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

RESPONSES TO QUESTIONS FOR THE ANNUAL REPORT FOR FY2026

The Board of Directors of ISOTeam Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") would like to provide its responses to the queries raised by the Securities Investors Association (Singapore) ("**SIAS**") and a shareholder of the Company in relation to the Company's Annual Report for the financial year ended 30 June 2026 ("**FY2026**") and appends the replies as follows:

SIAS Question 1

In the joint message to shareholders, the use of drones is identified as a key strategic priority. Management expects this technology to improve operational efficiency and reduce manpower costs over time, complementing the Group's broader productivity initiatives. The Group has also developed an AI-enabled robotic workforce, including indoor painting robots and drones for facade inspection and washing.

(i) Can management elaborate on the extent to which the Group deploys its painting robots, facade inspection drones and washing drones? What proportion of relevant projects uses these technologies, and what measurable improvements have they delivered in manpower costs, productivity, project completion time and operating margins compared with conventional methods?

Company's Response

Façade inspection drones have been in commercial operational use since 2021 and the Group has completed inspection on more than 800 blocks. The measurable benefit is faster and more efficient inspection, the elimination of the need to set-up gondolas and the ability to inspect an entire block without having to proceed section by section.

As indoor painting robots were only recently deployed to new-builds such as those at Tengah in 2025, the Group has not yet quantified the resulting improvements in productivity and manpower costs.

Façade washing and painting drones remain at the pre-commercial stage and are undergoing further technical upgrades and test-bedding. As neither technology has been deployed at a commercial scale, there is no productivity data currently available. Management estimate the painting drones may possibly reduce painting time and labour costs by up to 30% to 40% at scale due to its ability to operate continuously without breaks. For the avoidance of doubt, this remains an indicative estimate and the actual productivity and cost savings achieved may differ from estimated figures.

The share placement and convertible bond agreements were completed in September 2025, raising approximately $10.0 million in net proceeds. Almost 60% of these proceeds was earmarked for drone development and commercialisation.

	Allocation of Net Proceeds $'000	Amount utilised $'000	Balance $'000
General working capital for the Company[1]	3,860	(3,860)*	–
Commercialisation of drones	3,861	–	3,861
Final development of drones	1,931	–	1,931
Total	**9,652**	**(3,860)**	**5,792**

(Source: Company Annual Report)

(ii) How much has the Group spent on drone development and commercialisation to date, including research and development, equipment, software, staffing and other related costs? What is the total investment budget approved by the board for drone-related development?

Company's Response

As disclosed in the allocation of net proceeds, $3.86 million has been earmarked for commercialisation and $1.93 million for final development, amounting to a total of $ 5.79 million approved for drone-related development. We maintain strict oversight over these disbursements, ensuring software and equipment expenditures align closely with the Board's approved budgets.

(iii) Given the uncertainty around adoption, scalability and commercialisation, what evidence supports the Group's continued investment, and what are the principal risks that could undermine the business case?

Company's Response

The evidence supporting continued investment is the operational track record of façade inspection drones (more than 800 blocks since 2021) and the deployment of indoor painting robots on new-build projects. The principal risks are regulatory, approval timing for painting drones and proving technical performance (e.g., spray quality, safety and reliability) at scale. Both are being managed through staged test-bedding, early engagement with regulators and reviews, with further investment calibrated accordingly.

(iv) What aspects of the Group's drone technology are proprietary, and what prevents competitors from replicating its capabilities or offering similar solutions at lower cost?

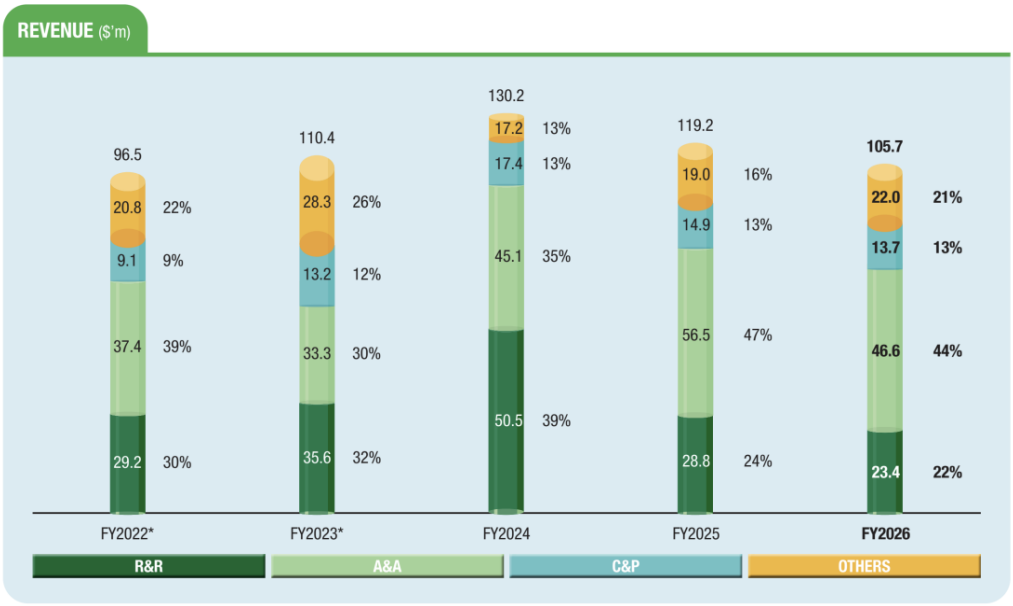
Company's Response

Drone development began in 2021 with partners such as Nippon Paint Singapore. The painting drone received an Enterprise Development Grant and Civil Aviation Authority of Singapore ("**CAAS**") approval in 2023 and the technology is proprietary to the Group. The Group's drone strategy was first mooted to address manpower supply during Covid-19. Its aim is to cut down the reliance on foreign workers while improving site safety. The Group believes there is a demand, especially for washing and painting drones, which will be supported by the government's policy that mandates HDB blocks to be repainted every five years, which is particularly relevant given that over 80% of the Group's revenue is derived from the public sector.

SIAS Question 2

Would the board and management provide greater clarity on the following operational and financial matters?

(i) **Growth: Following the recovery from the pandemic, revenue has declined for two consecutive years. What are the principal factors behind this trend, and which constraints does management consider most significant to future growth, including market demand, pricing, competition, project execution and manpower availability?**



(Source: Company Annual Report)

Across the repairs and redecoration (R&R), addition and alteration (A&A), and coating and painting (C&P) segments, what are the three most promising growth opportunities in each segment over the next 18-24 months, and how does the group intend to pursue them?

Company's Response

The decline in revenue over the last two consecutive financial years, is primarily attributable to the timing of project commencement and completion, which is determined by customers, rather than weaker underlying demand. The principal constraints on future growth are rising manpower costs, increasing competition, material and energy-related cost inflation arising in part from developments in the Middle East, and increasing pricing pressure, rather than market demand.

The Group's top three most promising growth opportunities in the repairs and redecoration ("**R&R**"), addition and alteration ("**A&A**"), and coating and painting ("**C&P**") segments over the next 18–24 months, together with the Group's intended strategies for pursuing these opportunities, by segment are set out below.

Segment	Top 3 Most Promising Growth Opportunities	Group's Strategy
R&R	1. Recurring Town Council and HDB cyclical maintenance; 2. Building façade inspection and washing into R&R contracts; and 3. Repairs and repainting for older estates	The Group will pursue these through public-sector frameworks and selective tendering
A&A	1. Public-sector community projects, Neighbourhood Upgrading Programme, estate renewal projects and upgrading; 2. Sustainability and energy-efficiency retrofits; and	The Group will pursue these through pre-qualification for public tenders, design-and-build capability and tighter project execution

	3. Improvement works for older HDB estates	
C&P	1. Green and protective coating specifications; 2. Robotic and drone painting and washing where approved; and 3. Integrated façade repair, waterproofing and inspection	The Group will pursue these through partnerships with major building/ construction companies, approved-product partnerships and productivity-linked pricing

(ii) Finance costs: Finance costs increased by 13% in FY2026 despite lower revenue. In particular, interest on term loans increased by 27.6% even with the repayment of a term loan carrying an interest rate of 10%.

5 FINANCE COSTS

	Group	
	2026 $'000	2025 $'000
Interest expense:		
– Lease liabilities	**187**	186
– Term loan	**1,456**	1,141
– Others	**616**	601
Bank charges	**222**	244
Factoring charges	**32**	46
	2,513	2,218

(Source: Company Annual Report)

What explains this increase in finance costs relating to term loan(s) in FY2026, including changes in average borrowings, interest rates, and fees? Could management also explain why it accepted the 10% term loan, what alternative financing options were considered, and why was this facility preferred?

Company's Response

The increase in term loan interest in FY2026 was mainly due to the unwinding of interest expenses on the host liability component of the convertible bonds issued in FY2026. As compared to FY2025, the Group's borrowings and interest rates have declined.

As a bridging facility, the 10% term loan was obtained during the COVID-19 pandemic to secure critical raw materials and to ensure the timely delivery of project deliverables amid credit liquidity. This facility was instrumental in mitigating the risks of project delays. The 10% term loan has been fully repaid during FY2026.

(iii) Financing or funding strategy: What capital structure does the board consider optimal for the Company, taking into account its operating cash flow, working capital needs, growth plans and capacity to service debt? What roles do short-tenure commercial paper, convertible bonds with derivative components, term loans and equity issuance play in the group's funding strategy, and how does management assess their respective costs, refinancing risks and potential dilution?

Company's Response

The Board considers all financing options taking into account working capital needs. An optimal capital structure for a project-intensive group balances the liquidity required for immediate contract mobilisation against the long-term capital needed for strategic expansion. This requires matching the duration of liabilities with the cash-conversion cycles of the underlying assets, ensuring that EBITDA comfortably services interest obligations.

External facilities such as term loans and commercial paper are utilised for working capital purpose, while equity or convertible bonds are to support the final development and commercialisation of the Group's drone painting technology and to further support the future digitisation initiative of the Group as announced on 11 September 2025.

SIAS Question 3

As disclosed in the joint message to shareholders, the group maintains healthy revenue visibility, with an order book of approximately $185.3 million as at 1 July 2026, that is expected to be progressively delivered over the next two to three years.

On 16 January 2026, SGX RegCo issued a Regulator's Column1 on forward guidance, in which the regulator strongly encouraged issuers to provide meaningful forward-looking disclosures.

SGX RegCo noted that forward-looking information consistently ranks highly among the information sought by investors, including institutional investors and research analysts, particularly regarding anticipated earnings and management's strategy for achieving those outcomes. The regulator also clarified that forward guidance does not require auditor sign-off and that issuers are not expected to update guidance immediately for every change in circumstances. Issuers should nevertheless make timely announcements in accordance with existing listing rules relating to material information and price-sensitive developments.

SGX RegCo also highlighted that forward guidance should be viewed as a means for companies to signal confidence, build credibility with investors, and potentially support long-term shareholder value, rather than as a compliance exercise.

The Regulator's Column can be accessed here:
https://www.sgxgroup.com/media-centre/20260116-regulators-column-forward-guidance-why-it-matters-and-how-get-it

(i) Given SGX RegCo's encouragement of forward guidance and its view that such disclosures can enhance investor confidence and credibility, has the board considered providing forward guidance for FY26/27 on the group's performance, outlook, key operating assumptions, and strategic priorities? If not, why not?

Company's Response

The Board has considered SGX RegCo's views and agrees that meaningful forward-looking disclosure supports investor confidence. The Group currently provides indicators through disclosing its order book value and regular announcements of award of contracts with project completion dates.

The Board has not issued any quantitative earnings guidance for FY2027 as revenue recognition depends on project commencement and completion schedules, the timing of public sector awards, and input costs that remain exposed to geopolitical developments. The Board will consider other aspects of forward guidance where appropriate.

The Group's strategic priorities for FY2027 are to convert the order book efficiently and maintain cost discipline; to participate actively in public tenders and to grow its order book; and to progress the painting drone towards commercial deployment to support productivity and cost efficiency. Material developments will continue to be announced promptly in accordance with the Catalist Rules.

Shareholder's Question

In the FY2026 Annual Report, the Company stated that commercial testing of its painting drone is expected to commence in the "third quarter of 2027". Could management please clarify whether this refers to calendar Q3 2027 (July–September 2027), or 3Q FY2027 (January–March 2027)?

This appears different from the FY2026 results presentation, which indicated a live demonstration and application to industrial building structures in 2Q FY2027 and fleet expansion by 4Q FY2027. Could management clarify the latest timeline, what "commercial testing" refers to, and whether the earlier 2Q FY2027 and 4Q FY2027 milestones remain on schedule?

Company's Response

The Company wishes to clarify that the reference to the "third quarter of 2027" on page 9 of the FY2026 Annual Report refers to calendar year 2027, being the period from July to September 2027.

The milestones set out on slide 14 of the FY2026 results presentation and in the Annual Report describe sequential phases in the development and deployment of the painting drone. The 2Q FY2027 milestone refers to pilot testing of the painting drone on industrial building structures, including a live demonstration, following key technical upgrades to the painting drone by the Company. This phase is still in progress.

Commercial testing, as referred to in the Annual Report, is the phase that follows pilot testing and refers to the deployment of the painting drone on customer projects under typical operating conditions.

Barring unforeseen circumstances, fleet expansion remains scheduled for 4Q FY2027. Save for the above clarification, there has been no change to the timeline previously disclosed by the Company.

BY ORDER OF THE BOARD
ISOTEAM LTD.

Anthony Koh Thong Huat
Executive Director and Chief Executive Officer
23 October 2026

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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