



18 August 2022

Ms Ramona Seeto
Adviser, Listings Compliance
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Ms Seeto

General – Aware Query

We refer to your letter dated 15 August 2022 regarding Zicom Group Limited (**Company**) and respond as follows adopting the numbering in your letter.

(1) Does ZGL consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

The Company does not consider that the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities. Please see (2) below.

(2) If the answer to question 1 is “no”, please provide the basis for that view.

(a) On 21 February 2022, the Company disclosed in its 'Profit Warning Half year ended 31 December 2021' that it:

- (i) was expecting to incur a net loss of between S\$3.2m – S\$3.5m for the half year ended 31 December 2021;
- (ii) several projects and business orders that were expected to materialise during the half year had been delayed and supply chain costs were increasing; and
- (iii) projects and business orders would be contingent on the pandemic, supply chain issues being resolved and geopolitical tensions being brought under control.

(b) On 28 February 2022, the Company disclosed its first half FY22 result including:

- (i) net loss of S\$3.16m (comprising cash operating losses of S\$0.87m and other non-cash adjustments of S\$2.29m);
- (ii) headwinds in the reporting period including the Covid-19 Delta Variant, supply chain problems and significant increases in shipping rates contributing to an increase in the cost of goods and opportunity cost; and
- (iii) an outlook which noted adverse impacts caused by global uncertainties such as the ongoing Covid-19 pandemic and the US-China trade war compounded by the Ukraine war in Europe.

- (c) It is relevant to note that the first half FY 2022 net loss of S\$3.16m followed a loss in the second half of FY2021 of S\$3.86m, representing a combined net loss for the last 12 months (LTM) ended 31 December 2021 of S\$7.02m reflecting the continuing adverse impact caused by the prevailing pandemic and difficult market conditions which have not abated even until now.
- (d) After the February announcements, difficult market conditions have not only continued but more recently have been exacerbated by inflation in relation to the cost of the Company's key inputs.
- (e) The anticipated FY22 full year S\$8.50m loss disclosed in the 12 August 2022 Profit Warning comprises:
 - (i) Cash operating losses of S\$3.43m; and
 - (ii) Non-cash accounting adjustments of S\$5.07m comprising net depreciation and amortisation (S\$3.61m), goodwill impairment (S\$0.66m) and stock impairment (S\$0.80m).
- (f) The Company does not provide earnings guidance and is not covered by sell-side analysts and notes the range of factors to be considered in assessing materiality of a potential earnings surprise in Guidance Note 8 (paragraph 7.3, items 3 and 4(c)).
- (g) The Company considers that:
 - (i) The factors material to its share price or value are principally its cash operating results rather than non-cash adjustments and its cash balances; and
 - (ii) the market had sufficient information to reasonably expect a full year operating loss in the order of the anticipated result disclosed in the 12 August 2022 Profit Warning due to generally known adverse market conditions during the reporting period, that persisted from those affecting the entire calendar year of 2021 as reflected by the disclosed LTM losses to 31 December 2021 and the specific outlook provided by the Company in February 2022; and
 - (iii) the cash operating losses have little impact on the Company's operating cash flows and its operations. The Company continues to maintain a strong cash balance of S\$20.25m as at 30 June 2022 (S\$26.42m as at 31 December 2021).

(3) When did ZGL first become aware of the information

ZGL first had a reasonable basis for the anticipated full year result at the close of business on 11 August 2022.

This is because the anticipated full year result contains significant non-cash accounting adjustments (S\$5.07m). These involved preliminary engagements with auditors, ensuring that accounting treatments conformed to current prescribed accounting standards and internal review by management and the Board. During the last 9 months of FY22, the Company experienced significant staff turnover in its finance team comprising the departure of 6 Finance Managers – 2 each at group level in Singapore, Australia and Thailand. As a result of staff turnover, accounting adjustments and preliminary accounts were not prepared for internal review until early August 2022. The preliminary results were disclosed once those accounts were reviewed.

(4) *If ZGL became aware of the Information significantly prior to the Announcement on 12 August 2022: -*

4.1 Why did ZGL delay disclosing the information?

Not applicable. ZGL did not delay in disclosing the information.

4.2 Please provide the basis for ZGL's apparent view that this delay was compliant with Listing Rule 3.1

Not applicable.

(5) *If ZGL became aware of the Information on or around 12 August 2022: -*

5.1 ASX infers that:

- *The decline in ZGL's financial performance would have been evident in ZGL's management accounts for the period to 30 June 2022; and*
- *The stated reasons responsible for the decline in financial performance would have been known to ZGL's board and management shortly after 30 June 2022*

Please explain why ZGL asserts that it did not become aware of the Information significantly prior to 12 August 2022 addressing each of the ASX's inferences above.

The timing for becoming aware of the full year result was due to the finance team staffing issues explained above and the time required to complete the technical accounting treatment, calculation and review of non-cash accounting adjustments which formed the large part of the full year result.

5.2 Please explain the basis for ZGL's apparent view that its policies and procedures concerning earnings surprises are sufficient to ensure ZGL complies with Listing Rule 3.1

The Company has followed ASX Guidance Note 8 (and in particular paragraph 7.3 of GN8) in assessing market expectations, materiality, the likelihood of an earnings surprise and the size of that surprise. It complies with Listing Rules 3.1 having regard to Guidance Note 8 and its Continuous Disclosure Policy.

(6) *Please confirm that ZGL is complying with the Listing Rules and, in particular, Listing Rule 3.1*

The Company confirms that it is in compliance with Listing Rule 3.1.

(7) *Please confirm that ZGL's response to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ZGL with delegated authority from the board to respond to ASX on disclosure matters.*

The above responses have been approved by the Chairman of the Board.



15 August 2022

Reference: 57086

Ms Jenny Lim
Company Secretary
Zicom Group Limited

Dear Ms Lim

Zicom Group Limited ('ZGL'): General – Aware Query

ASX refers to the following:

- A. ZGL's announcement titled "Profit Warning For Year Ended 30 June 2022" lodged on the ASX Market Announcements Platform ('MAP') on 12 August 2022 (the 'Announcement'), which disclosed that ZGL expected to incur a net loss of S\$8.5M for the financial year ending 30 June 2022 (S\$1.13M for the previous financial year). ZGL attributed this loss to the following factors:
- The adverse impact of the pandemic
 - The war in Ukraine and the consequent energy price increases
 - An increase in ocean freight costs
- (together, the 'Information').
- B. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- C. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- D. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing Rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - *The information is generated for the internal management purposes of the entity; or*
 - *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

- E. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

Request for information

Having regard to the above, ASX asks ZGL to respond separately to each of the following questions and requests for information:

1. Does ZGL consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is "no", please provide the basis for that view.
3. When did ZGL first become aware of the Information?
4. If ZGL became aware of the Information significantly prior to the Announcement on 12 August 2022:
 - 4.1 Why did ZGL delay disclosing the information?
 - 4.2 Please provide the basis for ZGL's apparent view that this delay was compliant with Listing Rule 3.1.
5. If ZGL became aware of the Information on or around 12 August 2022:
 - 5.1 ASX infers that:
 - The decline in ZGL's financial performance would have been evident in ZGL's management accounts for the period to 30 June 2022; and
 - The stated reasons responsible for the decline in financial performance would have been known to ZGL's board and management shortly after 30 June 2022.

Please explain why ZGL asserts that it did not become aware of the Information significantly prior to 12 August 2022, addressing each of ASX's inferences above.
 - 5.2 Please explain the basis for ZGL's apparent view that its policies and procedures concerning earnings surprises are sufficient to ensure ZGL complies with Listing Rule 3.1.
6. Please confirm that ZGL is complying with the Listing Rules and, in particular, Listing Rule 3.1.
7. Please confirm that ZGL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ZGL with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Thursday, 18 August 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall

within the exceptions mentioned in Listing Rule 3.1A, ZGL's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require ZGL to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in ZGL's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in ZGL's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to ZGL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that ZGL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Ramona Seeto

Adviser, Listings Compliance (Sydney)