



17 August 2018

Market Announcement Office
Australian Securities Exchange
Level 6, 20 Bridge Street
SYDNEY NSW 2000

Dear Sirs

PROFIT WARNING 2018

The group wishes to announce that, based on unaudited accounts, it expects to incur a loss after tax of between S\$11.0m to S\$11.5m (2017: S\$4.62m) for the year ended 30 June 2018.

The loss is primarily due to a deepening downturn on the offshore marine sector which suffers a significant drop in revenue while the oil and gas sector faced delays in project awards due to uncertainties in the market. Total gross revenue of S\$80.8m suffers a drop of 14% as compared with 2017. The loss has been compounded by continuing gestation costs on the technologies invested, which account for S\$4.4m for the year as well as provisions for doubtful debts and stock obsolescence.

The offshore marine sector will remain challenging for the next 2-3 years. The group expects revenue from the oil and gas and other segments to improve in this coming financial year.

Your board is considering a demerger of the technology investments from the group's core businesses to accelerate unlocking of values. Although a few of these investments have commenced commercialisation, they require additional funding to increase manpower in order to scale up commercially and are expected to suffer further gestation costs for the next two years. A demerger will relieve the group of the continuing gestation costs which amounted to S\$4.4m in the financial year just ended. The group will no longer be required to fund the technology investments. Separate funding modes will be put in place. Businesses will be more focused. The group expects to submit the demerger proposal to shareholders for consideration in the coming AGM and will release timely details when appropriate.

Outstanding orders in hand as at 30 June 2018 amounted to S\$37.8m (2017: S\$21.3m).

The group's net working capital remains strong at S\$23m. The group's cash and bank balances as at 30 June 2018 amounted to S\$9.7m. The group's gearing ratio is 11.5%.

Yours faithfully
Zicom Group Limited

G L Sim
Chairman