



ISOTEAM LTD.

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

FURTHER UPDATE REGARDING THE DEVELOPMENTS OF THE COVID-19 SITUATION AND THE IMPACT ON THE GROUP'S FINANCIALS

The Board of Directors (the "**Board**") of ISOTeam Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 7 April 2020 (the "**Previous Announcement**") in relation to the impact of the COVID-19 outbreak on the Group's businesses and wishes to provide further update to shareholders on the impact of the directives from the governments in Singapore and Malaysia which have restricted the operations of non-essential businesses nationwide, on the Group's businesses.

Control Measures

On 3 April 2020, the Singapore Government announced circuit breaker measures applicable until 4 May 2020 (the "**Initial Circuit Breaker Period**"), and had on 21 April 2020 further announced that the Initial Circuit Breaker Period would be extended to 1 June 2020 (the "**Singapore Circuit Breaker Period**"). The circuit breaker measures included a suspension of workplace activities save for companies providing essential services. On 18 April 2020, the Ministry of Manpower ("**MOM**") and the Building and Construction Authority ("**BCA**") announced that foreign employees with work permits and S Pass under the construction sector and their dependents must be served with a Stay-Home-Notice, effective from 20 April 2020. The Malaysian Government had also announced a Movement Control Order, which came into effect on 18 March 2020 and which is extended to 9 June 2020 (the "**Malaysia Circuit Breaker Period**" and together with the **Singapore Circuit Breaker Period**, the "**Closure Periods**", and the collective measures taken by the Singaporean and Malaysian Governments, the "**Control Measures**").

Nevertheless, the Company had on 9 April 2020 obtained approval from the Ministry of Trade and Industry in Singapore to continue certain operations, including serving customers providing essential services, to be carried out in compliance with relevant governmental safety measures.

The Company had also on 19 April 2020 applied for an exemption from the BCA such that the Company's foreign employees could continue their workplace activities. The Company is pleased to inform that it has obtained approval from BCA to allow some of the Company's foreign employees (the "**Foreign Employees**") to continue certain approved workplace activities in order to serve customers providing essential services.

Apart from the Foreign Employees, the Group's employees in Singapore are mostly working from home. The Group has also implemented policies in line with the advisories regularly issued by the Ministry of Health and other relevant authorities. These include temperature screening, distribution of reusable masks to all employees, working from home where possible and safe distancing within the workplace. Further, in line with the advisories issued by MOM, the Group had provided catered food and daily essentials to those of its foreign employees who are required to stay in the dormitories.

Impact of the Control Measures

The impact of the Control Measures on the Group's operations are as follows:

- (i) Slow-down in project tenders, the award and execution of projects;

- (ii) Disruption of the supply chain of raw materials;
- (iii) Disruption in the work of sub-contractors and outsourced partners.

Actions taken by the Group due to the Control Measures

The Group has undertaken several measures, including but not limited to the following:

- (i) Re-scheduling, execution and extension for projects affected by the Control Measures and other operational constraints;
- (ii) Re-scheduling of the delivery dates of certain materials and equipment which had been ordered and paid for by the Group, including playground and fitness equipment, electrical fixtures, and others;
- (iii) Temporary suspension of service agreements with certain vendors, including the rental of excavators and portable toilets, and security services; and
- (v) Submission of advance project claims to several clients as per the BCA's guidelines.

Financial Impact on the Group

As stated in the Previous Announcement, the Group expects its financial performance for the current financial year ending 30 June 2020 ("FY2020") to be materially impacted as compared to the last financial year. As a guidance, the Group wishes to set out the financial impacts on the near-future of the Group, based on the unaudited management accounts and financial estimates as follows:

- (i) Revenue in the second half of FY2020 is expected to decline significantly as compared to the corresponding period, largely attributable to a slow-down in and closure of business operations and substantial impact on project completion and recognition due to the Control Measures;
- (ii) The Group is expecting a longer collection period during the Closure Periods. However, the Group has not received any indication of any major default of accounts receivables as at the date of this announcement;
- (iii) The Group's overhead expenses are partially mitigated by various support measures from the Singapore Government such as the Job Support Scheme and the waiver of the foreign worker levy;
- (iv) With the expected decline in net income, cash flow from operating activities is expected to be lower; and
- (v) To mitigate the impact from COVID-19, the Group continues to focus on tightening cost controls.

The Group is also currently in negotiations with relevant financial institutions on extending repayments, as well as exploring other financing options, including those assisted by the Singapore Government. In light of the aforesaid, the Group is currently not facing any material uncertainty concerning the ability to fulfil near-term obligations. Barring any unforeseen circumstances, the probable decline in revenue and net income is not expected to affect the Group's ability to continue as going concern and its ability to fulfil its near-term obligations, taking into account the aforesaid and continued financial support from the Group's corporate lenders.

Amidst the current situation, the Company wishes to assure shareholders that the Group's order book remains intact, and remains committed to fulfilling its order book when the situation permits.

Considering all the above developments and uncertainties, the Group is unable to quantify nor determine the true extent of the financial impact beyond FY2020, assuming that even following the lifting of the Control Measures after the Closure Periods, the return to normality will not be immediate.

The Group is keeping a close watch on the development of the COVID-19 situation and the Company will make appropriate announcement(s) to keep shareholders updated on any material developments as and when necessary.

By Order of the Board

Anthony Koh Thong Huat
Executive Director and Chief Executive Officer
15 May 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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