8,255	–	–
	<b>23,800</b>	18,109	<b>4,400</b>	3,179

All borrowings are charged at floating rates.

### Group

#### (a) Security granted

The bank borrowings are secured by:

- (i) charges over fixed deposits (Note 18);
- (ii) mortgage over the Group's leasehold properties (Note 10);
- (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) SGD corporate bond; and
- (vi) a corporate guarantee by a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 21 BANK BORROWINGS (CONT'D)

### Group (cont'd)

#### (b) Fair value of non-current borrowings

The fair value of non-current borrowings is \$10,106,000 (2017: \$9,954,000).

The fair value is determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the reporting date ranging between 1.88% to 5.5% (2017: 1.58% to 2.6%) which the directors expect to be available to the Group.

The fair value is within Level 2 of the fair values hierarchy.

### Company

The term loans are unsecured, repayable on demand and covered by a corporate guarantee by a subsidiary. The variable interest rate charged at year end ranged from 4.46% to 4.59% (2017: 3.80% to 4.10%).

#### (c) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Due to related parties \$'000	Bank borrowings (excluding bank overdraft) \$'000	Finance lease \$'000	Total \$'000
Balance at 1 July 2017	–	17,840	2,724	20,564
Changes from financing cash flows:				
– Proceeds	121	7,424	2,162	9,707
– Repayments	–	(1,605)	(1,316)	(2,921)
– Interest paid	–	(366)	(143)	(509)
– Acquisition of business	–	–	58	58
Non-cash changes:				
– Interest expense	–	366	143	509
<b>Balance at 30 June 2018</b>	<b>121</b>	<b>23,659</b>	<b>3,628</b>	<b>27,408</b>

## 22 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<u>Current</u>				
Trade payables:				
– third parties	8,973	10,078	7	20
– related parties	225	522	–	–
GST payables	624	588	16	17
Retention payables:				
– third parties	2,108	2,553	–	–
– related parties	–	397	–	–
Other payables:				
– third parties	1,729	1,058	600	600
– subsidiaries (non-trade)	–	–	4,050	2,800
– related parties (non-trade)	121	–	–	–
Accrued operating expenses	2,326	2,691	90	554
	<b>16,106</b>	<b>17,887</b>	<b>4,763</b>	<b>3,991</b>
<u>Non-current</u>				
Other payable	–	600	–	600

Included in other payable is \$600,000 (2017: \$1.2 million) relating to remaining consideration payable in connection with the acquisition of IME.

The non-trade other payables due to related parties and subsidiaries are unsecured, interest-free and payable on demand.

## 23 SHARE CAPITAL, TREASURY SHARES AND ACCUMULATED PROFITS

### (a) Share capital

	2018		2017	
	Number of issued shares '000	Issued share capital \$'000	Number of issued shares '000	Issued share capital \$'000
<b>Group</b>				
At 1 July and 30 June	285,866	29,618	285,866	29,618
<b>Company</b>				
At 1 July and 30 June	285,866	29,618	285,866	29,618

All shares rank equally with regard to the Company's residual assets.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 23 SHARE CAPITAL, TREASURY SHARES AND ACCUMULATED PROFITS (CONT'D)

### (b) Treasury shares

	Group and Company			
	2018		2017	
	Number of shares '000	\$'000	Number of shares '000	\$'000
At 1 July	1,479	562	1,200	373
Share buyback	925	322	4,191	1,626
Treasury shares reissued pursuant to the acquisition of a subsidiary	(1,669)	(600)	(3,912)	(1,584)
(Loss)/gain on reissuance of treasury shares transferred to other reserves	–	(28)	–	147
<b>At 30 June</b>	<b>735</b>	<b>256</b>	<b>1,479</b>	<b>562</b>

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 925,000 (2017: 4,191,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$322,000 (2017: \$1,626,000) and this was recorded as a component within shareholders' equity.

During the financial year, 1,668,521 treasury shares were transferred as part consideration for acquisition of a subsidiary in prior year.

### (c) Accumulated profits

	Company	
	2018	2017
	\$'000	\$'000
At 1 July	14,597	5,623
Profit and total comprehensive income for the financial year	3,398	11,109
Dividend (Note 27)	(1,845)	(2,135)
<b>At 30 June</b>	<b>16,150</b>	<b>14,597</b>

## 24 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	
	2018	2017
	\$'000	\$'000
At 1 July	8	1
Foreign currency translation	8	7
At 30 June	16	8

## 25 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.

## 26 CONTINGENT LIABILITIES

As at 30 June 2018, the Company has provided corporate guarantees of \$43,554,000 (2017: \$39,004,000) to banks for bank borrowings of \$19,559,000 (2017: \$14,930,000) taken by its subsidiaries.

The earliest period that the guarantee could be called is within 1 year (2017: 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.

## 27 DIVIDEND

	Group and Company	
	2018	2017
	\$'000	\$'000
Dividend paid:		
Final exempt (one-tier) dividend of 0.65 cents (2017: 0.75 cents) per share paid in respect of FY2017 (2017: FY2016)	1,845	2,135

The directors have proposed a final tax-exempt (one-tier) dividend of 0.18 cents per ordinary share amounting to \$0.5 million based on 285,130,562 ordinary shares. These financial statements do not reflect this dividend payable which will be accounted for in the shareholders' equity as an appropriation of accumulated profits in the year ending 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 28 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:

	2018 \$'000	2017 \$'000
<b>Group</b>		
<b>With related parties</b>		
<i>Income</i>		
Sales	(2)	(74)
<i>Expenses</i>		
Purchases	755	1,651
Sub-contractors' cost	3	821
Testing fee	105	127
<i>Others</i>		
Payment on behalf	484	93
Receipts on behalf	(12)	(25)
<i>Compensation of key management personnel</i>		
– Salaries and bonus	2,438	3,269
– CPF	151	183
– Fee	267	303
– Other short-term benefits	255	340
	<b>3,111</b>	<b>4,095</b>
<b>Company</b>		
<b>With subsidiaries</b>		
Financial assistance for purchase of property, plant and equipment	–	2,449
Receipts on behalf	(554)	(480)
Loan	7,937	2,050
Repayment of loan	(6,217)	–
<i>Income</i>		
Management fee	(1,784)	(1,423)
Dividend	(2,556)	(12,000)
Interest income	(113)	(111)
<i>Expenses</i>		
Recharge of expense	1,182	1,665



## 29 COMMITMENTS

### (a) Lease commitments – where the Group is a lessee

The Group leases various offices, motor vehicles, copiers, warehouses and staff's accommodation under operating lease agreements. The leases have varying terms, escalation clauses and have tenure of more than one year with renewal options.

The future minimum lease payables under operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group	
	2018 \$'000	2017 \$'000
Not later than one year	536	728
Between two and five years	74	66
	<b>610</b>	794

Lease terms do not contain restrictions in the Group's activities concerning dividends, additional debt or further leasing.

### (b) Capital commitments

	Group	
	2018 \$'000	2017 \$'000
Capital commitments in respect of property, plant and equipment	2,047	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 30 FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

Financial instruments at their carrying amounts at reporting date are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Financial assets</i>				
<i>Loans and receivables</i>				
Trade and other receivables	26,083	21,843	12,139	9,448
Cash and bank balances	12,200	14,830	3,376	1,303
	<b>38,283</b>	36,673	<b>15,515</b>	10,751
<i>Held-to-maturity</i>				
Structured deposits	–	400	–	–
Investment in bonds	1,048	1,062	–	–
	<b>1,048</b>	1,462	–	–
Available-for-sale financial asset, at cost	<b>5,000</b>	5,000	<b>5,000</b>	5,000
<i>Financial liabilities</i>				
Trade and other payables	15,029	16,271	4,747	3,374
Finance lease liabilities	3,628	2,724	–	–
Bank borrowings	23,800	18,109	4,400	3,179
At amortised cost	<b>42,457</b>	37,104	<b>9,147</b>	6,553

### (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.

#### *Foreign currency risk*

The Group does not have significant exposure to foreign currency risk as its transactions are mainly in Singapore dollars.

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## 30 FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management objectives and policies (cont'd)

#### *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 13), fixed deposits (Note 18), finance lease liabilities (Note 19) and bank borrowings (Note 21). 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. The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis by the management.

The Group's trade receivables comprise 7 debtors (2017: 10 debtors) that represented approximately 61% (2017: 61%) of the trade receivables.

#### *Exposure to credit risk*

At the end of the financial year, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position and a nominal amount of \$19,559,000 (2017: \$14,930,000) relating to corporate guarantees provided by the Company to financial institutions in relation to certain subsidiaries' bank facilities.

#### *Financial assets that are neither past due nor impaired*

Investment in bonds that are neither past due nor impaired are issued by an institution which has high credit-rating assigned by international credit-rating agency and another institution which is not rated.

Trade and other receivables that are neither past due nor impaired are substantially corporate customers with good collection track record with the Group. Cash and bank balances are placed with reputable financial institutions with high credit ratings and no history of default.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 30 FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management objectives and policies (cont'd)

#### *Credit risk (cont'd)*

##### *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The table below is an ageing analysis of trade receivables of the Group:

	Group	
	2018 \$'000	2017 \$'000
Not past due and not impaired	13,185	12,202
Past due but not impaired	6,088	4,813
Past due and impaired	140	1,540
	<b>19,413</b>	18,555

The age analysis of trade receivables of the Group that are past due but not impaired are as follows:

	Group	
	2018 \$'000	2017 \$'000
Past due < 60 days	2,525	2,589
Past due 61 to 120 days	251	719
Past due over 121 days	3,312	1,505
	<b>6,088</b>	4,813

Full allowance for doubtful receivables was made for impaired receivables of \$140,000 (2017: \$1,540,000).

#### *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.

## 30 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
<b>Group</b>				
<b>At 30 June 2018</b>				
Trade and other payables	15,029	–	–	15,029
Finance lease liabilities	1,284	2,549	117	3,950
Bank borrowings	10,562	4,939	8,937	24,438
	<b>26,875</b>	<b>7,488</b>	<b>9,054</b>	<b>43,417</b>
<b>At 30 June 2017</b>				
Trade and other payables	16,271	–	–	16,271
Finance lease liabilities	1,078	1,832	53	2,963
Bank borrowings	6,694	4,267	9,602	20,563
	<b>24,043</b>	<b>6,099</b>	<b>9,655</b>	<b>39,797</b>
<b>Company</b>				
<b>At 30 June 2018</b>				
Trade and other payables	4,747	–	–	4,747
Bank borrowings	4,419	–	–	4,419
Financial guarantee contracts	19,559	–	–	19,559
	<b>28,725</b>	<b>–</b>	<b>–</b>	<b>28,725</b>
<b>At 30 June 2017</b>				
Trade and other payables	3,374	–	–	3,374
Bank borrowings	3,221	–	–	3,221
Financial guarantee contracts	14,930	–	–	14,930
	<b>21,525</b>	<b>–</b>	<b>–</b>	<b>21,525</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 30 FINANCIAL INSTRUMENTS (CONT'D)

### (c) Fair values of financial assets and financial liabilities

#### *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 recorded in the consolidated financial statements of the Group and the statement of financial position of the Company 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 finance lease liabilities, other payable and approximate their fair values as these financial instruments either bear interest rates which approximate the market interest rates at 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.

#### *Assets measured at fair value*

##### *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:

- (a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) 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
- (c) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### *Assets not carried at fair value but fair values are disclosed*

##### *Level 2 fair value measurements*

The held-to-maturity corporate bonds (unquoted) and bank borrowings (non-current) are classified as Level 2.

The fair value of the held-to-maturity corporate bonds are determined using quoted market prices in less active markets.

The fair value of the bank borrowings are determined using the cash flow analyses, discounted at market borrowing rates of an equivalent instruments at the reporting date.

##### *Level 3 Fair value measurements*

The held-to-maturity structured deposit is classified as Level 3.

There is no movement in Level 3 assets and liabilities measured at fair value during the year.

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## 31 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 2017.

The Group are in compliance with all externally imposed capital requirements for financial years ended 30 June 2018 and 2017.

## 32 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.

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 2018

## 32 SEGMENT INFORMATION (CONT'D)

The segment information provided to management for the reportable segments are as follows:

	R&R \$'000	A&A \$'000	C&P \$'000	Others \$'000	Total \$'000
<b>2018</b>					
Segment revenue	19,765	36,236	9,895	17,905	83,801
Segment profits	1,515	3,182	1,699	(498)	<b>5,898</b>
Depreciation and amortisation					(5,132)
Other non-cash expense					(39)
Interest income					105
Finance costs					(570)
<b>Profit before tax</b>					<b>262</b>
<b>Segment assets</b>	10,571	21,258	5,177	20,837	57,843
<b>Unallocated assets</b>					52,019
<b>Total assets</b>					<b>109,862</b>
<b>Segment liabilities</b>	1,380	2,870	595	8,348	13,193
<b>Unallocated liabilities</b>					35,118
<b>Total liabilities</b>					<b>48,311</b>
<b>Other segments items</b>					
Capital expenditure-property, plant and equipment					7,848
Depreciation of property, plant and equipment					3,109



## 32 SEGMENT INFORMATION (CONT'D)

The segment information provided to management for the reportable segments are as follows (cont'd):

	R&R \$'000	A&A \$'000	C&P \$'000	Others \$'000	Total \$'000
2017					
Segment revenue	20,900	32,385	14,317	15,320	82,922
Segment profits	4,195	7,222	2,549	(1,899)	12,067
Depreciation and amortisation					(3,972)
Other non-cash expense					(868)
Interest income					261
Finance costs					(493)
<b>Profit before tax</b>					<b>6,995</b>
<b>Segment assets</b>	17,731	13,584	3,149	18,062	52,526
<b>Unallocated assets</b>					49,667
<b>Total assets</b>					<b>102,193</b>
<b>Segment liabilities</b>	1,974	462	1,700	7,099	11,235
<b>Unallocated liabilities</b>					32,189
<b>Total liabilities</b>					<b>43,424</b>
<b>Other segments items</b>					
Capital expenditure-property, plant and equipment					15,129
Depreciation of property, plant and equipment					2,247

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 32 SEGMENT INFORMATION (CONT'D)

### *Information about major customers*

Revenue from 1 (2017: 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	
		2018 \$'000	2017 \$'000
Customer 1	A&A and Others	<b>17,428</b>	10,122

### *Geographical information*

The Group's revenues from external customers derived predominantly from customers in Singapore. The non-current assets of the Group are predominantly located in Singapore.

## 33 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Group for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors dated 27 September 2018.

# STATISTICS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2018

## SHARE CAPITAL

Issued and fully paid capital	–	S\$29,801,091	Class of shares	–	Ordinary shares
Total number of shares in issue (excluding treasury shares)	–	284,930,562	Voting rights	–	1 vote per share
Number of treasury shares	–	936,028			

The Company does not have any subsidiary holdings.

0.33% of the 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 32.31% of the issued ordinary shares of the Company were held in the hands of the public as at 21 September 2018 and therefore Rule 723 of the Catalist Rules is complied with.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 21 SEPTEMBER 2018

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	–	–	–	–
100 – 1,000	38	3.68	23,300	0.01
1,001 – 10,000	340	32.95	2,451,700	0.86
10,001 – 1,000,000	631	61.14	42,595,304	14.95
1,000,001 and above	23	2.23	239,860,258	84.18
<b>Total</b>	<b>1,032</b>	<b>100.00</b>	<b>284,930,562</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS AS AT 21 SEPTEMBER 2018

S/N	Name of Shareholder	No. of Shares	%
1	ADD INVESTMENT HOLDING PTE LTD	79,954,406	28.06
2	CITIBANK NOMINEES SINGAPORE PTE LTD	61,263,636	21.50
3	NIPPON PAINT (SINGAPORE) COMPANY PRIVATE LIMITED	15,896,556	5.58
4	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	11,912,604	4.18
5	TING GUAK CHOO	7,687,306	2.70
6	KOH THONG HUAT	7,682,000	2.70
7	NG CHENG LIAN	7,682,000	2.70
8	OCBC SECURITIES PRIVATE LTD	5,536,700	1.94
9	LIM CHIEW HOE	5,079,366	1.78
10	UOB KAY HIAN PTE LTD	4,740,100	1.66
11	CHUA HONG HUAY	4,280,400	1.50
12	LIM KIM HOCK	3,812,000	1.34
13	OR THIAM HUAT	3,812,000	1.34
14	DBS NOMINEES PTE LTD	3,106,300	1.09
15	WONG CHUN WENG	2,787,084	0.98
16	PHILLIP SECURITIES PTE LTD	2,671,100	0.94
17	RAFFLES NOMINEES (PTE) LTD	2,431,400	0.85
18	CLARISSA CHOH SOK PHENG (CLARISSA ZOU SHUPING)	1,988,300	0.70
19	LIM JIT CHANG (LIN RICHANG)	1,848,000	0.65
20	HONG LEONG FINANCE NOMINEES PTE LTD	1,830,000	0.64
<b>Total</b>		<b>236,001,258</b>	<b>82.83</b>

\* The percentage of shareholdings was computed based on the issued share capital of the Company as at 21 September 2018 of 284,930,562 shares (excluding 936,028 treasury shares).

# STATISTICS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2018

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
ADD Investment Holding Pte. Ltd. <sup>(2)</sup>	79,954,406	28.06	40,000,000	14.04
Ng Cheng Lian <sup>(3)</sup>	7,682,000	2.70	119,954,406	42.10
Koh Thong Huat <sup>(3)</sup>	7,682,000	2.70	119,954,406	42.10
Foo Joon Lye <sup>(3)(4)</sup>	–	–	127,636,406	44.80
Nippon Paint (Singapore) Company Private Limited <sup>(5)</sup>	15,896,556	5.58	–	–
Nippon Paint Holdings Co., Ltd. <sup>(5)</sup>	–	–	15,896,556	5.58
Nipsea International Limited <sup>(5)</sup>	–	–	15,896,556	5.58
Nipsea Holdings International Limited <sup>(5)</sup>	–	–	15,896,556	5.58
Wuthelam Holdings Limited <sup>(5)</sup>	–	–	15,896,556	5.58
Thurloe Ltd <sup>(5)</sup>	–	–	15,896,556	5.58
Rainbow Light Ltd <sup>(5)</sup>	–	–	15,896,556	5.58
Epimetheus Ltd <sup>(5)</sup>	–	–	15,896,556	5.58

### Notes:

- <sup>(1)</sup> Based on the issued share capital of the Company of 284,930,562 shares (excluding treasury shares and subsidiary holdings) as at 21 September 2018.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> 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, Cap. 50.
- <sup>(4)</sup> 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.
- <sup>(5)</sup> Nippon Paint (Singapore) Company Private Limited is 51% owned by Nippon Paint Holdings Co., Ltd. and 49% owned by Nipsea Holdings International Limited. Nippon Paint Holdings Co., Ltd. is 39% owned by Nipsea International Limited. Nipsea International Limited is 100% owned by Nipsea Holdings International Limited which is 100% owned by Wuthelam Holdings Limited. Wuthelam Holdings Limited is 25% owned by Thurloe Ltd and 75% owned by Rainbow Light Ltd. Rainbow Light Ltd is 67% owned by a trust for which Epimetheus Ltd acts as trustee.

# NOTICE OF ANNUAL GENERAL MEETING

ISOTEAM LTD. (REGISTRATION NUMBER 201230294M)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“AGM”) of ISOTEAM LTD. (the “Company”) will be held at Topaz Room, Level 2, Sheraton Towers, 39 Scotts Road, Singapore 228230 on Friday, 26 October 2018 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 2018 together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To declare a final (tax exempt one-tier) dividend of 0.18 cent per ordinary share for the financial year ended 30 June 2018. **(Resolution 2)**
3. To approve the payment of Directors’ fees of \$140,700 for the financial year ending 30 June 2019, to be paid quarterly in arrears (FY2018: \$140,700). **(Resolution 3)**
4. To re-elect Mr Koh Thong Huat, a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 4)**
5. To re-elect Mr Soh Chun Bin, a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 5)**  
*(see explanatory note 1)*
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 Catalyst (“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 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 Instrument made or granted by the Directors while this Resolution was in force,

# NOTICE OF ANNUAL GENERAL MEETING

ISOTEAM LTD. (REGISTRATION NUMBER 201230294M)

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);
- (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 outstanding or subsisting at the time this Resolution is passed, 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;
- (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 in 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 2)*

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 3)*

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9. That:

(Resolution 9)

- (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,

and otherwise in accordance with all other provisions of the Companies Act and the Catalyst 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;
- (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);

# NOTICE OF ANNUAL GENERAL MEETING

ISOTEAM LTD. (REGISTRATION NUMBER 201230294M)

“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 duties, 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 after the relevant five-day period;

“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 and are hereby 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 4)*

- 10. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

**Wee Woon Hong**  
**Lwin Lwin Aung**  
Company Secretaries

11 October 2018  
Singapore



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### Explanatory Notes:

1. Mr Soh Chun Bin will, upon re-election as a Director, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees of the Company. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules.
2. 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 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.
3. 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 ISOTeam 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.
4. 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:

- (i)
  - (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints two proxies, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy.
  - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, the number of Shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

- (ii) A proxy need not be a member of the Company.
- (iii) The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 8 Changi North Street 1, ISOTeam Building, Singapore 498829 not less than 48 hours before the time appointed for holding the AGM.

# NOTICE OF ANNUAL GENERAL MEETING

ISOTEAM LTD. (REGISTRATION NUMBER 201230294M)

- (iv) The instrument appointing a proxy or proxies 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.
- (v) 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.

## Personal Data Privacy:

"Personal data" in this notice of AGM has the same meaning as "personal data" in the Personal Data Protection Act 2012, which includes the member's name and its proxy's and/or representative's name, address and NRIC/Passport number. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. 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 Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

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This notice 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 SGX-ST. The Sponsor has not independently verified the contents of this notice.

This notice has not been examined or approved by the SGX-ST and the SGX-ST 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 Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.

# ISOTEAM LTD.

(COMPANY REGISTRATION NUMBER 201230294M)  
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

### Important

- Investors who hold shares under the Supplementary Retirement Scheme ("SRS Investors") may attend and vote at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, such SRS Investors shall be precluded from attending the AGM.
- This instrument of proxy is not valid for use by the SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

I/We\*, \_\_\_\_\_ (Name)

(NRIC/Passport/Registration Number \_\_\_\_\_) of \_\_\_\_\_

\_\_\_\_\_ (Address)

being a member/members\* of ISOTEAM LTD. (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholding	
			Number of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholding	
			Number of Shares	%

or failing him, 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 at Topaz Room, Level 2, Sheraton Tower, 39 Scotts Road, Singapore 228230 on Friday, 26 October 2018 at 10.00 a.m. and at any adjournment thereof.

I/We\* direct my/our\* proxy/proxies\* to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies\* will vote or abstain from voting at his/their\* discretion, as he/they\* will on any other matter arising at the AGM and at any adjournment thereof.

NO.	RESOLUTIONS	FOR**	AGAINST**
	<b>ORDINARY BUSINESS</b>		
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2018 together with the Independent Auditor's Report thereon		
2.	To declare a final dividend of 0.18 cent per ordinary share for the financial year ended 30 June 2018		
3.	To approve the payment of Directors' fees of \$140,700 for the financial year ending 30 June 2019, to be paid quarterly in arrears		
4.	To re-elect Mr Koh Thong Huat as a Director of the Company		
5.	To re-elect Mr Soh Chun Bin 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		
	<b>SPECIAL BUSINESS</b>		
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		

\* Delete accordingly

\*\* If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [v] within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

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:

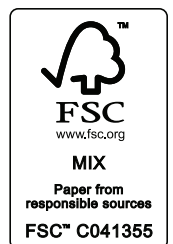
1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository 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. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints two proxies, the proportion of his shareholding to be represented by each proxy shall be specified in this instrument of proxy. If the proportion of his shareholding is not specified, the first named proxy shall be deemed to represent 100% of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.  
  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in this instrument of proxy.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy need not be a member of the Company.
4. This instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 8 Changi North Street 1, ISOTeam Building, Singapore 498829 not less than 48 hours before the time appointed for holding the AGM. The appointment of a proxy or proxies shall not preclude a member from attending and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.
5. This instrument appointing a proxy or proxies 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 or proxies 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. 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.
8. The Company shall be entitled to reject this instrument appointing a proxy or proxies 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 or proxies (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 or proxies 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(ies) and/or representative(s), 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 11 October 2018.





## **ISOTEAM LTD.**

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Singapore 498829

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