

ZICOM GROUP LIMITED

Appendix 4D

For the Half Year ended

31 December 2021

Name of entity: **ZICOM GROUP LIMITED**

ABN: **62 009 816 871**

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

1. **Financial reporting period**

The reporting period is the half year ended 31 December 2021.

The previous corresponding period is the half year ended 31 December 2020.

2. **Results for announcement to the market**

Six months ended	31 Dec 2021	31 Dec 2020	% Change
	\$'000	\$'000	
Revenues from ordinary activities	41,556	58,294	-28.7%
Net profit/(loss) from ordinary activities after tax attributable to members	(3,158)	2,733	-215.6%
Net profit/(loss) for the period attributable to members	(3,158)	2,733	-215.6%

3. **Dividends**

	31 Dec 2021	31 Dec 2020	% Change
Interim dividend per security	–	–	–

4. **Net tangible assets per security**

	31 Dec 2021	30 Jun 2021	% Change
Net tangible assets per security (Singapore cents)	23.09	23.94	-3.6%

The calculation of net tangible assets per security includes contract assets and lease liabilities but excludes right-of-use intangible assets.

5. **Entities over which control has been gained/lost**

There were no changes to controlled entities during the half year ended 31 December 2021.

6. **Dividend reinvestment plan**

Not applicable.

7. **Details of associates or joint ventures**

Please refer to Note 10.

8. **Audit Review**

The financial statements have been subject to review by the auditors and the auditor's report is attached as part of the half-year report.

Signed

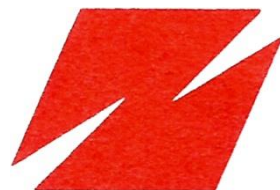


GL Sim

Chairman

28 February 2022

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ZICOM GROUP LIMITED

Half-Year Financial Report

For the period ended

31 December 2021

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Contents

Corporate Information	1
Report of the Directors	2
Auditor’s Independence Declaration	6
Consolidated Statement of Comprehensive Income	7
Consolidated Balance Sheet	8
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	13
Directors’ Declaration	22
Independent Review Report	23

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ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Corporate Information

This half-year report covers the consolidated entity comprising Zicom Group Limited and its subsidiaries (the Group). The Group's presentation currency is Singapore Dollars (S\$).

A description of the Group's operations and of its principal activities is included in the review of operations in the Report of the Directors on page 2.

Directors

Giok Lak Sim	(Executive Chairman)
Kok Yew Sim	(Executive Director, Group CEO)
Jenny Lim Bee Chun	(Executive Director)
Yian Poh Lim	(Non-Executive and Independent Director)
Stewart James Douglas	(Non-Executive and Independent Director)
Renny Yeo Ah Kiang	(Non-Executive and Independent Director)
Dean Tai Chi-Shang	(Non-Executive and Non-Independent Director)
Kok Hwee Sim	(Appointed as Alternate Director to Mr. Giok Lak Sim)

Joint Company Secretaries

Jenny Lim Bee Chun
Igor Sushko (Nick) (resigned on 9 July 2021)
Gary Webster (appointed on 14 July 2021, resigned on 29 September 2021)
Marvin Blok (appointed on 29 September 2021)

Registered Office

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Murarrie QLD 4172, Australia
Telephone: +61 7 3908 6088
Facsimile: +61 7 3390 6898
Website: www.zicomgroup.com

Auditors

Ernst & Young
111 Eagle Street
Brisbane, QLD 4000
Australia

Solicitors

Thomson Geer
Level 28, Waterfront Place
1 Eagle Street
Brisbane, QLD 4000
Australia

Share Registry

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane, QLD 4000
Australia
Facsimile: +61 2 9287 0303

Bankers

Australia
Westpac Banking Corporation

Singapore
United Overseas Bank Limited
Maybank Singapore Limited
Oversea-Chinese Banking Corporation Limited
DBS Bank Ltd

Thailand
United Overseas Bank (Thai) Public Company Limited
The Siam Commercial Bank Public Company Limited

China
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation

Bangladesh
Dhaka Bank Limited

Philippines
BDO Unibank, Inc.

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Report of the Directors

Your directors present the consolidated financial report for the half year ended 31 December 2021.

Directors

The following persons held office as directors of Zicom Group Limited at the date of this report and for the whole of the period since 1 July 2021:

Giok Lak Sim	(Executive Chairman)
Kok Yew Sim	(Executive Director, Group CEO)
Jenny Lim Bee Chun	(Executive Director)
Yian Poh Lim	(Non-Executive and Independent Director)
Stewart James Douglas	(Non-Executive and Independent Director)
Renny Yeo Ah Kiang	(Non-Executive and Independent Director)
Dean Tai Chi-Shang	(Non-Executive and Non-Independent Director)
Kok Hwee Sim	(Alternate Director to Mr. Giok Lak Sim)

Review of Operations

The Group's consolidated revenue for the half year ended 31 December 2021 is S\$41.56m as compared with S\$58.29m for the same period in the previous year, a decrease of 28.7%. The Group's half year consolidated loss after tax attributable to members is S\$3.16m as compared with a net consolidated profit of S\$2.73m in the previous year corresponding period, a decline of 215.60%. As reported last year, results of the previous year's corresponding period included government job support subsidies amounting to S\$1.45m paid to businesses to help cushion losses caused by lockdowns for the Covid-19 pandemic. Such subsidies have been stepped down over the past year and only S\$0.02m was recognised for the half year just ended.

Green shoots appeared during the half year as the Covid-19 Delta Variant was waning. Unfortunately, the Delta Variant was quickly overlaid with a more infectious strain in Omicron that now dominates the global infections at a more rapid pace broadening the disruptions to the global economy and the humanity. Supply chain problems such as port shutdowns that caused delays in container ships turnaround, upheaval and distortion in the supply/demand of trucking services and container availability have given rise to a huge spike in shipping rates by as much as 4 times the normal rates. This huge increase in shipping rates is further compounded by delays in shipment inflicting not only increase in cost of goods but opportunity costs on businesses as well. People movement and travels have remained constrained making business transactions more difficult.

Personal interactions with customers are essential for the Group's businesses. Continuous disruptions, as mentioned above have a direct effect on customers' business decisions adversely impacting the Group's businesses.

We are hopeful that as the pandemic subsides, business decisions would be expedited, accelerating award of projects.

The Group continues to maintain strong cash and bank balances at S\$26.4m as at 31 December 2021 (30 June 2021: S\$20.3m). The Group's gearing ratio which has been arrived at by dividing interest-bearing liabilities less cash and bank balances over capital has also improved to 6.60% as compared to 15.80% as at 30 June 2021. Both the gearing ratio and cash and bank balances are non-IFRS measures.

The offshore marine sector continues to be slow impacting demand for deck machinery. Delivery for the orders in hand for the transformational LNG propulsion systems is so far on track. New orders are being negotiated but subject to shipyards having enough berthing space to take on new orders. Construction berths in shipyards for bulk ships and tankers in China, Korea and Japan are filled for the next 2-3 years.

Gas processing plants also face delayed decisions due to the continuing rampage of the pandemic. We are hopeful to see orders commencing to be released within the 3-6 months.

One distinctive phenomenon emerging from the pandemic is the increase in demand for digitalisation and automation, reflecting the need and merits for remote operations. In addition, labour and skill shortfall have arisen, an aftermath of the pandemic, rendering the demand for automation more critical than before. Our precision engineering & technologies sector has experienced an increase in demand and the trend is expected to continue.

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Demand for our semiconductor equipment remains subdued caused by the continuing geopolitical problems between the USA and China affecting our key customers. As a transformational step forward, we are integrating our know-how in this sector together with our precision engineering and industry automation expertise to offer automation to the semiconductor manufacturing industry. We are hopeful of breakthroughs soon. This will further strengthen and broaden our revenue stream in this segment.

The construction equipment market continues to be impacted by Omicron. We had been hopeful of green shoots as various governments were attempting to open up at measured pace. However due to the increased contagion of Omicron, various construction projects, and hence, demand for construction equipment, suffered an adverse collateral impact from the industry having to observe increased safe distancing measures to control increased rates of infections. This slowed down the industry as well as demand. Compounding the situation are shipping delay and increases in freight rates. In particular, the shortage of computer chips and controls affecting the global motor vehicle manufacturing industry has similarly caused delay in truck delivery to our customers and mounting of our mixers, affecting revenue recognition.

We believe that as the pandemic eases and subsides, the global economy will recover although the pace of recovery is subject to the continuing geopolitical situation which, now also engulfs Europe, not deteriorating further. We are hopeful to ride on the recovery and grow with new transformational revenue streams.

A comparison of the current half year results with those of the previous year corresponding period is as follows: -

Key Financials	Change (%)	6 months ended 31 Dec 21 (S\$ million)	6 months ended 31 Dec 20 (S\$ million)
Revenue	- 28.7%	41.56	58.29
Net (loss)/profit after tax attributable to equity holders of the Parent	- 215.6%	(3.16)	2.73

During the half year, the average exchange rate for the A\$ against the S\$ was A\$1.00 to S\$0.9891 (2020: 0.9873). As at 31 December 2021, the exchange rate was A\$1.00 to S\$0.9805 (30 June 2021: A\$1 to S\$1.0104).

Segmental Revenue

The following is an analysis of the segmental revenue:-

Segmental Revenue	Change (%)	6 months ended 31 Dec 21 (S\$ million)	6 months ended 31 Dec 20 (S\$ million)
Green Energy, Gas & Marine Equipment	- 63.9%	11.67	32.37
Construction Equipment	+ 22.1%	17.98	14.73
Precision Engineering & Technologies	+ 4.7%	12.37	11.82
Industrial & Mobile Hydraulics	n/a	**	1.02

** Combined with Construction Equipment segment with effect from 1 July 2021.

Green Energy, Gas & Marine Equipment

Revenue for green energy, gas & marine equipment decreased significantly by 63.9% in the current half year as compared with the previous year corresponding period.

The revenue for the previous year corresponding period included a big gas processing project that was completed in June 2021. We had expected that projects continued to flow into this half year just ended. However, for reasons as explained above, customers' decisions have been delayed. We are hopeful in the next 3-6 months these projects will be awarded.

Orders for LNG propulsion systems in hand have progressed satisfactorily to timelines. Prospects for future orders continue to be strong, subject to availability in construction berths in the customers' yards.

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Construction Equipment

The construction sector continued to be impacted by pandemic control measures. At some point the measures were being relaxed but re-tightened as the new variant, Omicron, has turned out to be more contagious. The situation is compounded by supply chain problems driving up costs. The supply of mixers to customers was impacted by truck delivery delay, a current phenomenon of the car and truck manufacturing industry. We believe the industry faces a pent-up demand and as soon as the pandemic eases and subsides, growth will resurge very rapidly.

Precision Engineering & Technologies

As the pandemic evolves, demand for automation has increased. Orders for automation are gaining strong traction. We are consolidating know-how and experiences within the Group and are in the process of integrating our know-how in the semiconductor industry, as part of a transformational process, offering automation services to the semiconductor manufacturing industry. This will widen and strengthen our revenue base. We are hopeful that our key customers for our fine pitch flip chip equipment will soon recover with new proprietary chip technology developed in-house instead of relying on USA technology, regaining demand for our equipment.

We have decided to decommission our mask production line. The mask line was set up primarily as a CSR project to fill the gap of severe shortage in mask supply at the height of the pandemic. There is no longer any shortage of masks globally. Although our surgical masks have attained the highest CE Mark standards, it is an unregulated product. Price undercutting by products of varying standards from lower cost countries is rampant. We have found it not justifiable to continue manufacturing in Singapore with its high costs of factory space and labour. Currently our growing automation activities are competing for same space and labour. We are considering to demobilise the plant to a lower cost country. No loss will be sustained.

Financial Position

The Group's financial position remains strong: -

Classification	Increase/(decrease) S\$ million	As at 31 Dec 21 S\$ million	As at 30 Jun 21 S\$ million
Net assets	(3.78)	62.01	65.79
Net working capital	(0.20)	23.67	23.87
Cash in hand and at bank	6.09	26.42	20.33

Cash Policy & Gearing Ratio

The Group's gearing ratio has improved from 15.80% as at 30 June 2021 to 6.60% as at 31 December 2021. Gearing ratio has been arrived at by dividing our interest-bearing liabilities less cash and bank balances over capital. Interest-bearing liabilities have included lease liabilities in line with AASB 16 *Leases*. Both the gearing ratio and cash and bank balances are non-IFRS measures.

Return Per Share

The Group's earnings and net tangible assets per share are as follows: -

Classification	Decrease Singapore Cents	6 months ended 31 Dec 21 Singapore Cents	6 months ended 31 Dec 20 Singapore Cents
(Loss)/earnings per share	2.73	(1.47)	1.26

The weighted average number of shares used to compute earnings per share are 214,227,868 for this half year and 217,140,780 for the previous year corresponding period.

Classification	Decrease Singapore Cents	As at 31 Dec 21 Singapore Cents	As at 30 Jun 21 Singapore Cents
Net tangible assets per share	0.85	23.09	23.94

The calculation of net tangible assets per share includes contract assets and lease liabilities but excludes right-of-use intangible assets.

ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Confirmed Orders

We have a total of S\$79.9m (31 Dec 2020: S\$20.6m) outstanding confirmed orders in hand as at 31 December 2021. A breakdown of these outstanding orders secured is as follows: -

	S\$ m
Green Energy, Gas & Marine Equipment	52.5
Construction Equipment	10.8
Precision Engineering & Technologies	<u>16.6</u>
Total	<u>79.9</u>

Of the above, S\$52.6m are scheduled for delivery in the second half of this financial year and S\$27.3m are scheduled to be delivered in the financial year 2023.

Prospects

Global uncertainties remain. The pandemic is now led by a more contagious strain, Omicron, although with milder effects. The continuing US-China trade war is now compounded with a new war just broken out in Europe. Global trade and economic growth are now overshadowed by these increased uncertainties. Although we are hopeful of future prospects, these can be impacted adversely by any of these uncertainties getting out of control with its concomitant effects.

Due to the increased uncertainties, the Group ensures that its gearing ratio and cash position remain strong to underscore its continuing resilience to weather challenges ahead and to capitalise on opportunities as they arise.

Subsequent Events after Balance Sheet Date

No matter or circumstance has occurred subsequent to the period-end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group subsequent to 31 December 2021.

Dividends

In the present circumstance, prudence dictates that we preserve cash to strengthen our working capital to fund projects in hand and those soon coming on stream. As such, the Board has decided not to pay a dividend this half year. The Board will continuously review its decision in this regard.

Auditor Independence

A copy of the auditor's signed independence declaration is attached to this report.

Rounding of Amounts

The Company is an entity to which the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and accordingly, amounts contained in the half-year report have been rounded to the nearest S\$1,000 unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors.



GL Sim
Chairman

28 February 2022



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Zicom Group Limited

As lead auditor for the review of Zicom Group Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review; and
- c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Zicom Group Limited and the entities it controlled during the financial period.

Ernst & Young

Madhu Nair
Partner
28 February 2022

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ZICOM GROUP LIMITED
 ABN 62 009 816 871
 HALF-YEAR REPORT – 31 DECEMBER 2021

Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2021

	Note	31-Dec-21 S\$'000	31-Dec-20 S\$'000
Revenue from contracts with customers	4	39,899	57,412
Rental income		<u>1,657</u>	<u>882</u>
Revenue		41,556	58,294
Other income	4	<u>994</u>	<u>1,660</u>
Total consolidated revenue		42,550	59,954
Cost of materials		(21,737)	(31,753)
Employee, contract labour and related costs		(14,131)	(12,986)
Depreciation and amortisation		(3,100)	(3,180)
Property related expenses		(99)	(75)
Impairment of goodwill	5	(400)	-
Other operating expenses	4	(6,351)	(8,070)
Finance costs		(430)	(708)
Share of results of associate		<u>67</u>	<u>137</u>
(Loss)/profit before taxation		(3,631)	3,319
Tax benefit/(expense)	6	<u>451</u>	<u>(545)</u>
(Loss)/profit for the period		<u>(3,180)</u>	<u>2,774</u>
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss (net of tax):			
Foreign currency translation on consolidation		<u>(387)</u>	<u>(267)</u>
Total comprehensive (loss)/income for the period		<u>(3,567)</u>	<u>2,507</u>
(Loss)/profit attributable to:			
Equity holders of the Parent		(3,158)	2,733
Non-controlling interests		<u>(22)</u>	<u>41</u>
(Loss)/profit for the period		<u>(3,180)</u>	<u>2,774</u>
Total comprehensive (loss)/income attributable to:			
Equity holders of the Parent		(3,545)	2,466
Non-controlling interest		<u>(22)</u>	<u>41</u>
Total comprehensive (loss)/income for the period		<u>(3,567)</u>	<u>2,507</u>
Earnings per share (cents)			
Basic (loss)/earnings per share	7	(1.47)	1.26
Diluted (loss)/earnings per share	7	(1.47)	1.26

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

ZICOM GROUP LIMITED
 ABN 62 009 816 871
 HALF-YEAR REPORT – 31 DECEMBER 2021

Consolidated Balance Sheet
 as at 31 December 2021

	Note	31-Dec-21 S\$'000	30-Jun-21 S\$'000
Non-current assets			
Property, plant and equipment		33,665	34,896
Right-of-use assets		7,427	8,507
Intangible assets		6,322	6,906
Deferred tax assets		2,212	1,921
Investment in associate	10	3,258	3,191
		52,884	55,421
Current assets			
Cash and cash equivalents	8	20,438	17,246
Fixed deposits	9	5,979	3,080
Inventories		26,629	24,082
Trade and other receivables		12,999	19,692
Contract assets		1,175	1,630
Contract costs		4,040	4,161
Prepayments		313	319
Tax recoverable		126	137
		71,699	70,347
TOTAL ASSETS		124,583	125,768
Current liabilities			
Trade and other payables		16,551	17,652
Contract liabilities		10,566	8,346
Lease liabilities		1,845	2,336
Other interest-bearing liabilities	11	17,807	15,683
Provisions		1,141	2,160
Unearned income		20	231
Provision for taxation		96	73
		48,026	46,481
NET CURRENT ASSETS		23,673	23,866
Non-current liabilities			
Lease liabilities		4,752	5,744
Other interest-bearing liabilities	11	6,099	3,850
Deferred tax liabilities		3,300	3,565
Provisions		392	336
		14,543	13,495
TOTAL LIABILITIES		62,569	59,976
NET ASSETS		62,014	65,792

ZICOM GROUP LIMITED
 ABN 62 009 816 871
 HALF-YEAR REPORT – 31 DECEMBER 2021

Consolidated Balance Sheet (cont'd)

as at 31 December 2021

	Note	31-Dec-21 S\$'000	30-Jun-21 S\$'000
Equity attributable to equity holders of the Parent			
Share capital	12	20,884	21,100
Reserves		11,617	12,333
Retained earnings		29,377	32,201
		61,878	65,634
Non-controlling interests		136	158
TOTAL EQUITY		62,014	65,792
TOTAL LIABILITIES AND EQUITY		124,583	125,768

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

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ZICOM GROUP LIMITED
 ABN 62 009 816 871
 HALF-YEAR REPORT – 31 DECEMBER 2021

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2021

	Attributable to equity holders of the Parent							Non-controlling interests	Total equity
	Share capital	Share capital – exercise of share options	Asset revaluation surplus	Foreign currency translation reserve	Share-based payment reserve	Retained earnings	Total		
Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1.7.2021	20,628	472	13,931	(1,683)	85	32,201	65,634	158	65,792
Loss for the period	–	–	–	–	–	(3,158)	(3,158)	(22)	(3,180)
Other comprehensive income									
Foreign currency translation	–	–	–	(387)	–	–	(387)	–	(387)
Total comprehensive income for the period	–	–	–	(387)	–	(3,158)	(3,545)	(22)	(3,567)
Share-based payments	–	–	–	–	5	–	5	–	5
On-market share buy-back	12 (216)	–	–	–	–	–	(216)	–	(216)
Transfer of depreciation for buildings	–	–	(334)	–	–	334	–	–	–
Balance at 31.12.2021	20,412	472	13,597	(2,070)	90	29,377	61,878	136	62,014
Balance at 1.7.2020	20,628	472	12,472	(1,285)	73	32,718	65,078	205	65,283
Profit for the period	–	–	–	–	–	2,733	2,733	41	2,774
Other comprehensive income									
Foreign currency translation	–	–	–	(267)	–	–	(267)	–	(267)
Total comprehensive income for the period	–	–	–	(267)	–	2,733	2,466	41	2,507
Share-based payments	–	–	–	–	22	–	22	–	22
Forfeiture of employee share options	–	–	–	–	(26)	26	–	–	–
Transfer of depreciation for buildings	–	–	(291)	–	–	291	–	–	–
Balance at 31.12.2020	20,628	472	12,181	(1,552)	69	35,768	67,566	246	67,812

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Consolidated Statement of Cash Flows

for the half year ended 31 December 2021

	Note	31 Dec 2021 S\$'000	31 Dec 2020 S\$'000
Cash flows from operating activities			
Operating (loss)/profit before taxation		(3,631)	3,319
Adjustments for:			
Depreciation of property, plant and equipment		1,687	1,772
Depreciation of right-of-use assets		1,249	1,263
Amortisation of intangible assets		164	145
Impairment of goodwill		400	-
Property, plant and equipment written off	4	20	1
Gain on disposal of property, plant and equipment	4	(3)	-
Reversal of provision for doubtful debts, net	4	(21)	(66)
Provision for inventory obsolescence	4	6	79
Inventories written off	4	-	2
Finance costs		430	708
Interest income	4	(5)	(4)
Provision for losses arising from financial irregularities	4	-	26
Rental waiver	4	-	(66)
Share-based payments		5	22
Provisions made, net		344	121
Share of results of associate		(67)	(137)
Unrealised foreign exchange differences		(145)	(379)
Operating profit before reinvestment in working capital		433	6,806
(Increase)/decrease in stocks and work-in-progress		(2,640)	740
Decrease in trade receivable, contract assets and prepayments		7,305	26,261
Decrease in trade and other payables, contract liabilities		(408)	(11,298)
Cash generated from operations		4,690	22,509
Interest received		5	4
Interest paid		(401)	(1,258)
Income taxes paid		(56)	(145)
Net cash provided by operating activities		4,238	21,110
Cash flows from investing activities			
Purchase of property, plant and equipment		(642)	(562)
Proceeds on disposal of property, plant and equipment		3	-
Increase in computer software		(39)	(4)
Increase in patented technology		-	(1)
Increase in fixed deposits pledged		(2,899)	-
Net cash used in investing activities		(3,577)	(567)

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Consolidated Statement of Cash Flows (Cont'd)
 for the half year ended 31 December 2021

	Note	31 Dec 2021 S\$'000	31 Dec 2020 S\$'000
Cash flows from financing activities			
Increase/(decrease) in bills payable		3,443	(13,970)
Proceeds from bank borrowings		3,000	3,000
Repayments of bank borrowings		(1,433)	(1,012)
Repayments of loans to related party		-	(618)
Repayment of lease liabilities		(1,652)	(1,118)
Proceeds from lease financing		-	1,021
On-market share buy-back		(216)	-
Net cash generated from/(used in) financing activities		3,142	(12,697)
Net increase in cash and cash equivalents		3,803	7,846
Effect of exchange rate changes on cash and cash equivalents		29	(42)
Cash and cash equivalents at beginning of period		16,025	10,234
Cash and cash equivalents at end of period	8	19,857	18,038

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

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Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The financial report of Zicom Group Limited (the “Company” or “Parent Entity”) and its subsidiaries (collectively, the “Group” or “consolidated entity”) for the half year ended 31 December 2021 was authorised for issue in accordance with a resolution of the directors on 28 February 2022. Zicom Group Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

Note 2 Summary of significant accounting policies

This general purpose interim financial report for the half year ended 31 December 2021 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the requirements of the *Corporations Act 2001*.

This financial report also complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2021 and considered together with any public announcements made by Zicom Group Limited during the half year ended 31 December 2021 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies applied by the consolidated entity in this interim financial report are consistent with those applied by the consolidated entity in the annual financial report for the year ended 30 June 2021, except for the adoption of new and revised standards effective for annual financial period beginning on or after 1 July 2021. The adoption of these standards or amendments had no material impact on the financial position or performance of the Group.

The Group has not early adopted any other Standard, Interpretation or amendments that has been issued but is not yet effective.

Note 3 Segment information

Identification of reportable segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the chief operating decision maker and the executive management team in assessing performance and in determining the allocation of resources. The operating segments are identified based on products and services as follows:

- Green Energy, Gas & Marine Equipment – design and supply of LNG propulsion systems, deck machinery, gas metering stations, compressor stations, gas processing plants and related equipment, parts and services.
- Construction Equipment – manufacture and supply of concrete mixers and foundation equipment, including equipment rental, parts and related services. This segment also includes the supply of hydraulic drive systems, parts and services with effect from 1 July 2021.
- Precision Engineering & Technologies – manufacture and supply of precision and automation equipment including flip chip bonders, supply of medtech equipment, medical consumables and engineering services.

Unallocated revenue and expenses

Unallocated revenue comprise mainly non-segmental revenue. Unallocated expenses comprise mainly non-segmental expenses such as head office expenses.

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Note 3 Segment information (cont'd)

	Green energy, gas & marine equipment S\$'000	Construction equipment S\$'000	Precision engineering & technologies S\$'000	Consolidated S\$'000
Half year ended 31 Dec 2021				
Revenue				
Sales of goods	38	14,817	9,151	24,006
Rendering of services	399	1,436	344	2,179
Revenue recognised on projects	10,947	–	2,767	13,714
Revenue from contracts with customers	11,384	16,253	12,262	39,899
Rental income	–	1,657	–	1,657
Other income	289	64	108	461
Intersegment sales	–	–	–	–
Total segment revenue	11,673	17,974	12,370	42,017
Intersegment elimination				–
Unallocated revenue				528
Interest Income				5
Total consolidated revenue				42,550
Results				
Segment results	(2,874)	256	6	(2,612)
Unallocated revenue				528
Unallocated expenses				(1,189)
Share of results of associate			67	67
Profit before tax and finance costs				(3,206)
Finance costs				(430)
Interest income				5
Loss before taxation				(3,631)
Tax benefit				451
Loss after taxation				(3,180)

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Note 3 Segment information (cont'd)

	Green energy, gas and marine equipment S\$'000	Construction equipment S\$'000	Precision engineering & technologies S\$'000	Industrial & mobile hydraulics S\$'000	Consolidated S\$'000
Half year ended 31 Dec 2020					
Revenue					
Sales of goods	–	11,965	6,679	767	19,411
Rendering of services	22	1,198	184	228	1,632
Revenue recognised on projects	32,086	–	4,283	–	36,369
Revenue from contracts with customers	32,108	13,163	11,146	995	57,412
Rental income	–	882	–	–	882
Other income	261	682	626	5	1,574
Intersegment sales	–	–	50	23	73
Total segment revenue	32,369	14,727	11,822	1,023	59,941
Intersegment elimination					(73)
Unallocated revenue					82
Interest Income					4
Total consolidated revenue					59,954
Results					
Segment results	4,827	154	(100)	472	5,353
Unallocated revenue					82
Unallocated expenses					(1,549)
Share of results of associate			137		137
Profit before tax and finance costs					4,023
Finance costs					(708)
Interest income					4
Profit before taxation					3,319
Tax expense					(545)
Profit after taxation					2,774

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Note 4 Revenue, income and expenses

	Consolidated	
	31-Dec-21	31-Dec-20
	S\$'000	S\$'000
<i>(i) Revenue from contracts with customers</i>		
<i>Transferred at a point in time</i>		
Sale of goods	24,006	19,411
Revenue recognised on projects	659	941
<i>Transferred over time</i>		
Rendering of services	2,179	1,632
Revenue recognised on projects	13,055	35,428
	39,899	57,412
<i>(ii) Other operating income</i>		
Interest income	5	4
Bad debts recovered	–	5
Recovery of monies misappropriated	486	–
Sales of scrap	46	27
Services rendered	19	129
Government grants	433	1,418
Rental waiver	–	66
Gain on disposal of property, plant and equipment	3	–
Other revenue	2	11
	994	1,660
<i>(iii) Other operating expenses included the following</i>		
Provision for product warranties, net	323	112
Provision for losses arising from financial irregularities	–	26
Foreign exchange loss/(gain), net	137	(402)
Reversal of provision for doubtful debts, net	(21)	(66)
Provision for inventory obsolescence	6	79
Property, plant and equipment written off	20	1
Inventories written off	–	2
Sales commission	777	807
Sea freight	1,340	3,989
Engineering design and consultancy fees	501	–

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Note 5 Impairment

As outlined in the 30 June 2021 financial report, goodwill has been allocated to Sys-Mac Automation Engineering Pte. Ltd. (“Sys-Mac”), Cescio Australia Limited (“CAL”) and Orion Systems Integration Pte. Ltd. (“Orion”) cash-generating units (CGUs).

As at 31 December 2021, management concluded that goodwill for the Sys-Mac and CAL CGUs were not impaired.

At 31 December 2021, the Orion CGU had a goodwill balance of S\$664,000 pre impairment (30 June 2021: S\$664,000). The recoverable amount of this CGU is determined based on value in use calculation using cash flow projections from financial budget approved by management covering a 5-year period discounted at 18% pre-tax (30 June 2021: 18% pre-tax). The Group determined that the carrying value of assets (including goodwill) of the Orion CGU exceeded the recoverable amount and accordingly an impairment loss was recorded. The goodwill impairment loss recognised in this period of S\$400,000 (2020: nil) was primarily the result of lower forecast sales as at 31 December 2021 compared to 30 June 2021. Specifically, demand for the semiconductor equipment has remained subdued and future sales are dependent upon factors beyond the control of the Company (mainly COVID-19 uncertainties and the US-China trade disputes). These uncertainties impacted the timing of when the next machine will be sold, as such, the future cashflows have been re-assessed.

Considering the calculated value in use for both Orion and CAL CGUs are equal to their carrying values, any unfavourable change in any of the key assumptions within the recoverable amount (including future sales and their timing, margin earned, and other operating costs) may result in a further impairment adjustment. For Sys-Mac CGU, management believe that no reasonably possible change in any of the key assumptions would cause its carrying value to exceed its recoverable amount.

Note 6 Income tax

The major components of income tax benefit for the half year ended 31 December 2021 and 31 December 2020 are:

	Consolidated	
	31-Dec-21	31-Dec-20
	S\$'000	S\$'000
<i>Current income tax</i>		
Current income tax charge	(27)	(906)
Loss transferred under Group Relief Scheme	–	224
Adjustments in respect of previous years	(63)	(44)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	472	180
Adjustments in respect of previous years	69	1
	451	(545)
Tax benefit/(expense)	451	(545)

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Note 7 Earnings per share

Basic earnings per share is calculated by dividing the Group's profit or loss attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit or loss attributable to equity holders of the Parent and the weighted average number of ordinary shares outstanding are adjusted for effects of all dilutive potential shares.

	Consolidated	
	31-Dec-21	31-Dec-20
	S\$'000	S\$'000
Net loss/(profit) attributable to equity holders of the Parent	(3,158)	2,733
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	214,228	217,141
	Singapore cents	
Basic and diluted (loss)/earnings per share	(1.47)	1.26

There were 6,000,000 (2020: 6,000,000) share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for the current period presented.

Note 8 Cash and cash equivalents

	Consolidated	
	31-Dec-21	30-Jun-21
	S\$'000	S\$'000
Cash at bank and in hand	20,420	17,230
Demand deposits	18	16
	<u>20,438</u>	<u>17,246</u>

For the purpose of cash flow statements, cash and cash equivalents comprise the following:

Cash and short-term deposits	20,438	17,246
Bank overdrafts	(581)	(1,221)
	<u>19,857</u>	<u>16,025</u>

Note 9 Fixed deposits

These are fixed deposits placed with a bank to secure banking facilities.

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Note 10 Investment in associate

Movements in the carrying amount of the Group's investment in associate:

Emage Vision Pte. Ltd. ("EV")	Consolidated	
	31-Dec-21	30-Jun-21
Shareholdings held: 16.29% (30 Jun 21: 16.29%)	S\$'000	S\$'000
Principal place of business: Singapore		
At beginning of period	3,191	3,337
Share of results after income tax	67	(146)
At end of period	<u>3,258</u>	<u>3,191</u>

Although the Group holds less than 20% of equity interest in EV, the Group has the ability to exercise significant influence through its shareholdings and participation on EV Board of Directors.

Note 11 Other interest-bearing liabilities

	Consolidated	
	31-Dec-21	30-Jun-21
	S\$'000	S\$'000
<i>Current</i>		
Bank overdrafts (Note 8)	581	1,221
Bills payable	3,443	–
Revolving term loans	10,550	11,350
Term loans	1,408	1,290
Loans from a related party	1,825	1,822
	<u>17,807</u>	<u>15,683</u>
<i>Non-Current</i>		
Term loans	<u>6,099</u>	<u>3,850</u>

ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Note 12 Share capital

a) Details

	Parent Entity		Consolidated	
	31-Dec-21	30-Jun-21	31-Dec-21	30-Jun-21
	No. of shares (Thousands)		S\$'000	S\$'000
Ordinary fully paid shares	<u>215,298</u>	<u>217,141</u>	<u>20,884</u>	<u>21,100</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

b) Movement in ordinary share capital

	Company	Group
	Number of ordinary shares (Thousands)	S\$'000
At beginning of period	217,141	21,100
On-market share buy-back	<u>(1,843)</u>	<u>(216)</u>
At end of period	<u>215,298</u>	<u>20,884</u>

In July 2021, the board of directors resolved to carry out an on-market share buy-back within the 10/12 limit provided for under Section 257A of the *Corporations Act 2001* to enhance shareholders value as part of capital management. The share buy-back has commenced in September 2021 and up till 31 December 2021, a total of 1,842,986 fully paid ordinary shares have been bought back and cancelled. Total cash consideration paid amounted to S\$215,600.

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ZICOM GROUP LIMITED
 ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Note 13 Related party disclosures

a) Sales and purchases of goods and services

The following table provides the total amount of transactions which have been entered into with related parties during the half year ended 31 December 2021 and 2020.

	31-Dec-21 S\$'000	31-Dec-20 S\$'000
Minority shareholder of a subsidiary company		
- Sales	109	152
Associates		
- Sales	5	–
- Purchases	245	115
- Rental & utilities income	–	19
- Services rendered	–	32
	<u> </u>	<u> </u>
Other related parties		
- Sales	296	714
- Rental & utilities income	12	77
- Services rendered	7	1
- Interest expense	32	18
	<u> </u>	<u> </u>

b) Amounts due from/(to) related parties

The following table provides the balances with related parties as at 31 December 2021 and 30 June 2021.

	31-Dec-21 S\$'000	30-Jun-21 S\$'000
Related party receivables		
Associate		
- trade	5	7
Other related parties		
- trade	76	150
- non-trade	23	26
	<u> </u>	<u> </u>
Related party payables		
Associate		
- trade	(150)	–
Other related parties		
- trade	–	(1)
- non-trade	(392)	(444)
- loans	(1,825)	(1,822)
	<u> </u>	<u> </u>

Note 14 Subsequent events

No matter or circumstance has occurred subsequent to the period-end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group subsequent to 31 December 2021.

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ZICOM GROUP LIMITED
ABN 62 009 816 871
HALF-YEAR REPORT – 31 DECEMBER 2021

Directors' Declaration

In accordance with a resolution of the directors of Zicom Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



G L Sim
Chairman

Brisbane
28 February 2022



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Independent Auditor's Review Report to the Members of Zicom Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Zicom Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



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Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Madhu Nair' in a cursive style.

Madhu Nair
Partner
Brisbane
28 February 2022

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