



ISOTEAM LTD.

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

**RESPONSE TO QUESTIONS FROM SHAREHOLDERS FOR ANNUAL GENERAL MEETING TO
BE HELD ON 24 OCTOBER 2023**

The Board of Directors of ISOTeam Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank shareholders for submitting their questions ahead of the Company’s Annual General Meeting to be held on 24 October 2023 at 10.00 a.m. The Company wishes to provide its responses to the substantial and relevant questions received from the shareholders as at 16 October 2023, 5.00 p.m., as set out below:

Question 1

I note that the Company is building a worker dormitory on two floors of our headquarters to house almost 290 workers. (page 9 of Annual Report).

a) What is the cost required to build the dormitory?

The costs required to build the dormitory has been streamlined given that the Company’s headquarters (“**HQ**”) building is already equipped with ceiling and basic Mechanical and Electrical (M&E) works. The Group considers that the bulk of the costs for building the worker dormitory will be on the fixtures, such as bed frames, lockers and toilet and shower facilities.

b) When will it be completed?

The Company notes that whilst the requisite permits have been obtained, it would still need to work together with the relevant government authorities to obtain confirmation(s) as needed. It is estimated that it would be completed within five weeks upon final confirmation from the Singapore Civil Defence Force (SCDF).

c) Will it be sufficient to house all our foreign workers?

Based on the available space and requirements, as abovementioned, it is intended for this new worker dormitory to house almost 290 workers. By contrast, the Group has slightly more than 1,000 workers.

d) Given the newly announced Ministry of Manpower (“MOM**”) regulations of “12-person room limit with en-suite toilet”, will the space still be sufficient to house almost 290 workers? Or will it now only be able to accommodate lesser workers? If so, how many workers? Will there be sufficient space for it to be built in a manner compliant with the newly announced MOM regulations of “12-person room limit with en-suite toilet”?**

In planning for and obtaining the requisite permits, the Group has taken into consideration the requirements by MOM. Its plans to house close to 290 workers have been made on this basis, and is in compliant with the existing MOM regulations.

Question 2

I read in the news that there is a shortage of dormitory housing for foreign workers, with dormitory accommodation costs skyrocketing and that there is intense profiteering by dormitory operators.

a) Is the Company facing accommodation shortage for its foreign workers?

The Company currently has sufficient accommodation for all of our foreign workers. Nevertheless, the Company acknowledges that this is an on-going challenge faced by the industry.

b) How does the Company manage the lack thereof housing accommodation for its foreign workers?

Please refer to the above response to Question 1. The Company hopes to manage this challenge by building a workers' dormitory at its HQ building. At the same time, the Company maintains good business relationships with its regular dormitory providers and works to receive their continued support in this matter.

c) What is the average cost of accommodation for the Company's foreign workers?

The average cost of accommodation is currently approximately S\$550/pax.

d) How does it compare with previous year(s)?

Since the COVID-19 pandemic, accommodation costs have significantly increased.

e) And how does the Company manage the rising costs for housing foreign workers?

Please refer to the above response as set out in sub-paragraph (b). In the short-term, the Company has factored such costs into its tenders. In the long-term, as raised in Question 1 above and in the Company's Annual Report, the Company is currently building a dormitory to house close to 290 workers within our HQ building. This will help to reduce accommodation costs in the long-term.

Question 3

Who are the Company's competitors? And what is your competitive advantage over your competition?

Our main competitors are qualified contractors with similar Building and Construction Authority (BCA) grading as the Group. We believe that the Group has a number of competitive strengths, including more than 25 years of strong track record, project management skills and exclusive partnerships with brands such as Nippon Paints and SKK Paints. Further, our multi-disciplinary capabilities are a key advantage for customers who would prefer to work with one company for multiple services. Whilst there may be competitors who provide services similar to some of ours, we are of the view that we are one of the few providing multi-disciplinary services.

Question 4

In January 2023, there was a workplace accident that resulted in one fatality. With reference to below article:

<https://www.businesstimes.com.sg/companies-markets/isoteam-unit-hit-suspensions-after-death-foreign-worker-bedok-condo>

"The deceased worker, a 37-year-old Myanmar national, fell four storeys while painting the facade of an apartment block at Waterfront Isle condominium."

As a consequence of the workplace incident, “ISOTEAM C&P, a wholly owned subsidiary of Catalyst-listed ISOTeam, has been ordered by the MOM to stop all work-at-height activities at a Bedok condominium and any operation of suspended scaffolds, following the death of a foreign worker. The suspension will hold until certain measures have been taken to the satisfaction of MOM, ISOTeam said on Monday (Jan 16). The unit is also barred from hiring new foreign workers for three months due to its poor risk controls.”

- a) **Is the suspension of “work-at-height activities” still in place? Is the suspension of “operating of suspended scaffolds” still in place? Is the Company now able to hire new foreign workers?**

As announced by the Company on 24 April 2023, the three-month period during which ISOTeam C&P was debarred from hiring new foreign workers had expired and the stop-work order in relation to work-at-height activities was lifted with immediate effect from April 2023. ISOTeam C&P has since resumed full operations at its worksites.

- b) **What is the impact from this accident?**

As announced by the Company on 16 January 2023, the Group’s other subsidiaries were not affected by the abovementioned measures imposed on ISOTeam C&P. During the period of time from January to April 2023, there was sufficient manpower Group-wide, to ensure that operations were not affected. As set out in sub-paragraph (a), the measures have since been lifted and ISOTeam C&P has since resumed full operations. The Group has also reiterated the importance of adhering strictly to the Company’s worksite safety rulebook to all workers.

- c) **Has it caused the project completion to be delayed? If so, do we have to pay compensation? How much is the compensation?**

The Group was granted a 3-month extension of time and was able to complete the project within the timeframe. There was no compensation payable.

- d) **Do we face a fine from the regulatory authority or the justice system due to this accident? How much is the financial penalty? Will any of our employees be jailed for negligence?**

The Group has yet to be provided with MOM’s findings and conclusion and accordingly, has yet to be made aware of MOM’s decision.

- e) **What are the key lessons that the Company has learnt from this fatal accident?**

The Group wishes to assure shareholders that the workplace incident was not taken lightly. It has undertaken a review of its policies and procedures to assess if there are any improvements to be made, and has reiterated the importance of adhering strictly to the Company’s worksite safety rulebook to all workers and has increased the frequency of our safety briefings.

Question 5

I note that energy, water, and utilities costs are rising in Singapore. Last month, the Minister announced that water prices will increase. Oil prices are also going up once again due to instability in the middle east. Indeed, inflation is a concern.

- a) **How have the rising energy, water and utilities costs affected the Company? What is the Company’s strategy for dealing with rising energy, water and utilities costs?**

The Company is cognisant of the rising inflation costs and takes such costs into consideration when it makes tenders. Further, the Group has also identified the importance of going green. Its efforts for environmental sustainability have put the Group ahead in terms of streamlining its energy, water and utilities usage, and the construction and design of its HQ building has also taken this into consideration. For example, the water taps in the HQ building have water-saving features, and solar panels have also been installed on the rooftop of the HQ building. This would help reduce the potential impact of such rising costs.

b) What is the Company’s strategy for dealing with rising inflation costs?

Please refer to the above response as set out in sub-paragraph (a). In addition, the Group has also taken other measures, such as setting up a dormitory to house its workers within its HQ. This would help to manage costs. The Group had also earlier undertaken a rights issue to raise funds. Amongst others, the funds raised would enable to Group to better manage its costs.

c) Is the company able to pass on these rising inflation costs to its customers?

As mentioned, given that the Company is cognisant of the rising inflation costs, it takes such costs into consideration in providing fee quotes to its customers.

Question 6

What kind of profit margins are we looking at for your new contracts? Is your historical high teens GPM a reasonable gauge?

The Group’s order book is currently at an all-time high of almost \$226 million comprising entirely of fresh new projects with margins that the Group considers reasonably good margins. We expect such margins to continue normalising in tandem with the recovery of the construction industry as more public and private sector activities recover and may even surpass pre-pandemic levels.

Question 7

How competitive is the Addition and Alteration (“A&A”) and R&R after the pandemic? I suppose more contractors are also aggressively bidding for new contracts.

Subsequent to the pandemic, the Company has observed that there was some consolidation within the industry and some smaller companies did not survive. This has actually led to less intense competition and with our multi-disciplinary capabilities, the Company believes it is well-positioned to benefit from the current recovery in the industry.

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

Anthony Koh Thong Huat
Executive Director and Chief Executive Officer
20 October 2023

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

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