



ZICOM GROUP LIMITED

Appendix 4E

ASX Preliminary Final Report

30 June 2018

Name of entity: **ZICOM GROUP LIMITED**

ABN: 62 009 816 871

Reporting Period: **Year Ended 30 June 2018**

Previous corresponding period: Year Ended 30 June 2017

Results for announcement to the market

| | | | | 2018 S\$'000 | 2017 S\$'000 |
|---------------------------------------------------------------------|------|------|----|------------------------|------------------------|
| Revenues from ordinary activities | Down | 14% | To | 81,506 | 94,520 |
| Net loss from ordinary activities after tax attributable to members | Up | 135% | To | (10,873) | (4,620) |
| Net loss for the period attributable to members | Up | 135% | To | (10,873) | (4,620) |

| | Amount per security |
|------------------------------|---------------------|
| Interim dividend (unfranked) | — |
| Final dividend (unfranked) | — |

Review of Operations

Results

The Group's consolidated revenue for the full year is S\$81.51m as compared with S\$94.52m in the previous year, a decrease of 13.8%. The Group's full year net consolidated loss after tax attributable to members to 30 June 2018 is S\$10.87m as compared with S\$4.62m in the previous year, an increase of 135.3%.

Loss per share for the year is Singapore 5.01 cents compared to Singapore 2.13 cents in the previous year, an increase of Singapore 2.88 cents.

Net tangible assets per share decreased from Singapore 30.28 cents to 25.31 cents per share.

Return on equity, based on average of the opening and closing equity, for the year was -14.5% as compared to -5.6% in 2017.

The average rates for currency translation for transactions and cash flows are A\$1 to S\$1.0375 (2017: S\$1.0498) for the year ended 30 June 2018 and balances A\$1 to S\$1.0076 (2017: S\$1.0570) as at 30 June 2018, reflecting a weakening A\$.

The Group's businesses, in particular the marine offshore and oil and gas segment, for the year just ended, encountered one of the greatest challenges. Demand for the marine segment dropped significantly by almost 80% and the oil and gas sector saw projects being delayed. The causes are both economic and geo-political, the latter being a greater factor. Regrettably we do not anticipate any significant recovery in the marine sector for 2-3 years although the land-based oil and gas sector is experiencing signs of recovery as delayed projects are being awarded.

The construction and precision engineering segments had shown improvements but these were not sufficient to cover the losses caused by the continuing slump in the marine, oil and gas sectors and the scaled up gestation costs relating to market development of the technology sector.

The Group has for the last 12 months engaged with relevant parties on unlocking values on its technology investments. It has come to the conclusion that the best way to maximise valuations for the Group is to demerge the medical technology investments from the core businesses of the Group. We believe that in this way each individual portfolio company can scale up and unlock its value with new external investments, engage in a trade sale or public listing at its own pace commensurate with its development and valuation. The technology investments adversely impacted the group with S\$4.0m in gestation costs for the year just ended and it is expected this cost is likely to increase further for the next 2-3 years as marketing development is accelerated.

Your Board has decided that a demerger of the technology businesses will take the form of a capital reduction by pro-rata distribution in specie to all shareholders. We plan to consolidate the medtech businesses into one non-listed public holding entity whose shares will be distributed. A resolution on this will be put to shareholders for approval in the upcoming AGM. The demerger will enable management to focus on their respective business, eliminate continuing gestation costs, and save the group further funding for such investments. The technology investments will seek alternative mode of funding independent of the Group.

Future new investments in the Group will be focused on developing lateral growth of existing core businesses. These include our investments on dual fuel technology for the marine offshore sector, and automation relating to oil and gas and industrial applications that strengthen our capability and catalyse our growth going forward. In line with this strategy, the Group has, subsequent to year end, disposed of its investment in SAEEdge Vision Solutions Pte Ltd focused on vision development with a net gain of S\$1.6m. This investment was made to advance lateral growth on the precision engineering segment but has been found to take too long to gain traction and to achieve scalability on its own.

Prospects for the coming year will remain very challenging. Your Board is confident that the restructuring will help to improve on the Group's results and enhance shareholders' value.

A comparison of the results of the current year with the previous year is as follows:-

| Key Financials | Change (%) | 12 months ended 30 June 18 (\$ million) | 12 months ended 30 June 17 (\$ million) |
|-----------------------------------------------------------------|------------|-----------------------------------------|-----------------------------------------|
| Total revenue | -13.8 | 81.51 | 94.52 |
| Net loss after tax attributable to equity holders of the Parent | +135.3 | (10.87) | (4.62) |

The Group's cash balances remain healthy. As at 30 June 2018, the Group's total cash and bank balances were S\$9.74m as compared with S\$18.59m as at 30 June 2017.

Segmental Revenue

The following is an analysis of the segmental revenue:-

| Revenue by Business Segments | Change (%) | 12 months ended 30 June 18 (\$ million) | 12 months ended 30 June 17 (\$ million) |
|--------------------------------------|------------|-----------------------------------------|-----------------------------------------|
| Offshore Marine, Oil & Gas Machinery | - 77.1 | 7.21 | 31.54 |
| Construction Equipment | + 33.4 | 41.41 | 31.05 |
| Precision Engineering & Technologies | + 2.5 | 30.95 | 30.19 |
| Industrial & Mobile Hydraulics | + 8.4 | 2.19 | 2.02 |

Offshore Marine, Oil & Gas Machinery

Demand for offshore marine, oil and gas machinery decreased by 77.1% in the full year as compared with the previous year. Global geo-political factors and potential trade wars have increased uncertainties compounding a situation caused by excess production capacity. The depressed sentiments are expected to last at least another 2-3 years even though oil prices have somewhat strengthened. As a result, the group is looking seriously into cost cutting and diverting resources for alternative revenue stream.

We are, however, hopeful that the land-based oil and gas sector is showing signs of improvements as deferred projects are being awarded. The Group has just secured 2 projects involving gas regulating and metering stations amounting to S\$15m and are confident more projects can be secured within this coming financial year.

Construction Equipment

The construction sector in Singapore, the main market for our foundation equipment, had been flat. However, our foray into regional markets such as Malaysia, the Philippines and Thailand are showing positive results that helped bring this sector to profitability.

Demand for concrete mixers in Australia and Thailand had been stronger increasing their contributions to the Group. We expect that the increase in infrastructure developments in Australia and Thailand will continue to support our businesses to achieve profitability in these countries.

Precision Engineering & Technologies

Demand for the precision engineering and technologies sector increased by 2.5% in the full year as compared with the previous year. The semiconductor market has remained strong and this has helped to maintain repeat orders for our semiconductor equipment. Demand for industrial automation had also resurged and we are hopeful that the momentum will be maintained in the coming year.

During the year, this segment has also restructured itself to increase its focus on medical equipment which is less volatile. The precision engineering segment had been an outsourcing contractor for various established medical equipment manufacturers from Europe and USA prior to our investments in medical technologies. Our investments in medical technologies has contributed to its capability in this area that now includes engineering for such products raising its value chain. Its manufacturing capability is now FDA approved. The group will continue to collaborate with the various medtech portfolio companies on an arms' length basis as is already a practice within the group.

Industrial & Mobile Hydraulics

This sector is made up of supply of hydraulic system drives and hydraulic services in support of our general core business activities in hydraulic engineering. There has not been any significant variation in this segment.

Financial Position

The Group's financial position remains strong:-

| Classification | Decrease S\$ million | As at 30 June 18 S\$ million | As at 30 June 17 S\$ million |
|--------------------------|-------------------------|---------------------------------|---------------------------------|
| Net Assets | 10.92 | 69.55 | 80.47 |
| Net Working Capital | 9.50 | 22.73 | 32.23 |
| Cash in Hand and at Bank | 8.85 | 9.74 | 18.59 |

Gearing Ratio

The Group's gearing ratio is 13.46% (2017: 0%). Gearing ratio has been arrived at by dividing our interest-bearing liabilities less cash and cash equivalents over total capital.

Return per Share

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

| Classification | Decrease Singapore Cents | 2018 Singapore Cents | 2017 Singapore Cents |
|--------------------|-----------------------------|-------------------------|-------------------------|
| Earnings per share | 2.88 | (5.01) | (2.13) |

The weighted average shares used to compute basic earnings per share are 217,140,780 for this year and the previous year.

| Classification | Decrease Singapore Cents | As at 30 June 18 Singapore Cents | As at 30 June 17 Singapore Cents |
|-------------------------------|-----------------------------|-------------------------------------|-------------------------------------|
| Net tangible assets per share | 4.97 | 25.31 | 30.28 |

Net tangible assets per share has decreased due to the Group's operational loss for the year.

Capital Expenditure

For the year ending 30 June 2019, the Group does not plan to invest in any capital equipment.

Confirmed Orders

We have a total of S\$37.8m (30 June 2017: S\$21.3m) outstanding confirmed orders in hand as at 30 June 2018. A breakdown of these outstanding confirmed orders is as follows:-

| | S\$ m |
|--------------------------------------|-------------|
| Offshore Marine, Oil & Gas Machinery | 15.6 |
| Construction Equipment | 9.0 |
| Precision Engineering & Technologies | 12.9 |
| Industrial & Mobile Hydraulics | <u>0.3</u> |
| Total | <u>37.8</u> |

These outstanding orders are scheduled for delivery in the financial year 2019. Prospects for ongoing orders, save for the marine offshore, are strengthening.

Prospects

The global economic environment being impacted by unprecedented geo-political factors compounded by the on-going trade war between the world's two largest economies has deteriorated amidst great uncertainties. The road ahead has become more challenging. Post demerger, while the Group continues to focus on vertical expansion, it will concurrently consider, where necessary, investments on technology and products to catalyse the expansion of the Group's businesses laterally.

Dividends

The Board has decided not to pay any dividend this year.

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

A handwritten signature in black ink, appearing to be 'GL Sim', written in a cursive style.

GL Sim
Chairman

Preliminary Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

| | Note | 2018 S\$'000 | 2017 S\$'000 |
|-------------------------------------------------------------------------|------|-----------------|-----------------|
| Revenue | 3 | 78,994 | 92,628 |
| Other operating income | 4 | 2,512 | 1,892 |
| Total revenue | | 81,506 | 94,520 |
| Cost of materials | | (40,156) | (45,571) |
| Employee, contract labour and related costs | | (32,742) | (28,601) |
| Depreciation and amortisation | | (5,208) | (5,356) |
| Property related expenses | | (2,599) | (2,484) |
| Other operating expenses | | (10,523) | (17,119) |
| Finance costs | | (424) | (421) |
| Share of results of associates | 10 | (1,273) | (724) |
| Loss before taxation | | (11,419) | (5,756) |
| Tax benefit | 5 | 277 | 1,003 |
| Loss after taxation | | (11,142) | (4,753) |
| Other comprehensive income: | | | |
| - Items that may be subsequently reclassified to profit and loss | | | |
| Share of other comprehensive income of associates | | 2 | (19) |
| Foreign currency translation on consolidation | | (208) | 915 |
| Effect of tax on other comprehensive income | | - | - |
| Other comprehensive (loss)/income for the period, net of tax | | (206) | 896 |
| Total comprehensive loss | | (11,348) | (3,857) |
| Loss attributable to: | | | |
| Equity holders of the Parent | | (10,873) | (4,620) |
| Non-controlling interests | | (269) | (133) |
| Loss for the year | | (11,142) | (4,753) |
| Total comprehensive loss attributable to: | | | |
| Equity holders of the Parent | | (11,079) | (3,724) |
| Non-controlling interests | | (269) | (133) |
| Total comprehensive loss | | (11,348) | (3,857) |
| Earnings per share (cents) | | | |
| Basic loss per share | 6 | (5.01) | (2.13) |
| Diluted loss per share | 6 | (5.01) | (2.13) |

Preliminary Consolidated Balance Sheet

as at 30 June 2018

| | Note | 2018 S\$'000 | 2017 S\$'000 |
|------------------------------------------------------------|------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | | 21,301 | 22,969 |
| Intangible assets | | 14,602 | 14,725 |
| Deferred tax assets | | 3,054 | 2,767 |
| Convertible loans to an associate | | 1,131 | 602 |
| Investments in associates | 10 | 8,798 | 9,448 |
| | | 48,886 | 50,511 |
| Current assets | | | |
| Cash and bank balances | 9 | 9,739 | 18,591 |
| Inventories | | 28,007 | 23,145 |
| Trade and other receivables | | 21,894 | 19,195 |
| Gross amount due from customers for contract work | | 4,227 | 3,305 |
| Prepayments | | 398 | 409 |
| Tax recoverable | | — | 32 |
| | | 64,265 | 64,677 |
| TOTAL ASSETS | | 113,151 | 115,188 |
| Current liabilities | | | |
| Trade and other payables | | 19,214 | 19,991 |
| Gross amount due to customers for contract work | | 1,844 | 19 |
| Interest-bearing liabilities | | 18,407 | 9,935 |
| Provisions | | 1,882 | 2,281 |
| Provision for taxation | | 192 | 219 |
| | | 41,539 | 32,445 |
| NET CURRENT ASSETS | | 22,726 | 32,232 |
| Non-current liabilities | | | |
| Interest-bearing liabilities | | 664 | 652 |
| Deferred tax liabilities | | 983 | 1,224 |
| Provisions | | 414 | 398 |
| | | 2,061 | 2,274 |
| TOTAL LIABILITIES | | 43,600 | 34,719 |
| NET ASSETS | | 69,551 | 80,469 |
| Equity attributable to equity holders of the Parent | | | |
| Share capital | 11 | 38,314 | 38,314 |
| Reserves | | (1,562) | (1,501) |
| Retained earnings | | 32,581 | 43,444 |
| | | 69,333 | 80,257 |
| Non-controlling interests | | 218 | 212 |
| TOTAL EQUITY | | 69,551 | 80,469 |
| TOTAL LIABILITIES AND EQUITY | | 113,151 | 115,188 |

Preliminary Consolidated Statement of Changes in Equity

for the year end 30 June 2018

| Note | Attributable to equity holders of the Parent | | | | | | Non-controlling interests | Total equity |
|-----------------------------------------|----------------------------------------------|-------------------------------------------|--------------------------------------|------------------------------|-------------------|----------|---------------------------|--------------|
| | Share capital | Share capital – exercise of share options | Foreign currency translation reserve | Share-based payments reserve | Retained earnings | Total | | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1.7.2016 | 37,842 | 472 | (2,597) | 160 | 49,146 | 85,023 | 69 | 85,092 |
| Loss for the year | – | – | – | – | (4,620) | (4,620) | (133) | (4,753) |
| Other comprehensive gain | – | – | 896 | – | – | 896 | – | 896 |
| Total comprehensive loss for the year | – | – | 896 | – | (4,620) | (3,724) | (133) | (3,857) |
| Share-based payments | – | – | – | 43 | – | 43 | – | 43 |
| Forfeiture of employee share options | – | – | – | (3) | 3 | – | – | – |
| Acquisition of non-controlling interest | – | – | – | – | (276) | (276) | 276 | – |
| Dividends paid on ordinary shares | 7 | – | – | – | (809) | (809) | – | (809) |
| Balance at 30.6.2017 | 37,842 | 472 | (1,701) | 200 | 43,444 | 80,257 | 212 | 80,469 |
| Loss for the year | – | – | – | – | (10,873) | (10,873) | (269) | (11,142) |
| Other comprehensive loss | – | – | (206) | – | – | (206) | – | (206) |
| Total comprehensive loss for the year | – | – | (206) | – | (10,873) | (11,079) | (269) | (11,348) |
| Share-based payments | – | – | – | 155 | – | 155 | – | 155 |
| Forfeiture of employee share options | – | – | – | (10) | 10 | – | – | – |
| Acquisition of subsidiary companies | – | – | – | – | – | – | 275 | 275 |
| Balance at 30.6.2018 | 37,842 | 472 | (1,907) | 345 | 32,581 | 69,333 | 218 | 69,551 |

Preliminary Consolidated Statement of Cash Flows

for the year ended 30 June 2018

(In Singapore dollars)

| | Note | 2018 S\$'000 | 2017 S\$'000 |
|-----------------------------------------------------------------------|-------------|------------------------|------------------------|
| Cash flows from operating activities: | | | |
| Operating loss before taxation | | (11,419) | (5,756) |
| Adjustments for : | | | |
| Depreciation of property, plant and equipment | | 3,984 | 4,300 |
| Amortisation of intangible assets | | 1,224 | 1,056 |
| Bad debts written off | | – | 5 |
| Allowance for doubtful debts, net | | 403 | 412 |
| Allowance for inventory obsolescence, net | | 322 | 307 |
| Inventories written off | | 186 | 62 |
| Finance costs | | 424 | 421 |
| Interest income | 4 | (94) | (62) |
| Property, plant and equipment written off | | 47 | 7 |
| Intangible assets written off | | 72 | – |
| Gain on disposal of property, plant and equipment | 4 | (57) | (71) |
| Forfeiture of customer deposit | 4 | – | (95) |
| Trade and other payables written back | 4 | (72) | (37) |
| Provisions made, net | | 167 | 1,423 |
| Share-based payments | | 155 | 43 |
| Share of results of associates | | 1,273 | 724 |
| Unrealised exchange difference | | (177) | 573 |
| Operating (loss)/profit before reinvestment in working capital | | (3,562) | 3,312 |
| Increase in stocks and work-in-progress | | (3,837) | (835) |
| Decrease in projects-in-progress | | 903 | 5,869 |
| Increase in debtors | | (2,950) | (3,712) |
| (Decrease)/increase in creditors | | (1,049) | 3,969 |
| Cash (used in)/generated from operations | | (10,495) | 8,603 |
| Interest received | | 62 | 45 |
| Interest paid | | (428) | (402) |
| Income taxes paid | | (278) | (407) |
| Net cash (used in)/generated from operating activities | | (11,139) | 7,839 |

Preliminary Consolidated Statement of Cash Flows (Cont'd)

| | Note | 2018 S\$'000 | 2017 S\$'000 |
|--------------------------------------------------------------------|-------------|------------------------|------------------------|
| Cash flows from investing activities : | | | |
| Purchase of property, plant and equipment | | (3,083) | (1,777) |
| Proceeds from disposal of property, plant and equipment | | 61 | 94 |
| Proceeds from disposal of available-for-sale asset | | – | 1 |
| Purchase of computer software | | (17) | (68) |
| Increase in development expenditure | | (854) | (974) |
| Increase in patented technology | | (53) | (56) |
| Investments in associates | 10 | (676) | (3,339) |
| Subscription of convertible loan in an associate | | (497) | (600) |
| Acquisition of subsidiaries | | (145) | – |
| Net cash used in investing activities | | (5,264) | (6,719) |
| Cash flows from financing activities : | | | |
| Proceeds from/(repayments of) bank borrowings | | 6,237 | (1,233) |
| Loans from a related party | | 1,352 | – |
| Dividends paid on ordinary shares | 7 | – | (809) |
| Repayment of hire purchase creditors | | (430) | (819) |
| Net cash generated from/(used in) from financing activities | | 7,159 | (2,861) |
| Net decrease in cash and cash equivalents | | (9,244) | (1,741) |
| Net foreign exchange differences | | (39) | (1) |
| Cash and cash equivalents at beginning of year | | 18,239 | 19,981 |
| Cash and cash equivalents at end of year | 9 | 8,956 | 18,239 |

Note 1 Summary of significant accounting policies

This preliminary final report has been prepared in order to comply with ASX *listing rules*.

This 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 this report be read in conjunction with the annual report for the year ended 30 June 2017, the interim financial report for the half-year ended 31 December 2017 and considered together with any public announcements made by Zicom Group Limited during the year ended 30 June 2018 in accordance with the continuous disclosure obligations of the ASX *listing rules*.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Note 2 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:

- Offshore Marine, Oil & Gas Machinery – manufacture and supply of deck machinery, gas metering 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.
- Precision Engineering & Technologies – manufacture and supply of precision and automation equipment and products, medtech equipment and products, medtech translation and engineering services.
- Industrial & Mobile Hydraulics – supply of hydraulic drive systems, parts and services.

Intersegment sales

Intersegment sales are recognised based on internally set transfer price at arm's length basis.

Unallocated revenue and expenses

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

Note 2 Segment information (cont'd)

| | Offshore Marine, Oil & Gas Machinery S\$'000 | Construction Equipment S\$'000 | Precision Engineering & Technologies S\$'000 | Industrial & Mobile Hydraulics S\$'000 | Consolidated S\$'000 |
|------------------------------------|-------------------------------------------------------|--------------------------------------|-------------------------------------------------------|----------------------------------------------|-------------------------|
| For year ended 30 June 2018 | | | | | |
| Revenue | | | | | |
| Sales to external customers | 6,472 | 41,349 | 29,288 | 1,885 | 78,994 |
| Other revenue | 629 | 60 | 1,659 | – | 2,348 |
| Intersegment sales | 108 | 4 | – | 301 | 413 |
| Total segment revenue | 7,209 | 41,413 | 30,947 | 2,186 | 81,755 |
| Intersegment elimination | | | | | (413) |
| Unallocated revenue | | | | | 70 |
| Interest income | | | | | 94 |
| Total consolidated revenue | | | | | 81,506 |
| Results | | | | | |
| Segment results | (5,431) | 2,223 | (5,789) | 516 | (8,481) |
| Unallocated revenue | | | | | 70 |
| Unallocated expenses | | | | | (1,405) |
| Share of results of associates | | | (1,273) | | (1,273) |
| Loss before tax and finance costs | | | | | (11,089) |
| Finance costs | | | | | (424) |
| Interest income | | | | | 94 |
| Loss before taxation | | | | | (11,419) |
| Tax benefit | | | | | 277 |
| Loss after taxation | | | | | (11,142) |
| For year ended 30 June 2017 | | | | | |
| Revenue | | | | | |
| Sales to external customers | 31,362 | 30,965 | 28,717 | 1,584 | 92,628 |
| Other revenue | 173 | 82 | 1,468 | – | 1,723 |
| Intersegment sales | – | 1 | 4 | 436 | 441 |
| Total segment revenue | 31,535 | 31,048 | 30,189 | 2,020 | 94,792 |
| Intersegment elimination | | | | | (441) |
| Unallocated revenue | | | | | 107 |
| Interest income | | | | | 62 |
| Total consolidated revenue | | | | | 94,520 |
| Results | | | | | |
| Segment results | 492 | (1,154) | (3,011) | 347 | (3,326) |
| Unallocated revenue | | | | | 107 |
| Unallocated expenses | | | | | (1,454) |
| Share of results of associates | | | (724) | | (724) |
| Loss before tax and finance costs | | | | | (5,397) |
| Finance costs | | | | | (421) |
| Interest income | | | | | 62 |
| Loss before taxation | | | | | (5,756) |
| Tax benefit | | | | | 1,003 |
| Loss after taxation | | | | | (4,753) |

Note 3 Revenue

| | 2018 | 2017 |
|--------------------------------|-------------|-------------|
| | S\$'000 | S\$'000 |
| Sale of goods | 54,193 | 53,926 |
| Rendering of services | 4,849 | 4,491 |
| Rental income | 3,303 | 2,794 |
| Revenue recognised on projects | 16,649 | 31,417 |
| | <hr/> | <hr/> |
| | 78,994 | 92,628 |
| | <hr/> | <hr/> |

Note 4 Other operating income

| | 2018 | 2017 |
|---------------------------------------------------|-------------|-------------|
| | S\$'000 | S\$'000 |
| Interest income | 94 | 62 |
| Forfeiture of customer deposit | – | 95 |
| Gain on disposal of property, plant and equipment | 57 | 71 |
| Trade and other payables written back | 72 | 37 |
| Sale of machinery previously written off | 24 | – |
| Recovery of liquidated damages paid | 615 | – |
| Services rendered | 857 | 487 |
| Government grants | 761 | 1,122 |
| Other revenue | 32 | 18 |
| | <hr/> | <hr/> |
| | 2,512 | 1,892 |
| | <hr/> | <hr/> |

Note 5 Taxation

The major components of income tax benefit for the years ended 30 June are:

| | 2018 | 2017 |
|-------------------------------------------------------------------|-------------|-------------|
| | S\$'000 | S\$'000 |
| <i>Current income tax</i> | | |
| Current income tax charge | 349 | 508 |
| Loss transferred under Group Relief Scheme | – | (396) |
| Adjustments in respect of previous years | (66) | (14) |
| <i>Deferred income tax</i> | | |
| Relating to the origination and reversal of temporary differences | (10) | (917) |
| Adjustments in respect of previous years | (550) | (184) |
| | <hr/> | <hr/> |
| Income tax benefit | (277) | (1,003) |
| | <hr/> | <hr/> |

Note 6 Earnings per share

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

Diluted earnings per share is calculated by dividing the Group's net profit or loss attributable to equity holders of the Parent by the adjusted weighted average number of ordinary shares which takes into account the effects of all dilutive potential ordinary shares comprising share options granted to employees.

- (a) Earnings used in calculating basic and diluted earnings per share

| | 2018 | 2017 |
|-------------------------------------------------------|----------|---------|
| | S\$'000 | S\$'000 |
| Net loss attributable to equity holders of the Parent | (10,873) | (4,620) |

No. of shares (Thousands)

- (b) Weighted average number of ordinary shares for basic and diluted earnings per share

| | |
|---------|---------|
| 217,141 | 217,141 |
|---------|---------|

Singapore cents

- (c) Earnings per share

| | | |
|---------|--------|--------|
| Basic | (5.01) | (2.13) |
| Diluted | (5.01) | (2.13) |

There were 2,610,000 (2017: 2,680,000) 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 anti-dilutive for the current period presented.

Note 7 Dividends paid and proposed

| | 2018 | 2017 |
|-------------------------------------------------------------|---------|---------|
| | S\$'000 | S\$'000 |
| (a) Dividends per share paid or provided for | | |
| Final unfranked dividend for 2017 : nil | — | — |
| Interim unfranked dividend for 2018 : nil | — | — |
| Final unfranked dividend for 2016 : 0.20 Australian cents | — | 459 |
| Interim unfranked dividend for 2017 : 0.15 Australian cents | — | 350 |
| | — | 809 |
| (b) Dividend declared per share | | |
| Final unfranked dividend for 2018: nil (2017: nil) | — | — |

Note 8 Net tangible assets per security

| | 2018 | 2017 |
|----------------------------------------------------------|-------------|-------------|
| Net tangible assets per ordinary share (Singapore cents) | 25.31 | 30.28 |

Note 9 Cash and cash equivalents

| | 2018 S\$'000 | 2017 S\$'000 |
|---------------------------|------------------------|------------------------|
| Cash at bank and in hand | 9,465 | 18,591 |
| Short-term fixed deposits | 274 | – |
| | <u>9,739</u> | <u>18,591</u> |

For the purpose of the cash flow statement, cash and cash equivalents comprised the following:

| | | |
|------------------------------|--------------|---------------|
| Cash and short-term deposits | 9,739 | 18,591 |
| Bank overdrafts | (783) | (352) |
| Cash and cash equivalents | <u>8,956</u> | <u>18,239</u> |

Included in short-term fixed deposits are amounts of S\$84,000 pledged for facilities.

Note 10 Investments in associates**(a) Investment details**

| | | 2018 S\$'000 | 2017 S\$'000 |
|----------------------------------|------------------------------------|------------------------|------------------------|
| Held through subsidiaries | Principal place of business | | |
| Curiox Biosystems Pte Ltd | Singapore | 5,107 | 5,266 |
| HistoIndex Pte Ltd | Singapore | 871 | 1,301 |
| Endofotonics Pte Ltd | Singapore | 706 | 907 |
| BELKIN Laser Ltd | Israel | 1,196 | 1,374 |
| Pellucid Networks Pte Ltd | Singapore | 918 | 600 |
| | | <u>8,798</u> | <u>9,448</u> |

(b) Movements in the carrying amount of the Group's investments in associates

| | | |
|---------------------------------------------|--------------|--------------|
| Curiox Biosystems Pte Ltd ("Curiox") | 2018 | 2017 |
| Shareholdings held: 72.28% (2017: 73.02%) | S\$'000 | S\$'000 |
| At beginning of year | 5,266 | 5,295 |
| Additional investment | 276 | 323 |
| Share of loss after income tax | (393) | (301) |
| Share of other comprehensive income | 2 | (19) |
| Unrealised profits | (44) | (32) |
| At end of year | <u>5,107</u> | <u>5,266</u> |

Note 10 Investments in associates (cont'd)

(b) Movements in the carrying amount of the Group's investments in associates (cont'd)

On 8 September 2017, 138,000 preference shares were allotted to Zicom Holdings Private Limited ("ZHPL") for a cash consideration of S\$276,000 pursuant to the remaining tranche of the non-renounceable rights issue. Due to allotment for excess rights applications to some shareholders, the Group's interest in Curiox decreased to 72.75%.

On 1 February 2018, 22,000 preference shares were issued to directors of Curiox as part payment of directors' fees and 5,500 ordinary shares were issued under the Curiox Employee Share and Option Plan. As a result of this allotment, the Group's interest in Curiox decreased to 72.28%.

Although ZHPL holds the majority of voting rights in Curiox, it does not have the power and practical ability to direct the relevant activities of Curiox unilaterally and hence, Curiox remains an associate of the Group as at 30 June 2018.

| HistoIndex Pte Ltd ("HistoIndex") | 2018 | 2017 |
|-------------------------------------------|-------------|--------------|
| Shareholdings held: 10.88% (2017: 10.88%) | S\$'000 | S\$'000 |
| At beginning of year | 1,301 | 1,591 |
| Share of loss after income tax | (419) | (288) |
| Unrealised profits | (11) | (2) |
| At end of year | <u>871</u> | <u>1,301</u> |

HistoIndex entered into a convertible loan agreement on 6 June 2018 with Zicom MedTacc Private Limited ("ZMT") and various investors, collectively the "Lenders", to which the Lenders have granted convertible loans aggregating S\$1,000,000 to HistoIndex. The convertible loans earns interest at 5% per annum and may be converted into ordinary shares at a discounted price upon the occurrence of pre-defined events or repaid upon maturity on 5 June 2021.

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

| Endofotonics Pte Ltd ("Endofotonics") | 2018 | 2017 |
|----------------------------------------------|-------------|-------------|
| Shareholdings held: 21.89% (2017: 21.89%) | S\$'000 | S\$'000 |
| At beginning of year | 907 | – |
| Investment during the year | – | 1,000 |
| Share of loss after income tax | (201) | (93) |
| At end of year | <u>706</u> | <u>907</u> |

Under the terms of the investment, ZMT can acquire additional shares through options and achieving certain milestones. The changes in fair value of the options was assessed as being not significant as at 30 June 2018.

| BELKIN Laser Ltd ("BELKIN") | 2018 | 2017 |
|-------------------------------------------|--------------|--------------|
| Shareholdings held: 16.66% (2017: 16.66%) | S\$'000 | S\$'000 |
| At beginning of year | 1,374 | – |
| Investment during the year | – | 1,416 |
| Share of loss after income tax | (178) | (42) |
| At end of year | <u>1,196</u> | <u>1,374</u> |

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

Note 10 Investments in associates (cont'd)

- (b) Movements in the carrying amount of the Group's investments in associates (cont'd)

| Pellucid Networks Pte Ltd ("Pellucid") | 2018 | 2017 |
|-----------------------------------------------|-------------|-------------|
| Shareholdings held: 11.51% (2017: 8.23%) | S\$'000 | S\$'000 |
| At beginning of year | 600 | – |
| Investment during the year | 400 | 600 |
| Share of loss after income tax | (82) | – |
| At end of year | <u>918</u> | <u>600</u> |

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

Note 11 Share capital

- (a) Share capital

| | 2018 | 2017 | 2018 | 2017 |
|----------------------------|------------------------------|------------------------------|-------------|-------------|
| | No. of shares (Thousands) | No. of shares (Thousands) | S\$'000 | S\$'000 |
| Ordinary fully paid shares | 217,141 | 217,141 | 38,314 | 38,314 |

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.

Note 12 Subsequent events

- (a) Investment in Endofotonics Pte Ltd

On 28 August 2018, 1,058,201 ordinary shares were allotted to Zicom MedTacc Private Limited ("ZMT") for a cash consideration of S\$222,000 pursuant to the subscription of a non-renounceable rights issue by Endofotonics Pte Ltd ("Endofotonics"). As a result of this allotment, the Group's interest in Endofotonics increased to 24.39%.

- (b) Disposal of SAEdge Vision Solutions Pte Ltd

On 27 August 2018, Sys-Mac Automation Engineering Pte Ltd ("Sys-Mac"), entered into a share sale agreement to dispose its 96% equity interest in SAEdge Vision Solutions Pte Ltd ("SAEdge") to Emage Vision Pte Ltd ("EV") for an aggregate consideration of S\$3,473,000, satisfied by the allotment of 43,336 EV voting shares to Sys-Mac. Upon completion on 31 August 2018, the Group will hold 14.88% equity interest in EV.

- (c) Demerger of technology businesses

On 29 August 2018, the Board resolved to approve, subject to final approval by shareholders, for the purposes of Section 256B of the *Corporations Act 2001*, that the Company shall demerge Zicom MedTacc Private Limited from the Group, in a form of pro-rata capital reduction by distributing the shares in Zicom MedTacc Private Limited to the Company's shareholders.

This Report is based on accounts to which one of the following applies.

- | | |
|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <input type="checkbox"/> The accounts have been audited | <input type="checkbox"/> The accounts have been subject to review |
| <input checked="" type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |



Signed **Date:** 31 August 2018
(Director/ Company Secretary)