ZICOM GROUP LIMITED ABN 62 009 816 871

Annual Report - 30 June 2020

Contents

Zicom Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Zicom Group Limited
38 Goodman Place
Murarrie, QLD 4172
Australia

Chairman's Message

FORTITUDE
"Courage is grace under pressure." ***Ernest Hemingway…. 1899-1961***

Dear Shareholders,

The year just ended was completely overshadowed by the severe impact of the Covid-19 which first broke out in China in late December 2019. Although the pandemic directly impacted our second half year, its impact was deep and wide and totally unprecedented in our corporate life span that upended whatever we had achieved in the first half year or had set to achieve in the second half year.

The pandemic has not run its full course and is expected to worsen towards the end of year 2020 and potentially may impact the next financial year. It is a situation that the world's governments have felt helpless until they successfully found a cure or a vaccine. As such, measures now in place restrict travels, human movement and interactions causing economic activities to be reduced greatly. Business decisions have been held back with prevailing uncertainties and pessimistic economic outlook. The ongoing trade war between the USA and virtually with the rest of the world, in particular China, created one of the most damaging geopolitical factors on the global economy.

The Group's businesses are no doubt deeply affected by the situation. Orders had almost frozen during the lockdown periods between March 2020 to July 2020 and have not regained any significant traction yet.

Fortitude has enabled us to ride forward in adversity. Most of our business segments remain weak. To bolster the marine offshore, oil and gas sector we boldly secured a gas compressor project of a value of close to S$90m. We are pleased that in spite of Covid-19 constraints, the project will be on time. We expect to deliver the turnkey project by March 2021. The performance of this project positions us to more projects in the coming months. Our transformation of the marine sector into LNG propulsion systems is gaining strong momentum. We are in advance and close negotiations for some significant orders.

We took full advantage of the Covid-19 lockdown period to develop a surgical mask line in-house and this was completed within 3 months. The mask has achieved a Type IIR classification, being the highest EN quality standards for adoption for surgical use. We have obtained CE Marking for the mask which has enabled it to be marketed freely potentially creating a new revenue stream. Our precision engineering segment has been focusing on healthcare and medical technology sector as the electronic related businesses have been adversely impacted by the trade war that greatly reduced their demand and hence capital investment.

Construction related equipment will remain affected when the pandemic continues to cause infection to rise without any certainty of abatement.

Unfortunately, in the midst of the current distressful environment, we discovered some financial irregularities in our Thailand operations last month. One of our local executive directors had made unauthorised cash withdrawals and misreported. The offending director had acknowledged the debt and agreed to make repayment, which is guaranteed by the managing director who has accepted responsibility for overlooking the offense. The offending director has been put on no-pay leave from 1 October 2020 pending completion of forensic audit. The managing director will retire upon settlement of the matter expected in the next 2 months. Full provision for the exposure has been made in the accounts, although some repayments have been made subsequent to the year-end. The incident presents an opportunity for the Group to potentially restructure and consolidate its Asian concrete mixer manufacturing operations to achieve economies of scale and cost savings.

As a solidarity with cost measures necessitated by Covid-19, after having reduced my own salaries by 40% in Jan 2020, I have further suspended my salary and take a monthly nominal sum from July 2020 until businesses have normalised. Several senior management staff have volunteered suspension of their salaries between 20-25% each. This solidarity gesture is intended to minimise retrenchment possibility caused by idle capacity during the lockdown period.

Times are expected to remain tough in the coming year. With fortitude and tenacity, we are confident of riding out the current situation. With successful transformation of our businesses, we aim to emerge stronger and more relevant to the new environment to take advantage of the emerging growth prospects.

I like to take this opportunity to thank my board members who have contributed their respective expertise and advices during the year, to the Group's management and all employees for their continuing dedicated service and sacrificing spirits under very trying circumstances. I also wish to thank shareholders for their continuing support.

G L Sim
Executive Chairman

Board of Directors

Giok Lak Sim, FCPA
Executive Chairman, Age 74

Experience and Expertise
Appointed to the Board on 5 April 1995. Chairman and Managing Director of Zicom Group Limited till 31 December 2018. From 1 January 2019, stepped down as Managing Director and remains as Executive Chairman of Zicom Group Limited and all its subsidiaries. Experienced in public accounting, corporate development, strategic management as well as international trade.

Member of Strategic Advisory Panel, Diagnostics Development Hub, A*Star A*accelerate
Member of Incubation Advisory Board, Singapore National Eye Centre
Member of Board of Governors, UOB-SMU Asian Enterprise Institute
Singapore Ernst & Young Entrepreneur of the Year (Industrial Products), 2008

Other current directorships and former directorships in last 3 years
Board Member of SPRING Singapore (1 April 2014 to 31 March 2018)

Special responsibilities
Member of Nomination and Remuneration Committee
Executive Chairman of all subsidiaries

Relevant interests in shares and options as at date of signing the Directors' Report
107,781,137 ordinary shares

Kok Yew Sim, BSc
Executive Director and Group Chief Executive Officer, Age 40

Experience and expertise
First appointed to the Board as Alternate Director to Mr Kok Hwee Sim on 5 July 2010 and made an Executive Director on 25 September 2014. Promoted to Group Chief Executive Officer on 1 January 2019. For many years as the Chief Executive Officer of Sys-Mac Automation Engineering Pte Ltd (Sys-Mac), Mr Kok Yew Sim has been instrumental in Sys-Mac Group's growth journey, focusing on providing customised automation solutions, building capabilities and market penetration. As he gradually transits into his new role as the Group CEO, he will focus on strengthening and transforming the Group's existing core businesses to align with the technological age so as to enhance shareholders value. Mr Sim graduated with a Bachelor's degree in Electrical and Electronics Engineering from the University of Michigan with Honours (Summa Cum Laude). He is the second son of the Executive Chairman, Mr G L Sim and Director of substantial shareholder, SNS Holdings Pte Ltd.

Other current directorships and former directorships in last 3 years
None

Special responsibilities
CEO of Sys-Mac Automation Engineering Pte Ltd and its subsidiaries
Deputy Chairman of iPtec Pte Ltd
Director of Emage Vision Pte Ltd

Relevant interests in shares and options as at date of signing the Directors' Report
1,350,253 ordinary shares and 700,000 options

Board of Directors

Lim Bee Chun, Jenny, FCCA
Executive Director and Joint Company Secretary, Age 47

Experience and expertise
Ms Jenny Lim has been the Group's Financial Controller since 2005. She is responsible for accounting, financial, tax and corporate secretarial matters of the Group. Ms Lim also assumed the role of Joint Company Secretary since 6 June 2008. Before joining the Group, Ms Lim was with an international public accounting firm for more than 10 years specialising in audit and tax. She is a Fellow of the Association of Chartered Certified Accountants.

Other current directorships and former directorships in last 3 years
None

Special responsibilities
Joint Company Secretary
Director of Zicom Private Limited
Director and Company Secretary of Zicom Holdings Private Limited

Relevant interests in shares and options as at date of signing the Directors' Report
944,563 ordinary shares and 250,000 options

Kok Hwee Sim, BSc, MSc
Non-Executive and Non-Independent Director, Age 42

Experience and expertise
Mr Kok Hwee Sim was appointed to the Board on 21 November 2007. Pursuant to the demerger of the medical technology businesses from the Group, he stepped down as an executive director and remains on the board as a Non-Executive Director. Mr Kok Hwee Sim is an experienced leader in both corporate and general management operations. His expertise includes treasury management, mergers and acquisitions, strategic partnerships and fund raising. Mr Sim graduated with a Bachelor's degree in Industrial Engineering and Operations Research from the University of Michigan, Ann Arbor, USA with Honours (Magna Cum Laude) and a Master's degree in Financial Engineering from Columbia University, New York. He is the eldest son of the Executive Chairman, Mr G L Sim and Director of substantial shareholder, SNS Holdings Pte Ltd.

Other current directorships and former directorships in last 3 years
None

Special responsibilities
Member of Audit Committee
Non-Executive Director of Zicom Holdings Private Limited and its subsidiaries in Thailand and Australia

Relevant interests in shares and options as at date of signing the Directors' Report
1,538,180 ordinary shares and 550,000 options

Board of Directors

Yian Poh Lim, BSc, MSc
Non-Executive and Independent Director, Age 74

Experience and expertise

Appointed to the Board on 24 July 2006. Mr Yian Poh Lim has more than 20 years of extensive experience in the banking and finance industry and is currently the managing director of Yian Poh Associates, a financial consultancy and investment firm. Since 2000, Mr Lim has been an Honorary Commercial Advisor to The Administrative Committee of Jiaxing Economic Development Zone, China. He is also an Expert Consultant to Suzhou Vocational University, China. Mr Lim holds a Bachelor of Science degree from Nanyang University, Singapore and a Master of Science degree from the University of Hull, UK.

Other current directorships and former directorships in last 3 years

Independent Director of Casa Holdings Limited (appointed 4 November 2008)
Lead Independent Director of TTJ Holdings Limited (appointed on 5 July 1996)

Special responsibilities

Chairman of Nomination and Remuneration Committee
Member of Audit Committee
Non-Executive Director of Zicom Holdings Private Limited

Relevant interests in shares and options as at date of signing the Directors' Report

1,038,000 ordinary shares and 250,000 options

Renny Yeo Ah Kiang, PBM, BBM
Non-Executive and Independent Director, Age 70

Experience and expertise

Appointed to the Board on 13 November 2019, Mr Yeo has a distinguished career. He brings with him more than 40 years of working experience in the field of shipbuilding/repair, electrical engineering and cable industries. He sits on board of several companies, government boards and committees. Mr Yeo holds a Higher National Diploma (HND) in Electrical and Electronic Engineering from Southampton College of Technology, UK and a Master in Management (MBA) with High Distinction from the Asia Institute of Management, Philippines. Mr Yeo was conferred the Public Service Star (BBM) in 2018 and the Public Service Medal (PBM) in 2000 by the President of the Republic of Singapore.

Chairman of Singapore Accreditation Council (Enterprise Singapore)
Emeritus President of Singapore Manufacturing Federation
SPRING Singapore Distinguished Partner Award, 2011
SISIR Standards Council Distinguished Award, 1994

Other current directorships and former directorships in last 3 years

Non-Executive and Independent Director of Tai Sin Electric Limited (appointed on 1 July 2018)
Independent Chairman of Sin Heng Heavy Machinery Limited (21 December 2009 to 26 June 2020)
Non-Executive and Lead Independent Director of OEL (Holdings) Limited (12 August 2005 to 27 February 2020)
Board Member of Enterprise Singapore (1 April 2018 to 31 March 2020)
Board Member of SPRING Singapore (1 April 2013 to 31 March 2018)

Special responsibilities

Member of Nomination and Remuneration Committee
Non-Executive Director of Zicom Holdings Private Limited

Relevant interests in shares and options as at date of signing the Directors' Report

NIL

Board of Directors

Stewart James Douglas, BBus, CA ANZ, GAICD
Non-Executive and Independent Director, Age 49

Experience and expertise
Appointed to the Board on 13 November 2019, Mr Douglas is an Audit Partner/Director of Bentleys Queensland, an Australian national firm of public accountants. He has over 20 years of audit and professional experience in London, Singapore and Brisbane. Mr Douglas possesses expert technical knowledge across all facets of audit and assurance and across a broad range of sectors. He also brings along extensive internal audit experience and has been responsible for a large number of internal audits including internal control reviews, payroll reviews and governance reviews. Mr Douglas holds a Bachelor of Business degree from Queensland University of Technology and is a member of the Chartered Accountants Australia and New Zealand and a Graduate of the Australian Institute of Company Directors. He also chairs the Board of Bentley Australia.

Other current directorships and former directorships in last 3 years
NIL

Special responsibilities
Chairman of Audit Committee

Relevant interests in shares and options as at date of signing the Directors' Report
NIL

Shaw Pao Sze
Independent Director, Age 76

Experience and expertise
Appointed to the Board on 19 February 2010. Mr Shaw Pao Sze holds a Master Foreign-Going Certificate of Competency and has extensive experiences in maritime industry from managing liner and ship chartering services, corporate planning in one of the world's largest shipping lines and consultancy services for transport engineering, maritime and logistics planning for infrastructure projects.

Other current directorships and former directorships in last 3 years
None

Special responsibilities
None

Relevant interests in shares and options as at date of signing the Directors' Report
100,000 options

Ian Robert Millard, FCA, FAICD
Alternate Director to Mr Giok Lak Sim, Age 81

Experience and expertise
Appointed to the Board on 23 November 2006 and retired on 13 November 2019. With his deep understanding of the Group's business, he was appointed as Alternate Director to Mr G L Sim on the same day. Extensive experience in public accounting and corporate secretarial work. Fellow of the Institute of Chartered Accountants with 30 years as a partner in major accounting firms in Queensland and a Fellow of the Australian Institute of Company Directors.

Other current directorships and former directorships in last 3 years
None

Special responsibilities
Non-Executive Director of Cesco Australia Limited

Relevant interests in shares and options as at date of signing the Directors' Report
592,250 ordinary shares and 100,000 options

Joint Company Secretary

Igor Sushko (Nick), MBA, FCPA, BBus, BSc
Joint Company Secretary, Age 54

Experience and expertise
Mr Sushko joined the Group in April 2017 as the Finance Manager of Cesco Australia Limited. He holds a Master's degree in Business Administration and has been a Fellow of Certified Practising Accountants, Australia since 2015. Mr Sushko has more than 20 years of experience in financial management, treasury and international trade in both publicly and privately-owned businesses.

Other current directorships and former directorships in last 3 years
None

Special responsibilities
Company Secretary of Cesco Australia Limited and Cesco Equipment Pty Limited

Relevant interests in shares and options as at date of signing the Directors' Report
150,000 options

Directors' Report 2020

Your directors present their report on Zicom Group Limited (the "Company") and its subsidiaries (collectively, the "Group" or "consolidated entity") for the year ended 30 June 2020.

Directors

The following persons were directors of Zicom Group Limited during the financial year and up to the date of this report.

Mr. G L Sim	(Executive Chairman)
Mr. K Y Sim	(Executive Director, Group CEO)
Ms. Jenny Lim	(Executive Director, Appointed 13 November 2019)
Mr. K H Sim	(Non-Executive and Non-Independent Director)
Mr. Y P Lim	(Non-Executive and Independent Director)
Mr. Renny Yeo	(Non-Executive and Independent Director, Appointed 13 November 2019)
Mr. S J Douglas	(Non-Executive and Independent Director, Appointed 13 November 2019)
Mr. S P Sze	(Non-Executive and Independent Director)
Mr. I R Millard	(Non-Executive and Independent, Retired on 13 November 2019, Appointed as Alternate Director to Mr Giok Lak Sim on 13 November 2019)

Details of Directors' qualifications, experience, other current directorship and responsibilities are included in the "Board of Directors" section within the annual report.

Principal Activities

The Group's principal activities comprise the manufacturing of deck machinery, gas metering stations, gas processing plants, foundation equipment, concrete mixers and medical devices, rental of foundation equipment, supply of precision and automation equipment and solutions and products and services to the offshore marine, oil and gas, construction, electronics and agriculture industries.

Consolidated Results

The Group recorded the following consolidated results from the continuing operations during the year as compared with those of previous year: -

Key Financials (Continuing operations)	Change %	Year ended 30 June 20 S$ million	Year ended 30 June 19 S$ million
Total consolidated revenue	+3.7	103.28	99.62
Net (loss)/profit after tax attributable to equity holders of the Parent	-169.0	(1.20)	1.74

The Group's cash balances remain healthy. As at 30 June 2020, the Group's total cash and bank balances were S$11.51m as compared with S$15.02m as at 30 June 2019.

Dividends

The Board feels that at this juncture it would not be prudent to consider any dividend payment for the year just ended. The Group focuses on preservation of cash to maintain and strengthen its working capital and to buffer against any deterioration of the global economic and pandemic situation.

Review of Operations

The Group made a consolidated net profit after tax of S$3.06m in the second half of financial year ended 30 June 2020, compared with a loss of S$4.26m in the first half year. This has resulted in a net consolidated loss after tax of S$1.20m for the full year as compared with a net consolidated profit of S$0.46m in the previous year, a decrease of 360.9%.

In mid-August 2020, the Company discovered certain financial irregularities in two Thailand-based subsidiaries involving unauthorised cash withdrawals and misreporting by a local resident executive director. A provision of S$1.37m was made representing the Group's best estimate of the exposure at the time of releasing the unaudited Appendix 4E to the Australian Securities Exchange on 31 August 2020. Certain additional forensic procedures are still being performed. An additional provision of S$0.49m for the year ended 30 June 2020, is being made in the final audited accounts, to cover a potential exposure of S$1.86m arising from these financial irregularities. The offending director had acknowledged the unauthorised cash withdrawals and agreed to repay the amounts taken. The managing director agrees to take responsibility and stands as a guarantor for the repayment. The Board has since deleted the executive director's signatory from all bank accounts and put this director on no-paid leave from 1 October 2020, pending the finalisation of certain additional forensic procedures. The managing director has decided to retire upon settlement of the matter. Had it not been for this provision, the Group would have made a net profit after tax of S$0.66m for the year just ended which is comparable to the preceding financial year.

The Group's performance for the first half of the financial year was beset with geopolitical and global trade war challenges involving USA, China and Europe. The ongoing global trade war was compounded by the outbreak of the Covid-19 epidemic in late December 2019 which very quickly escalated into an unprecedented pandemic leading to lockdown measures in many countries, severely impairing the global trading system and supply chain. The situation is still not under control.

The Group operated in very extreme conditions for the full financial year. Lockdown measures to control the pandemic had brought businesses, already impacted by the ongoing trade war, virtually to a standstill for almost 4 months in the second half year. The Singapore and Australia governments, as with most governments in affected countries, partially subsidised manpower costs during the shutdown periods but these could only support a small percentage of the total costs of keeping a business going.

Notwithstanding the extreme operating conditions, the Group achieved a consolidated revenue of S$103.28m for the full financial year as compared with S$100.31m (including discontinued operations) in the previous year, an increase of 3.0%.

The Group's cash and bank balances as at 30 June 2020 were at S$11.51m (30 June 2019: S$15.02m). The Group's gearing ratio which has been arrived at by dividing interest-bearing liabilities less cash and cash equivalents over capital is at 49.10% (30 June 2019: 11.64%). The Group's gearing has been increased to strengthen its working capital. Accounting standard AASB 16 *Leases*, starting from this year's accounts requires lessees to recognise outstanding future lease rentals on leasehold and rental properties as liabilities in the accounts. This has the effect of increasing gearing ratio by 12.05%. Had AASB 16 not been adopted, as in the past, the Group's gearing ratio would have been 37.05%.

Loss per share for the year is Singapore 0.55 cents compared to earnings per share of Singapore 0.21 cents in the previous year, a decrease of Singapore 0.76 cents per share.

Net tangible assets per share decreased from Singapore 26.91 cents to 23.11 cents per share. With the adoption of AASB 16 *Leases* on 1 July 2019, the calculation of net tangible asset per share as at 30 June 2020 includes lease liabilities but excludes the associated right-of-use intangible assets. Had AASB 16 not been adopted, as in the past, the Group's net tangible assets per share would have been Singapore 26.73 cents, resulting in a nominal decrease of Singapore 0.18 cents per share.

Return on equity, based on average of the opening and closing equity, for the year was -1.8% as compared to 0.7% in 2019.

The average rates for currency translation for transactions and cash flows are A$1 to S$0.9288 (2019: S$0.9749) for the year ended 30 June 2020 and balances A$1 to S$0.9576 (2019: S$0.9488) as at 30 June 2020, reflecting a strengthened A$.

The Group's precision engineering and marine offshore businesses which qualified as essential businesses during the lockdown were allowed to operate partially with safe distancing measures and limits on manpower at work implemented. Other employees worked from home. This enabled the Group to continue executing ongoing projects albeit in a very restrictive environment.

In mid-July the partial lifting of lockdown measures in Singapore has enabled most businesses, with the exception of the construction, hospitality, entertainment and travel industries to reopen. International travels and cross-country movements of people continue to be restricted. A calibrated approach to facilitate reopening of these businesses in the next few weeks is being carried out. However, a complete reopening of a country without restrictions is unlikely in the near future as the pandemic remains uncertain as a second or third wave of the virus has already been experienced in several affected countries soon after the countries reopened.

During the financial year just ended, the Group had mainly focused in the execution and delivery of projects secured before the pandemic. A virtual shut down of 4 months in the second half year resulted in very little new orders being generated.

The Group's customers have generally slowed down or held back their requirements but have not cancelled them. With the lifting of lockdown measures, easing of travel restrictions and global trade connectivity and supply chain re-established, the Group is confident that potentials for new orders will resurge.

The overall situation remains very fluid. No vaccine is available and neither is there any known drug that can treat the disease. Very much depends on self-immunology. The number of detected cases has escalated worldwide so are the death rates. Until the situation peaks and a reliable vaccine is found and made available to the world's population, the global economic structure will remain under siege even if the global trade war ameliorates.

Difficult times will continue in the short to medium term. However, the Group's resilience to navigate tough challenges, in particular in the second half year with strong disciplines and determination positions it well to maintain its revenue generation.

In the midst of the pandemic in the last 6 months, the Group achieved the following objectives: -

a) Transformation of the Offshore Marine, Oil & Gas sector: -
   - We are on track to complete our first major turnkey gas compressor station project by the first quarter of calendar year 2021. The technology and experiences gained have strengthened the Group's capacity and capability to undertake more significant and higher value-add turnkey projects in the pipeline.

   - We have successfully developed LNG propulsion systems for big bulk vessels and tankers. The International Maritime Organisation (IMO) 2020 regulations mandate that all ocean-going vessels are required from January 2020 to reduce sulphur emissions from 3.5% to 0.5% m/m (mass by mass). By 2030, IMO targets to reduce carbon emissions by 40% and by 2050 reduction of 70% compared to 2008. It is foreseen that carbon emissions will grow from 50-250% by 2050 caused by growth in maritime trade. As such, as part of our technology roadmap, we plan to include development of hydrogen fuel cell for the marine industry.

Most of the world's shipbuilding activities these days focus on bulk vessels and tankers. These vessels are required to comply with mandatory IMO Rules and retrofitting existing old vessels may not prove feasible. As these ship-owners are generally well capitalised many have decided to build new vessels with more advanced, including cost-saving features and are IMO compliant. Offshore supply vessels which form the main customers for our deck machinery continue to be in oversupply and are not likely to see any near-term recovery.

Our foray into LNG propulsion systems enables us to diversify our product offerings within the same marine industry in which we have established network and are familiar with the environment and operating conditions. As these customers' demand criteria are different, they make up for a diversified customer base in the marine industry for the Group.

The Group has achieved its breakthrough in LNG propulsion systems last year with an order from a leading shipyard in Singapore. We are very hopeful of further major breakthrough orders in the near future. This will not only bridge the gap in our marine offshore revenue in the immediate future but will greatly strengthen and expand our revenue base in the long term to weather industry cycle.

b) Surgical Mask Manufacturing
As part of our Corporate Social Responsibility (CSR), our Precision Engineering team led by the Group CEO, leveraging on our in-house design expertise and the concurrent surplus of manpower caused by the lockdown measures, designed and manufactured an automated surgical mask production line. This was initially aimed to help bridge the crying global shortages of personal protective equipment of which masks form a key component. Although it was intended as a short-term CSR project, in order to ensure effective protection for the frontline healthcare workers and the general public who use the masks, we focused, at the outset, to produce high quality masks by world's standards. Our masks are CE conformed, and have obtained regulatory approvals from Singapore Health Sciences Authority (HSA) and Australian Therapeutic Goods Administration (TGA). We are expecting to receive Europe (EU) regulatory approvals within the next few weeks, as well as USA Food and Drug Administration (FDA) approval in the next 3-4 months. The mask has been tested under EN 14683 directives and classified under Type IIR, the highest EN quality standards for adoption for surgical use.

The rapidly changing landscape in adopting mask wearing as a tangible form of protection against infection, has propelled the scalability of the product commercially. Our product quality is a strong value proposition to realise its commercial potentials. The recurrent revenue will supplement our mainly project-based revenue. As the entire technology from design and manufacture of the production line and the mask are available in-house, this capability will enable us to continuously enhance, develop and expand in personal protective equipment of which the mask is a key component.

We do not expect this business to have any immediate significant impact in the next 12 months.

Our precision engineering sector and the construction equipment will recover and resume their growth as the various countries return to normalcy albeit gradually.

The Group is confident to navigate through this difficult period. We are confident of a strong recovery as the pandemic is brought under control with vaccines expected to be available by 2021. On balance the effect of the global trade war is less potent than the pandemic.

Segmental Revenue
The following is an analysis of the segmental revenue from continuing operations: -

Segmental Revenue	Change %	Year ended 30 June 20 S$ million	Year ended 30 June 19 S$ million
Offshore Marine, Oil & Gas Machinery	+ 302.0	52.94	13.17
Construction Equipment	- 36.7	26.74	42.21
Precision Engineering & Technologies	- 48.2	21.86	42.23
Industrial & Mobile Hydraulics	- 17.0	1.76	2.12

Offshore Marine, Oil & Gas Machinery
Demand for offshore marine, oil and gas machinery increased by 302% in the full year as compared with the previous year. The main contribution comes from supply of gas processing plants and land-based gas metering stations. Oil exploration and production rigs along with offshore supply vessels remain in surplus against a backdrop of flat oil prices during the year. Recovery in this segment is unlikely in the short term. Our deck machinery is mainly pivoted in this area. However, demand for gas processing plants for which we are well positioned remains strong. While prospects are strong in this segment, successful execution will be very dependent on the pandemic situation being under control. We are hopeful of significant breakthroughs in LNG propulsion projects in the near future that would add new value to this sector.

Construction Equipment
Demand for construction equipment in Australia, Singapore, Malaysia, the Philippines and Thailand was expected to experience a small growth in the financial year. The Covid-19 outbreak has dimmed such prospects. Lockdown measures have caused the construction industry in all these countries to virtually grind to a stop for 3-4 months. Government subsidies on manpower costs could only contribute to a small portion of the total expenses. These were insufficient to stem the losses incurred.

Most construction activities already experienced a significant slowdown since February 2020. Local governments outside China imposed official lockdown from Mar/April at the height of the disease outbreak. Our construction sector accordingly suffered a significant drop in new orders. We expect to see a lifting of these measures only at end August 2020 and are hopeful of a recovery.

Precision Engineering & Technologies
Revenue from precision engineering and the technologies sector decreased by 48.2% in the full year as compared with the previous year. The 4 months lockdown have caused our customers to hold back on their automation projects resulting in a dearth of new orders. Covid-19 is expected to change the demand landscape. Safe distancing may well form the norm in the planning for future production flows that may generate increased consideration for automation in industries. This is reinforced by the potentially increasing adoption of 5G that enables remote controls, monitoring of operations and quality management.

Customers' enquiries have resurged following the partial reopening of businesses. We expect them to gain momentum. The semiconductor market has been greatly dampened by the trade war between the USA and China. The semiconductor and communications sector were main targets. Our customers were affected by this trade war which has escalated into a geopolitical strategic competition between the 2 countries. We expect to experience short term setbacks in demand. However, China is foreseen to eventually evolve in the near future with new chip capabilities giving a very strong demand push for semiconductors and the machinery to produce them.

The surgical mask line just entered into commercial production is not expected to have an immediate impact on the Group for the next 12 months. However, in the long term, we expect it to generate recurrent revenue for the Group to complement our mainly capital goods business.

Industrial & Mobile Hydraulics
This sector, as with most businesses, was impacted by the Covid-19 lockdown. As demand for goods and manufacturing slowed, demand for servicing and parts replacement likewise dropped. Otherwise this sector had been relatively consistent year by year.

Financial Position
The Group's financial position remains satisfactory: -

Classification	Increase/(decrease) S$ million	As at 30 June 20 S$ million	As at 30 June 19 S$ million
Net assets	(0.77)	65.28	66.05
Net working capital	2.33	22.17	19.84
Cash in hand and at bank	(3.51)	11.51	15.02

Cash Policy and Gearing Ratio
As at 30 June 2020, the Group's gearing ratio is 49.10% (30 June 2019: 11.64%). Gearing ratio has been arrived at by dividing our interest-bearing liabilities less cash and cash equivalents over capital. The Group has increased its gearing to strengthen its working capital. Adoption of AASB 16 *Leases* increased gearing ratio by 12.05%. Had the Group not adopted AASB 16, as in the past, the gearing ratio would have been 37.05%. AASB 16 *Leases* requires the recognition of outstanding future lease rentals as lease liabilities which were not recognised previously.

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

Classification	Decrease Singapore Cents	2020 Singapore Cents	2019 Singapore Cents
(Loss)/earnings per share from continuing operations	1.35	(0.55)	0.80

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

Return per Share (cont'd)

Classification	Decrease Singapore Cents	As at 30 June 20 Singapore Cents	As at 30 June 19 Singapore Cents
Net tangible assets per share	3.80	23.11	26.91

With the adoption of AASB 16 *Leases* on 1 July 2019, the calculation of net tangible assets per share as at 30 June 2020 includes lease liabilities but excludes the associated right-of-use intangible assets. Had AASB 16 not been adopted for the year ended 30 June 2020, net tangible assets per share as at 30 June 2020 would have been Singapore 26.73 cents, a nominal decrease of Singapore 0.18 cents per share.

Capital Expenditure
For the year ending 30 June 2021, the Group does not plan to invest in any major capital equipment.

Confirmed Orders
We have a total of S$53.6m (30 June 2019: S$97.7m) outstanding confirmed orders in hand as at 30 June 2020. A breakdown of these outstanding confirmed orders are as follows: -

	S$ m
Offshore Marine, Oil & Gas Machinery	41.1
Construction Equipment	4.9
Precision Engineering & Technologies	6.8
Industrial & Mobile Hydraulics	0.8
Total	53.6

Above are scheduled to be delivered in the financial year 2021. As lockdown measures ease, we have begun to experience a gradual resurgence in customer demand. We are hopeful that barring no deterioration in the global trade war and the pandemic situation, and lockdown measures continue to be lifted and travel restrictions eased, the Group can be positioned for a strong recovery.

Prospects
The global trade war between USA and China is giving rise to greater challenges as it escalates into a geopolitical strategic competition for controls. The situation appears to deteriorate as we progress towards the impending USA election. The situation compounded the already precarious global trade situation caused by the Covid-19 pandemic. Near term business prospects therefore would be affected as the uncertainties have caused business decisions to be held back.

The Group continues to focus on developing its business direction and on projects identified in the pipeline to maintain its revenue level and hopefully to generate growth in the midst of all these uncertainties. It is hopeful, barring no further deterioration of existing global conditions and the pandemic situation.

Subsequent Events after the Balance Sheet Date
Subsequent to the financial year, the Company discovered certain financial irregularities in two Thailand-based subsidiaries involving unauthorised cash withdrawals and misreporting. A provision of S$1.37m was made representing the Group's best estimate of the exposure at the time of releasing the unaudited Appendix 4E to the Australian Securities Exchange on 31 August 2020. A forensic audit which was carried out in September 2020 has resulted in an additional provision of S$0.49m for the year ended 30 June 2020, giving rise to a total exposure of S$1.86m.

Except as disclosed above, no matter or circumstance has occurred subsequent to the year-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 30 June 2020.

Environmental Regulations
The Group is subject to environmental regulations under State and Federal legislations. The Group holds environmental licences for its manufacturing site in Brisbane. No significant material environmental incidents occurred during the year.

Meetings of directors

The number of meetings of the Company's board of directors and of each board committee held since the last Annual General Meeting, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of Committees Audit		Nomination & Remuneration	
	A	B	A	B	A	B
Mr. G L Sim	4	4	-	-	1	1
Mr. K Y Sim	4	4	-	-	-	-
Ms. Jenny Lim	4	4	-	-	-	-
Mr. K H Sim	4	4	3	3	-	-
Mr. Y P Lim	4	4	3	3	1	1
Mr. Renny Yeo	3	4	-	-	1	1
Mr. S J Douglas	4	4	3	3	-	-
Mr. S P Sze	3	4	-	-	-	-
Mr. I R Millard	4	4	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Insurance or indemnification of officers

During the financial year, Zicom Group Limited paid a premium of A$10,098 to insure against liabilities of the directors and officers of the reporting entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against directors or officers in their capacities as officers of the reporting entity.

The policy also provides for certain statutory fines incurred by the reporting entity or officers, and protection for claims made alleging a breach of professional duty arising out of an act, error or omission of the officers of the reporting entity.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of its terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Retirement, election and continuation in office of directors

In accordance with ASX Listing Rule 14.4 and the Company's Constitution, Messrs S P Sze and Kok Hwee Sim retire by rotation.

Mr S P Sze was appointed to the Board on 19 February 2010 and has served more than 10 years on the Board. In line with the Board's renewal policy, Mr S P Sze will not be seeking re-election. The Board records its appreciation for Mr Sze's contributions to the Company during the time he has served as a director.

Mr Kok Hwee Sim, being eligible, has decided to step down from the Board and not seek re-election. The Chairman, Mr G L Sim, intends to nominate Mr Kok Hwee Sim as his alternate director to replace Mr Ian R Millard.

Directors' relevant interests in Zicom Group Limited

In accordance with S300(11) of the *Corporations Act 2001*, the relevant interests of the directors in the shares and options of Zicom Group Limited as at the date of this report are unchanged to those disclosed within the remuneration report as at 30 June 2020.

Remuneration report (Audited)

This remuneration report outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. This information has been audited as required by section 308(3C) of the Act.

Key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent. Details of the KMP are set out in the following tables:

(i) Directors

G L Sim	(Executive Chairman)
K Y Sim	(Executive Director, Group CEO)
Jenny Lim	(Executive Director, Appointed 13 November 2019)
K H Sim	(Non-Executive and Non-Independent Director)
Y P Lim	(Non-Executive and Independent Director)
Renny Yeo	(Non-Executive and Independent Director, Appointed 13 November 2019)
S J Douglas	(Non-Executive and Independent Director, Appointed 13 November 2019)
S P Sze	(Non-Executive and Independent Director)
I R Millard	(Non-Executive and Independent, Retired on 13 November 2019 and Appointed as Alternate Director to Mr Giok Lak Sim on 13 November 2019)

(ii) Senior Executives

J L Sim	(Managing Director of Zicom Private Limited)
H S Tang	(Chief Technical Officer of Zicom Private Limited)

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Service Agreements
C Details of remuneration

A Principles used to determine the nature and amount of remuneration

A combined Nomination and Remuneration Committee has been formed. The members of the Nomination and Remuneration Committee comprise of Mr Y P Lim as Chairman with Mr G L Sim and Mr Renny Yeo as members. The Nomination and Remuneration Committee had approved the Service Agreements of the Executive Chairman, Mr GL Sim and the Group CEO, Mr Kok Yew Sim.

The key principle of Zicom Group Limited's remuneration policy is to ensure remuneration is set at levels that will attract, motivate, reward and retain personnel to improve business results, having regard to the Company's financial performance and financial position.

Non-Executive Directors

Remuneration of Non-Executive Directors is determined by the directors within the maximum amount approved by shareholders. Each Non-Executive Director receives a base fee of A$30,000 for being a director of the Company. An additional fee of A$5,000 is paid for each Board Committee of which a Non-Executive Director sits and A$10,000 if the Director is a Chair of a Board Committee. The payment of additional fees for serving on committees recognises the additional time commitment and responsibilities of the Non-Executive Directors who serve on one or more sub-committees.

Non-Executive Directors are eligible to participate in the Zicom Employee Share and Option Plan ("ZESOP"). The Board considers that there should be an appropriate mix of remuneration comprising cash and securities for all Directors to link the remuneration of the Directors to the financial performance of the Company and to align the interests of shareholders and all Directors. During the current financial year, 700,000 options were granted to Non-Executive Directors. No options are proposed for consideration at the 2020 Annual General Meeting.

The Board recommends that total directors' fees for Non-Executive Directors for the financial year ending 30 June 2021 be fixed at a maximum sum of A$200,000 (S$191,520).

Remuneration report (Audited)

Executive Directors and Senior Executives
All remuneration paid to Executive Directors and senior executives comprises the following components:

- Base pay and benefits;
- Short term incentives;
- Other remuneration such as superannuation; and
- Participation in the Zicom Employee Share and Option Plan.

Base pay
The level of base pay is set so as to provide a level of remuneration which is appropriate to the position and is competitive in the market. The remuneration of the Executive Directors is reviewed annually by the Board and the remuneration of senior executives is reviewed annually or on promotion by the managing director(s).

Benefits
Senior executives receive benefits including health and disability insurance and car allowances.

Short term incentives
The objective of short term incentives is to reward the senior executives of the Group with performance bonus tied to a minimum profit threshold of the group companies. Such bonuses are paid within 90 days after the year end and completion of audit. The minimum profit threshold is the lower of S$500,000 or 15% of total shareholders' funds outstanding at the end of the previous financial year.

B Service Agreements

Executive Chairman and Group Chief Executive Officer
The Executive Chairman, Mr G L Sim is directly employed by Zicom Holdings Private Limited ("ZHPL") and has renewed his service agreement with ZHPL for another 5 years with effect from 1 July 2016. ZHPL and Mr Sim are required to give each other at least 6 months' notice in the termination of the service agreement. Under the terms of his service agreement, Mr Sim continues to be appointed as the Zicom Group Limited ("ZGL") Group Managing Director and Chairman as well as the Executive Chairman of all the operating subsidiaries. On 31 December 2018, Mr G L Sim stepped down as the Group Managing Director and remains as Executive Chairman of Zicom Group Limited and all its subsidiaries.

Mr Sim is entitled to an annual review of his monthly salary if the company's results exceed 15% return on shareholders' funds as at the end of that financial year. Mr Sim has frozen his monthly salary since 2007. From 1 January 2019, Mr Sim reduced his monthly salary by 30%. Mr Sim has reduced his monthly salary by another 10% with effect from 1 January 2020. Apart from this, all other benefits, terms and conditions in his service agreement remain unchanged.

Group Chief Executive Officer, Mr K Y Sim, is directly employed by ZHPL and has entered into a 5-year service agreement with ZHPL with effect from 1 January 2019. ZHPL and Mr K Y Sim are required to give each other at least 6 months' notice in the termination of the service agreement. Under the terms of his service agreement, Mr Sim is also appointed as the Group CEO of ZGL.

Both Mr G L Sim and Mr K Y Sim are paid a monthly salary and a car allowance. Both of them are entitled to a minimum performance bonus of 5% but their total not exceeding 10% of the pre-tax consolidated profits of ZHPL upon achieving agreed minimum profit targets, being the only criterion for their entitlement. Both are entitled to convert part of their performance bonus up to 50% of the amount payable into shares of ZGL at the average of the closing prices of the last 5 trading days before the end of the relevant financial year. However, such entitlement must be exercised within 7 working days after the financial year end.

For the financial year just ended, Mr G L Sim was not entitled to any bonus as the pre-tax consolidated profits of ZHPL did not achieve the minimum profit target. Mr K Y Sim, the Group CEO, continues as CEO of Sys-Mac Automation Engineering Pte Ltd ("Sys-Mac") while transiting into his Group's role pending a successor for Sys-Mac, is entitled to a bonus under his contract at the higher of his entitlement based on the profits of Sys-Mac or consolidated profits of ZHPL. For the financial year just ended, Mr K Y Sim was not entitled to a bonus as both ZHPL and Sys-mac did not achieve the minimum profit target.

Pursuant to their service agreements with ZHPL, both are not paid any salary or fees by ZGL, Cesco Australia Limited ("CAL") or any other group companies. In the event CAL achieves the minimum pre-tax profits, both Mr G L Sim and Mr K Y Sim will be paid a total bonus not exceeding 5% of CAL's profits. During the financial year just ended, both were not paid any bonus by CAL as the profit target was not achieved.

Remuneration report (Audited)

Senior Executives (directors of group companies)
Senior executives in key decision making are employed under rolling contracts. The company and these senior executives are required to give each other 6 months' notice to terminate the service contracts. The senior executives are entitled to a monthly salary and a car allowance. Each year, each of the subsidiary companies allocates 10% of their pre-tax profits upon achieving agreed minimum profit targets, being the only criterion for allocation of bonus to its eligible executives, as a "bonus pool". The maximum entitlement capped for eligible executives ranges from 2.5% to 5% of the pre-tax profits. Each year, the Nomination and Remuneration Committee will decide the proportion payable to each of these eligible executives based on the number of eligible executives entitled to the pool and any recommendation by management to reward any outstanding senior executives who are otherwise not eligible contractually, to be specially rewarded.

The decisions made by the Committee are deemed to be 100% of their entitlement for the respective eligible executive for the relevant financial year.

These senior executives are also entitled to convert part of their performance bonus up to 50% of the amount payable into shares in ZGL at the average of the closing prices of the last 5 trading days before the end of the relevant financial year. However, such entitlement must be exercised within 7 working days after the financial year end. For the financial year just ended, none of the executives exercised the option to convert part of their performance bonus into ZGL shares.

Zicom Employee Share and Option Plan
Options are granted under the Zicom Employee Share and Option Plan ("ZESOP") which was approved by shareholders on 23 November 2006.

A person is eligible to participate in ZESOP if he or she is a director or an employee of a group company. Approved share options are first allocated to each group company based on its profit contribution to the Group for the past 3 years adjusted by factors such as potential contribution to the Group and past conversion rates. These options are then granted to employees based on individual performance and those with potentials in that group company. This initiative strengthens the Group's position to retain and attract talent so as to expand and grow to improve the Group's performance and enhance shareholders value.

The Board may at any time make invitations to eligible employees to participate in the ZESOP. The invitation will specify the total number of options each eligible employee may acquire, the exercise price, period and exercise conditions. All options shall lapse upon the expiry of the exercise period as determined by the Board or 10 years after grant of the option whichever is earlier.

If an eligible participant ceases to be employed by any member of the Group, his or her options shall lapse. In the event an eligible participant, who, by reason of death, or physical or mental incapacity or such other reasons as the Board may approve, ceases to be an eligible participant before the participant has exercised all vested options under ZESOP, then those options shall continue to be capable of being exercised in accordance with the rules.

Options granted under ZESOP carry no voting rights or entitlement to dividends.

Options are granted at no cost to employees. When exercised, each option is convertible into one ordinary share which shall be credited as fully paid up and rank equally with all other fully paid ordinary shares.

During the current financial year, a total of 6,000,000 share options were granted to employees, executive and non-executive directors. In the same period, 1,950,000 (2019: nil) share options expired. No share option was exercised during the current financial year.

There were 6,600,000 unissued ordinary shares under options at the reporting date and the date of this report.

Company Performance

The table below shows the performance of the Group for the past 5 financial years:

	2020	2019	2018	2017	2016
Earnings per share (Australian cents)	(0.59)	0.22	(4.83)	(2.03)	(0.95)
Dividends per share (Australian cents)	–	–	–	0.15	0.45
Closing share price (Australian cents)	5.00	11.00	9.60	12.00	17.00
Net tangible assets per share (Australian cents)	24.13	28.36	25.12	28.65	32.37

Exchange rates used for currency translation

Average rate for EPS	0.9288	0.9749	1.0375	1.0498	1.0106
Closing rate for NTA per share	0.9576	0.9488	1.0076	1.0570	1.0026

Remuneration report (Audited)

C Details of remuneration (audited)

Details of the remuneration to the directors and the key management personnel of Zicom Group Limited for the years ended 30 June 2020 and 2019 are set out in the following tables. All performance related bonus and share-based payments listed in the table were 100% vested for both financial years.

2020	Short Term Employee Benefits				Post-Employment Benefit	Share-Based Payments				
Name	Cash Salary and Fees	Bonus	Non-Monetary Benefits	Other Short-Term Employee Benefits	Superannuation	Performance Bonus Paid in Shares	Share options	Total	Performance Related	Consisting Of Share Options
	S$	S$	S$	S$	S$	S$	S$	S$	**%**	**%**
Non-Executive Directors										
K H Sim	30,643	–	–	–	–	–	3,817	34,460	–	11
Y P Lim	38,424	–	–	–	–	–	3,817	42,241	–	9
Renny Yeo	20,948	–	–	–	–	–	–	20,948	–	–
S J Douglas	23,940	–	–	–	–	–	–	23,940	–	–
S P Sze	26,933	–	–	–	–	–	1,527	28,460	–	5
I R Millard	11,491	–	–	–	–	–	1,527	13,018	–	12
Sub-total Non-Executive Directors	152,379	–	–	–	–	–	10,688	163,067		
Executive Directors										
G L Sim – Executive Chairman	280,800	–	–	18,000	5,400	–	–	304,200	–	–
K Y Sim	246,831	–	–	18,000	12,240	–	2,437	279,508	–	1
Jenny Lim	117,014	–	–	5,138	7,650	–	1,523	131,325	–	1
Sub-total Executive Directors	644,645	–	–	41,138	25,290	–	3,960	715,033		
Other Key Management Personnel										
J L Sim [(1)]	151,200	–	–	16,200	5,400	–	1,437	174,237	–	1
H S Tang [(2)]	126,840	–	–	28,800	5,400	–	1,437	162,477	–	1
Sub-total Other Key Management Personnel	278,040	–	–	45,000	10,800	–	2,874	336,714		
Grand total	1,075,064	–	–	86,138	36,090	–	17,522	1,214,814		

(1) J L Sim is the managing director of Zicom Private Limited.
(2) H S Tang is the chief technical officer of Zicom Private Limited.

Remuneration report (Audited)

2019		Short Term Employee Benefits			Post-Employment Benefit	Share-Based Payments				
Name	Cash Salary and Fees	Bonus	Non-Monetary Benefits	Other Short-Term Employee Benefits	Superannuation	Performance Bonus Paid in Shares	Share options	Total	Performance Related	Consisting Of Share Options
	S$	S$	S$	S$	S$	S$	S$	S$	**%**	**%**
Non-Executive Directors										
K H Sim (2)	17,142	–	–	–	–	–	–	17,142	–	–
Y P Lim	35,096	–	–	–	–	–	–	35,096	–	–
I R Millard	33,147	–	–	–	–	–	–	33,147	–	–
S P Sze	28,272	–	–	–	–	–	–	28,272	–	–
F Leong (1)	12,016	–	–	–	–	–	–	12,016		
Sub-total Non-Executive Directors	125,673	–	–	–	–	–	–	125,673		
Executive Directors										
G L Sim – Executive Chairman	367,200	–	–	24,000	5,400	–	–	396,600	–	–
K Y Sim	151,200	144,209	–	44,400	12,240	–	–	352,049	41	–
K H Sim (2)	70,500	–	–	5,000	5,100	–	–	80,600	–	–
Sub-total Executive Directors	588,900	144,209	–	73,400	22,740	–	–	829,249		
Other Key Management Personnel										
J L Sim *(3)*	183,600	–	–	21,600	5,400	–	–	210,600	–	–
H S Tang *(4)*	154,020	–	–	14,400	5,400	–	–	173,820	–	–
Sub-total Other Key Management Personnel	337,620	–	–	36,000	10,800	–	–	384,420		
Grand total	1,052,193	144,209	–	109,400	33,540	–	–	1,339,342		

(1) F Leong retired on 15 November 2018.

(2) K H Sim was redesignated as Non-Executive Director on 1 December 2018. His remuneration during the period of his executive and non-executive roles are included in the above table under the respective headings.

(3) J L Sim is the joint managing director of Zicom Private Limited and a director of Zicom Holdings Private Limited.

(4) H S Tang is the joint managing director of Zicom Private Limited and a director of Zicom Holdings Private Limited.

Remuneration report (Audited)

Details of share options to key management personnel
Options granted to, vested, exercised or expired during the years 2020 and 2019 as well as their outstanding options held as at year end are shown in the tables below.

30 June 2020

	Balance at 1 July 2019 or date of appointment, if later	Granted	Options exercised	Expired	Balance at 30 June 2020	Exercisable	Not Exercisable	Expiry date
Directors								
K Y Sim	300,000	400,000	–	–	700,000	300,000	400,000	(1)
Jenny Lim	–	250,000	–	–	250,000	–	250,000	12/11/2024
K H Sim	300,000	250,000	–	–	550,000	550,000	–	(1)
Y P Lim	–	250,000	–	–	250,000	250,000	–	12/11/2024
S P Sze	–	100,000	–	–	100,000	100,000	–	12/11/2024
I R Millard	–	100,000	–	–	100,000	100,000	–	12/11/2024
Executives								
J L Sim	200,000	200,000	–	(200,000)	200,000	–	200,000	16/10/2024
H S Tang	200,000	200,000	–	(200,000)	200,000	–	200,000	16/10/2024
	1,000,000	1,750,000	–	(400,000)	2,350,000	1,300,000	1,050,000	

(1) 300,000 options expire on 30/11/2020 and remaining options expire on 12/11/2024

30 June 2019

	Balance at 1 July 2018	Granted	Options exercised	Expired	Balance at 30 June 2019	Exercisable	Not Exercisable	Expiry date
Directors								
K Y Sim	300,000	–	–	–	300,000	300,000	–	30/11/2020
K H Sim	300,000	–	–	–	300,000	300,000	–	30/11/2020
Executives								
J L Sim	200,000	–	–	–	200,000	200,000	–	31/10/2019
H S Tang	200,000	–	–	–	200,000	200,000	–	31/10/2019
	1,000,000	–	–	–	1,000,000	1,000,000	–	

The above options were granted under the Zicom Employee Share and Option Plan which was approved by shareholders on 23 November 2006. There were no alterations to the terms and conditions of options granted as remuneration since their grant date. Please refer to note 26 for more details.

No other key management personnel were granted, exercised or had options which expired during the years 2020 and 2019 or had outstanding options as at 30 June 2020 and 30 June 2019.

Remuneration report (Audited)

Shareholdings of key management personnel as at 30 June 2020 and 30 June 2019 are as follows:

30 June 2020

	Balance at 1 July 2019 or date of appointment, if later	Granted as remuneration	Options exercised	Purchases	Balance as at 30 June 2020
Directors					
G L Sim	107,781,137	–	–	–	107,781,137
K Y Sim	1,350,253	–	–	–	1,350,253
Jenny Lim	944,563	–	–	–	944,563
K H Sim	1,538,180	–	–	–	1,538,180
Y P Lim	1,038,000	–	–	–	1,038,000
Renny Yeo	–	–	–	–	–
S J Douglas	–	–	–	–	–
I R Millard	592,250	–	–	–	592,250
S P Sze	–	–	–	–	–
Executives					
J L Sim	6,687,767	–	–	–	6,687,767
H S Tang	2,111,339	–	–	–	2,111,339
	122,043,489	–	–	–	122,043,489

30 June 2019

	Balance as at 1 July 2018	Granted as remuneration	Options exercised	Purchases	Balance as at 30 June 2019
Directors					
G L Sim	101,267,137	–	–	6,514,000	107,781,137
K Y Sim	1,350,253	–	–	–	1,350,253
K H Sim	1,538,180	–	–	–	1,538,180
Y P Lim	488,000	–	–	550,000	1,038,000
I R Millard	592,250	–	–	–	592,250
S P Sze	–	–	–	–	–
Executives					
J L Sim	6,687,767	–	–	–	6,687,767
H S Tang	2,111,339	–	–	–	2,111,339
	114,034,926	–	–	7,064,000	121,098,926

There were no other transactions and balances with key management personnel and their related parties during the years 2020 and 2019.

Legal Proceedings
No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or to intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

Auditor's Independence Declaration
A copy of the auditor's signed independence declaration as required under Section 307C of the *Corporations Act 2001* is set out immediately after this report.

Non-Audit Services
There were no non-audit services provided by the entity's auditor and related practices of the entity auditor, Ernst & Young, during the year.

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

This report was made in accordance with a resolution of the Board of Directors.

GL Sim
Executive Chairman
30 September 2020

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

As lead auditor for the audit of the financial report of Zicom Group Limited for the financial year ended 30 June 2020, 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 audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Tom du Preez
Partner
30 September 2020

Introduction

The Board of Directors is responsible for the Corporate Governance of Zicom Group Limited and its controlled entities (referred to in this document as "the Company"). The Directors are focused on fulfilling their responsibilities individually and as a Board to all of the Company's stakeholders. This involves recognition of and a need to adopt principles of good corporate governance having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations.

The Company has reviewed its Corporate Governance procedures over the past year to ensure compliance with the principles of good corporate governance.

A description of the Company's practices in complying with the principles is set out below.

Principle 1: Lay Solid Foundations for Management and Oversight

Role of Board and management
The role of the Board is to lead and oversee the management and direction of the Company and its controlled entities.

After appropriate consultation with executive management, the Board:
- defines and sets the business and strategic objectives. It monitors performance and achievement of these Company's objectives;
- oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and reviews executive management of the Company;
- monitors and approves business plans, financial performance and budgets, available resources, major capital expenditure, capital raising, acquisition and divestment of Company's assets;
- maintains liaison with the Company's auditor; and
- reports to shareholders.

Candidates for election or re-election as a Director
The Company is guided by the Board for the selection, nomination and appointment of Directors. As part of this process the Board ascertains the qualifications and experience that a potential candidate possesses. Background checks, as appropriate, are carried out before a person is appointed by the Board. In addition, the Board will continue to provide shareholders with all material information in its possession relevant to any decision to elect or re-elect a Director by inclusion in the Notice of Meeting.

Written agreements with Directors
The Executive Chairman, Executive Directors and Senior Executives have letters of appointments or service contracts describing their terms of office, duties, rights and responsibilities.

The other Directors do not have contracts with the Company that give them any form of certain tenure. One third of the Directors retire annually and are free to seek re-election by shareholders.

Company Secretaries
The Joint Company Secretaries are directly accountable to the Board through the Chairman.

Diversity Policy
The Company does not have a written diversity policy but recognises the importance of benefitting from all available talent regardless of gender, age, ethnicity and cultural background. The Company promotes an environment conducive to the appointment of well qualified employees, senior management and board candidates so that there is appropriate diversity to maximise the achievement of corporate goals.

The Company has employees including executives from diversified cultural background and nationalities such as Australians, Bangladeshis, Chinese, Indians, Indonesians, Filipinos, Malaysians, Burmese, New Zealanders, Singaporeans and Thais. In addition, approximately 24% of the Company's workforce is made up of female employees.

Performance Review
The Chairman is responsible for evaluating the performance of its senior executives, committees and individual Directors. The review process is currently informal, generally done through a meeting with the Chairman of the Board. The performance is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Zicom Group Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

The review process as disclosed above was undertaken in the current reporting period.

Principle 2: Structure the Board to Add Value

Composition of Board
The names of the Directors of the Company in office at the date of this annual report are set out in the Directors' report on page 7.

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are included in the "Board of Directors" section within the annual report.

The composition of the Board has been determined so as to provide the Company with a broad base of industry, business, technical, administrative and corporate skill and experience considered necessary to represent Shareholders and fulfil the business objectives of the Company.

Nomination and Remuneration Committee

A combined Nomination and Remuneration Committee has been established comprising the following members:

- Mr Y P Lim (Chairman)
- Mr G L Sim
- Mr Renny Yeo (appointed on 13 November 2019)

The Committee is responsible for the selection, nomination and appointment of Directors, monitoring the skills and expertise of current Board members, consider succession planning issues, assessing the independence of Non-Executive Directors and identifying the likely order of retirement by rotation of Directors. In addition, the committee formulates the remuneration policies for the Board Members, Executive Chairman and Group CEO.

For details on the number of meetings of the Nomination and Remuneration Committee held during the year and the attendees at those meetings, please refer to page 12 of the Directors' Report.

Board Skills Matrix
The Board seeks to ensure that it has an appropriate mix of diversity, skills, industry experience and expertise to enable it to discharge its responsibilities effectively. As a minimum, the Board's skills matrix includes:

(a) Each Director must be capable of making a valuable contribution to the effective operations of the Company and Board's deliberations and processes;
(b) Directors must collectively have the necessary skills, knowledge and experience to understand the risks of the Company and to ensure that the Company is managed in an appropriate way taking into account these risks; and
(c) All Directors must be able to read and understand fundamental financial statements.

The Board believes that it has adequate representation of the necessary skills and requirements noted above.

As part of the Board's renewal plan, one new director, Dr Dean Tai, a resident in Australia, who has considerable experience in research & development and management skills will be nominated. One of our longer-serving directors, Mr S P Sze will retire by rotation at the upcoming shareholders' meeting and will not seek re-election.

Independence
Whilst half of the Company's Board of Directors are independent, majority are non-executive.

An independent director is one who:

- does not hold an executive position;
- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or other group member, or been a director after ceasing to hold any such employment;
- is not a principal of a significant professional adviser or a significant consultant of the Company or other group member, or an employee materially associated with the service provided;
- is not a significant supplier or customer of the Company or other group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the Company or other group member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- has not been a director of the entity for such a period that his or her independence may have been compromised.

Materiality thresholds in determining the independence of non-executive directors are:

- A relationship that accounts for more than 10% of the director's gross income (other than director's fees paid by the company).
- Where the relationship is with a firm, company or entity, in respect of which the director (or any associate) has more than 20% shareholding if a private company or 2% if a listed company.

Mr Renny Yeo has no relationships or interests that would affect his independence and hence is an independent director since his appointment on 13 November 2019.

Mr Stewart Douglas has no relationships or interests that would affect his independence and hence is an independent director since his appointment on 13 November 2019.

Mr Y P Lim has no relationships or interests that would affect his role as an independent director.

Mr S P Sze has no relationships or interests that would affect his role as an independent director.

Mr Ian R Millard has no relationships or interests that would affect his role as an independent director.

Ms Jenny Lim is the Group's Financial Controller since 2005 and is therefore considered by the Board to be not independent.

Whilst Mr K H Sim is now a Non-Executive Director, he had been an executive director for the past years and being the eldest son of Mr GL Sim, he is therefore considered by the Board to be not independent.

Mr K Y Sim is the Group Chief Executive Officer, he is therefore considered by the Board to be not independent.

Mr G L Sim was appointed the Group Managing Director of Zicom Group Limited commencing 1 July 2006, and Chairman of Zicom Group Limited with effect from 23 November 2006. He is a major shareholder in Zicom Group Limited through his interest in his family company, SNS Holdings Pte Ltd. Previously Mr Sim had been the major shareholder (through SNS Holdings Pte Ltd) of Zicom Holdings Private Limited ("ZHPL"). Mr Sim has been the Managing Director of ZHPL since founding the company and was appointed the Chairman of ZHPL on 17 August 2007, in line with his position as the Group Chairman. On 31 December 2018, Mr G L Sim has stepped now as the Group Managing Director and remains as Executive Chairman of Zicom Group. The Board has determined that Mr G L Sim is, and was not independent.

As such, the position of the Chairperson is held by a non-independent director. The Board recognises the importance of having an independent chair, however, other selection criterion, in particular business acumen and industry experience, are also fundamentally important. The Board has chosen a director who has significant diversified and broad-based experience in the business to lead the Company in the best interests of the shareholders.

Length of Service

The term in office held by each Director in office at the date of this report is as follows:

Non-independent		Independent	
Mr G L Sim	25 years	Mr Ian R Millard - As independent director - As alternate director	 13 years 1 year
Mr K H Sim	13 years	Mr Y P Lim	14 years
Mr K Y Sim	6 years	Mr S P Sze	10 years
Ms Jenny Lim	1 year	Mr Renny Yeo	1 year
		Mr Stewart Douglas	1 year

The Company's Constitution specifies that at each annual general meeting, one-third of the Directors for the time being but not exceeding one-third (with the exception of the Managing Director) must retire from office by rotation.

Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, and this will not be unreasonably withheld.

Induction and Professional Development

The Company does not consider it necessary to have a formal program for inducting new directors and professional development for directors. However, whenever appropriate, the Company provides opportunities to develop and maintain their skills and knowledge to perform their roles as Directors effectively.

Principle 3: Act Ethically and Responsibly

Code of Conduct
The Board expects all Directors, officers, employees and consultants to the Company to observe high standards of honesty, integrity, fairness and business ethics. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the *Corporations Act 2001* if a conflict cannot be removed or it persists. Directors would be restricted from taking part in the decision-making process or discussions where that conflict does arise.

Share Trading Policy
Directors are required to make disclosure of any share trading. The key principles of the Share Trading Policy are that Directors and officers are prohibited to trade while in possession of unpublished price sensitive information and during the following closed periods:

- The period between 1 January and the release of the Company's Half Year results to the Stock Exchange
- The period between 1 July and the release of the Company's Full Year results to the Stock Exchange
- The twenty-four hours following an announcement of price sensitive information on the Stock Exchange
- Other periods as may be imposed by the Company when price sensitive, non-public information may exist in relation to a matter

Price sensitive information is information that a reasonable person would expect to have a material effect on the price or value of the Company's shares. The undertaking of any trading in shares must be notified to the Company Secretary who makes disclosure to the ASX.

Principal 4: Safeguard Integrity in Corporate Reporting

Audit Committee
The Audit Committee comprises of Non-Executive Directors, majority of whom are independent:

- Mr S J Douglas (Chairman, appointed on 13 November 2019)
- Mr Y P Lim
- Mr K H Sim (appointed on 24 September 2019)

The Audit Committee operates in accordance with a charter. The main responsibilities of the Audit Committee are to:

- Review, assess and approve the annual report, the half year financial report and all other financial information published by the Company or released to the market.
- Review the effectiveness of the Group's internal control environment, including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.
- Recommend the appointment or removal of the external auditor and the rotation of the audit engagement partner.
- Recommend the remuneration of the external auditor, and review the terms of their engagement, the scope and quality of their audit and assess their performance.
- Consider the independence and competence of the external auditor on an ongoing basis.
- Report on matters relevant to the committee's role and responsibilities.

Non-committee members, including members of the management team and the external auditor, may attend meetings of the Committee by invitation of the Committee Chair.

The Committee has rights of access to management and external auditor without management present and rights to seek explanations and additional information from both management and auditor.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, please refer to page 12 of the Directors' Report.

To ensure the integrity of the Company's financial reports, the Executive Chairman and the Group Financial Controller are required to provide written assurance to the Board that, in their opinion, the financial records of the Company for the relevant financial year have been properly maintained in accordance with the *Corporations Act 2001*, the financial statements and the notes for the financial year comply with accounting standards and present a true and fair view of the financial position and performance of the entity.

The Company's external auditor is requested to attend the Company's Annual General Meeting to answer any questions from shareholders.

Principal 5: Make Timely and Balanced Disclosure

The Board recognises that the Company as a publicly-listed entity has an obligation to make timely and balanced disclosure in accordance with the requirements of the *Australian Securities Exchange Listing Rules* and the *Corporations Act 2001*. The Board is committed to keep the market reasonably informed of information which may have a material effect on the price or value of the Company's securities in a balanced and understandable way.

The Executive Chairman is responsible for monitoring information which could be price sensitive, liaising with the Company Secretaries to make an initial assessment and forwarding to the Board for confirmation of disclosure of such information. If not all Directors are immediately available, the Company Secretary is authorised to lodge such information upon receiving the majority of Directors' approval in order not to delay in giving this information to ASX.

Principal 6: Respect the Rights of Shareholders

The Company aims to communicate all important information relating to the Company to its shareholders. Additionally, the Company recognises potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

To achieve this, the Company communicates information regularly to shareholders and other stakeholders through the following:

- Annual General Meeting ("AGM"): the Company encourages full participation of shareholders at the AGM and for those shareholders who are unable to attend in person, they are able to lodge proxies. The external auditor will attend the AGM and is available to answer any questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.
- Annual Report: the Company Annual Report will be available on its website and contains important information about the Company's activities and results for the previous financial year. Shareholders may elect to receive annual reports electronically. Hard copy annual reports are provided to shareholders who have not elected to receive these electronically.
- ASX Announcements: all ASX announcements, including annual and half year financial reports are posted on the Company's website as soon as these have been released by ASX.
- Investor relations: the Company provides an online email inquiry service to assist shareholders with any queries.

All shareholders are given the options to receive communications from, and send communications to, the share registry electronically.

Principle 7: Recognise and Manage Risk

Given the size of the Company, the Board has not established a risk committee nor does it have an internal audit function. Rather the Board is responsible for the Company's risk management. The responsibility and control of risk management rests with the senior management of the respective subsidiaries chaired by the Executive Chairman.

The Board is conscious of the need to continually maintain systems of risk management and controls and is responsible for overseeing and approving risk management strategy and policies and internal controls. The Company has in place policies and procedures for risk management which cover areas including workplace health and safety, control of key resources, investment, manufacturing, financial and other critical business processes. The operational risks are managed by senior management level and escalated to the Board for direction where the issue is exceptional, non-recurring or may have a material financial or operational impact on the Company.

The Company does not consider that it has any material exposure to economic, environmental and social sustainability risks.

In accordance with Section 295A of the *Corporations Act 2001*, the Executive Chairman (Chief Executive Officer equivalent) and the Group Financial Controller (Chief Financial Officer equivalent) have provided a written statement to the Board that:

- The view provided on the Company's financial report for the financial year just ended is founded on a sound system of risk management and internal control which implements the policies adopted by the Board; and
- The Company's risk management and internal control system is operating efficiently and effectively in all material respects to manage the Company's key business risks.

The Board acknowledges that such internal control assurance is not absolute and can only be provided on a reasonable basis after having made due enquiries. This is due to factors such as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal controls and because much of the evidence available is persuasive rather than conclusive and therefore is not, and cannot be, designed to detect all weaknesses in control procedures.

Subsequent to the financial year-end, the Company discovered certain financial irregularities in two Thailand-based subsidiaries involving unauthorised cash withdrawals. The Board plans to undertake a comprehensive review to strengthen internal control policies, processes and procedures of the Group's subsidiaries, particularly the ones operating in countries with higher risks, to make it less attractive target to both internal and external frauds and irregularities.

Principle 8: Remunerate Fairly and Responsibly

As stated above, a combined Nomination and Remuneration Committee has been established by the Board comprising the Executive Chairman and two independent directors, one of whom was appointed on 13 November 2019.

For details on the number of meetings of the Nomination and Remuneration Committee held during the year and the attendees at those meetings, please refer to page 12 of the Directors' Report.

Details of the remuneration for Directors and Key Management Personnel can be found in the Directors' Report within the Annual Report.

The Executive Directors receive performance-based remuneration. Both the Executive Chairman and the Group CEO have service agreements with the Group for a term of 5 years. The Non-Executive Directors do not receive any performance-based remuneration and do not have contracts with the Company that give them any form of specific tenure. One-third of the Directors except the Group CEO retire annually and are free to seek re-election by shareholders.

Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

A maximum amount of remuneration for Non-Executive Directors is fixed by shareholders in general meeting and can be varied in the same manner. In determining the allocation, the Board must take into account of the time demands on the Directors together with the responsibilities undertaken by them.

The Directors with the exception of Mr G L Sim were granted options. The first grant of options was approved by the shareholders in an Extraordinary General Meeting on 28 August 2008. The Board considers that there should be an appropriate mix of remuneration comprising cash and securities for all Directors to link the remuneration of the Directors to the financial performance of the Company. The Directors consider this remuneration policy sensible and balanced which aligns the interests of shareholders and all Directors. Transactions which limit the economic risk of participating in unvested elements under equity-based remuneration schemes are not allowed.

Consolidated Statement of Profit or Loss for the year ended 30 June 2020

(In Singapore dollars)

	Note	2020 S$'000	2019 S$'000
Continuing operations			
Revenue from contracts with customers	5	99,076	92,973
Rental income		1,870	4,487
Revenue		100,946	97,460
Other income	6	2,329	2,157
Total consolidated revenue		103,275	99,617
Cost of materials		(60,948)	(48,169)
Employee, contract labour and related costs		(24,659)	(29,867)
Depreciation and amortisation		(6,561)	(5,075)
Property related expenses		(165)	(2,528)
Other operating expenses	6	(9,978)	(11,815)
Finance costs		(1,533)	(893)
Share of results of associate	14	(394)	332
(Loss)/profit before taxation		(963)	1,602
Tax (expense)/benefit	7	(359)	10
(Loss)/profit from continuing operations, net of tax		(1,322)	1,612
Discontinued operations			
Loss from discontinued operations, net of tax	8	–	(1,305)
(Loss)/profit for the year		(1,322)	307
Attributable to :			
Equity holders of the Parent			
Continuing operations		(1,200)	1,737
Discontinued operations	8	–	(1,282)
		(1,200)	455
Non-controlling interests		(122)	(148)
(Loss)/profit for the year		(1,322)	307
Earnings per share (cents)			
Basic (loss)/earnings per share			
Continuing operations	9	(0.55)	0.80
Discontinued operations	9	–	(0.59)
Total		(0.55)	0.21
Diluted (loss)/earnings per share			
Continuing operations	9	(0.55)	0.80
Discontinued operations	9	–	(0.59)
Total		(0.55)	0.21

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2020

(In Singapore dollars)

	2020 S$'000	2019 S$'000
(Loss)/profit for the year	(1,322)	307
Other comprehensive income		
Items that will not be reclassified to profit and loss (net of tax):		
Revaluation of land and buildings	–	13,547
	–	13,547
Items that may be subsequently reclassified to profit and loss (net of tax):		
Share of other comprehensive income of associates	–	38
Foreign currency translation on consolidation	504	80
	504	118
Other comprehensive income for the year, net of tax	504	13,665
Total comprehensive income for the year	(818)	13,972
Total comprehensive income attributable to:		
Equity holders of the Parent	(696)	14,120
Non-controlling interests	(122)	(148)
Total comprehensive income	(818)	13,972

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

Consolidated Balance Sheet as at 30 June 2020

(In Singapore dollars)

	Note	2020 S$'000	2019 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	34,320	36,874
Right-of-use assets	11	8,740	–
Intangible assets	12	7,116	7,355
Deferred tax assets	7	2,459	2,819
Investment in associate	14	3,337	3,731
		55,972	50,779
Current assets			
Cash and bank balances	22	11,508	15,024
Inventories	15	27,868	32,113
Trade and other receivables	16	9,600	20,429
Contract assets	5	38,237	1,352
Contract costs	17	1,286	1,087
Prepayments		356	422
Tax recoverable		195	170
		89,050	70,597
TOTAL ASSETS		145,022	121,376
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	18	28,919	17,656
Contract liabilities	5	2,093	9,508
Lease liabilities	11	1,936	240
Other interest-bearing liabilities	19	32,544	21,885
Provisions	20	1,068	1,178
Provision for taxation		319	291
		66,879	50,758
NET CURRENT ASSETS		22,171	19,839
Non-current liabilities			
Lease liabilities	11	6,848	273
Other interest-bearing liabilities	19	2,133	283
Deferred tax liabilities	7	3,310	3,542
Provisions	20	569	467
		12,860	4,565
TOTAL LIABILITIES		79,739	55,323
NET ASSETS		65,283	66,053
Equity attributable to equity holders of the Parent			
Share capital	21	21,100	21,100
Reserves		11,260	11,407
Retained earnings		32,718	33,270
		65,078	65,777
Non-controlling interests		205	276
TOTAL EQUITY		65,283	66,053
TOTAL LIABILITIES AND EQUITY		145,022	121,376

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

Zicom Group Limited

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2020

(In Singapore dollars)

	Note	Share capital	Share capital – exercise of share options (a)	Asset revaluation surplus	Foreign currency translation reserve (b)	Share-based payments reserve (c)	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Parent								
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1.7.2018 – as previously reported		37,842	472	–	(1,907)	345	32,581	69,333	218	69,551
Effect of adopting AASB 9		–	–	–	–	–	(490)	(490)	–	(490)
Effect of adopting AASB 15		–	–	–	–	–	(468)	(468)	–	(468)
Balance at 1.7.2018 – as restated		37,842	472	–	(1,907)	345	31,623	68,375	218	68,593
Profit for the year		–	–	–	–	–	455	455	(148)	307
Other comprehensive income										
Revaluation of land and buildings		–	–	13,547	–	–	–	13,547	–	13,547
Foreign currency translation		–	–	–	118	–	–	118	–	118
Total comprehensive income for the year		–	–	13,547	118	–	455	14,120	(148)	13,972
Share-based payments	26	–	–	–	–	21	–	21	–	21
Expired employee share options		–	–	–	–	(7)	7	–	–	–
Transfer of depreciation for buildings		–	–	(492)	–	–	492	–	–	–
Acquisition of non-controlling interests		–	–	–	–	–	(284)	(284)	413	129
Share capital reduction	21	(17,214)	–	–	–	–	–	(17,214)	–	(17,214)
Gain on demerger		–	–	–	–	–	977	977	–	977
Disposal of subsidiary		–	–	–	–	–	–	–	(11)	(11)
Discontinued operations	8	–	–	–	–	(218)	–	(218)	(196)	(414)
Balance at 30.6.2019		20,628	472	13,055	(1,789)	141	33,270	65,777	276	66,053
Loss for the year		–	–	–	–	–	(1,200)	(1,200)	(122)	(1,322)
Other comprehensive income										
Foreign currency translation		–	–	–	504	–	–	504	–	504
Total comprehensive income for the year		–	–	–	504	–	(1,200)	(696)	(122)	(818)
Share-based payments	26	–	–	–	–	48	–	48	–	48
Expired employee share options		–	–	–	–	(116)	116	–	–	–
Transfer of depreciation for buildings		–	–	(583)	–	–	583	–	–	–
Acquisition of non-controlling interests	13	–	–	–	–	–	(51)	(51)	51	–
Balance at 30.6.2020		20,628	472	12,472	(1,285)	73	32,718	65,078	205	65,283

(a) Share capital – exercise of share options is used to record the transfer from share-based payments reserve upon the exercise of the share options.

(b) Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) The share-based payments reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced by the expiry or exercise of the share options.

Consolidated Statement of Cash Flows for the year ended 30 June 2020

(In Singapore dollars)

	Note	2020 S$'000	2019 S$'000
Cash flows from operating activities:			
(Loss)/profit before taxation from continuing operations		(963)	1,602
Loss before taxation from discontinued operations		–	(1,309)
Operating (loss)/profit before taxation		(963)	293
Adjustments for :			
Depreciation of property, plant and equipment	10	3,766	4,390
Depreciation of right-of-use assets	11	2,301	–
Amortisation of intangible assets	12	494	910
Bad debts written off	6	1	96
(Write-back of)/allowance for impairment expected credit losses, net	6	(78)	926
Allowance for inventory obsolescence, net	6	742	95
Inventories written off	6	47	23
Finance costs		1,533	897
Interest income		(38)	(70)
Property, plant and equipment written off	6	–	4
Intangible assets written off	6	–	220
Gain on disposal of property, plant and equipment, net		(24)	(8)
Trade and other payables written back	6	(3)	–
Non-trade receivables written off	6	–	116
Provisions made, net	20	246	478
Share-based payments		48	21
Gain on disposal of subsidiary	6	–	(1,630)
Share of result of associate		394	223
Unrealised exchange differences		331	(150)
Operating profit before reinvestment in working capital		8,797	6,834
Decrease/(increase) in stocks and work-in-progress		3,974	(8,772)
Decrease in projects-in-progress		–	1,915
Increase in contract assets		(36,885)	(1,352)
(Decrease)/increase in contract liabilities		(7,415)	9,508
Decrease/(increase) in debtors		10,777	(2,230)
Increase in creditors		10,443	1,111
Cash (used in)/generated from operations		(10,309)	7,014
Interest received		38	47
Interest paid		(1,006)	(921)
Income taxes paid		(229)	(326)
Net cash (used in)/generated from operating activities		(11,506)	5,814
Cash flows from investing activities:			
Purchase of property, plant and equipment	10(b)	(1,133)	(1,027)
Proceeds from disposal of property, plant and equipment	10(c)	31	14
Purchase of computer software	12	(57)	(24)
Increase in development expenditure	12	(181)	(426)
Increase in patented technology		–	(12)
Investments in associates		–	(222)
Net cash outflow on demerger	8	–	(2,109)
Net cash outflow on disposal of a subsidiary		–	(7)
Net cash used in investing activities		(1,340)	(3,813)
Cash flows from financing activities:			
Increase/(decrease) in bills payable		10,679	(194)
Proceeds from bank borrowings		2,000	4,000
Repayments of bank borrowings		(1,260)	(1,756)
Proceed from a related party		1,035	1,112
Repayment of a related party		(1,070)	–
Proceeds from asset financing		462	17
Repayment of lease liabilities	11(b)	(2,503)	(409)
Net cash generated from financing activities		9,343	2,770
Net (decrease)/increase in cash and cash equivalents		(3,503)	4,771
Net foreign exchange differences		(4)	14
Cash and cash equivalents at beginning of year	22	13,741	8,956
Cash and cash equivalents at end of year	22	10,234	13,741

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

1. Corporate information

This financial report of Zicom Group Limited (the "Company" or "Parent Entity") and its subsidiaries (collectively, the "Group" or "consolidated entity") for the year ended 30 June 2020 was authorised for issue on 30 September 2020 in accordance with a resolution of the Directors.

Zicom Group Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Company is also the ultimate parent.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"). The financial statements have been prepared on a going concern basis and items are measured on a historical cost basis except for land and buildings and derivative financial instruments which have been measured at their fair values.

The financial report is presented in Singapore dollars and all values are rounded to the nearest thousand dollars (S$'000) unless otherwise stated.

Compliance with International Financial Reporting Standards (IFRS)
The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Parent. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. Summary of significant accounting policies (cont'd)

2.2 Basis of consolidation (cont'd)

In the Parent Entity's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Changes in accounting policies

(a) Adoption of AASB 16 *Leases*

On 1 July 2019, the Group adopted AASB 16 *Leases* which became effective for annual period beginning on or after 1 January 2019. AASB 16 *Leases* replaces AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases on the balance sheet.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 did not have an impact for leases when the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Therefore, the comparative information was not restated and continues to be reported under AASB 117.

For leases previously recognised as operating leases under AASB 117, the Group recognised right-of-use assets and lease liabilities except for short-term leases and low-value assets. The lease liability is measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments.

For leases previously classified as finance leases, the Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application (i.e the right-of-use assets and lease liabilities equal to the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied to these leases from 1 July 2019.

The Group has elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 at the date of initial application. The Group also applied the available practical expedients wherein it:

- Applied the exemption for leases with less than 12 months remaining lease term at 1 July 2019 and those lease contracts for which the underlying asset is low value;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- Applied the exemption not to separate non-lease components from lease components, and instead, account for each lease component and any associated non-lease components as a single lease component; and
- Used hindsight to determine the lease term when the contract contains options to extend or terminate the lease.

2. Summary of significant accounting policies (cont'd)

2.3 Changes in accounting policies (cont'd)

(a) Adoption of AASB 16 *Leases* (cont'd)

The effect of adoption of AASB 16 is as follows:

As at 1 July 2019:

- Right-of-use assets of S$10,515,000 were recognised and presented separately on the balance sheet. This includes the lease assets recognised previously under finance leases of S$1,407,000 that were reclassified from property, plant and equipment.
- Additional lease liabilities of S$9,108,000 were recognised and presented separately on the balance sheet.
- The net deferred tax impact on transition was nil.

For the year ended 30 June 2020:

- Property related expenses decreased by S$2,264,000 as lease payments are replaced with depreciation and interest expense.
- Depreciation expense increased by S$2,146,000 arising from right-of-use assets recognised.
- Interest expense increased by S$342,000 relating to additional lease liabilities recognised.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	S$'000
Assets	
Operating lease commitments as at 30 June 2019	10,532
Less:	
Commitments relating to short-term leases	(22)
Commitments relating to leases of low-value assets	(9)
	10,501
Weighted average incremental borrowing rate as at 1 July 2019	4.1%
Discounted operating lease commitments as at 1 July 2019	8,597
Add:	
Commitments relating to leases previously classified as finance leases	513
Lease payments relating to renewal periods not included in operating leases	511
Lease liabilities as at 1 July 2019	9,621

(b) Adoption of AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

The Group has also adopted AASB Interpretation 23 *Uncertainty over Income Tax Treatments* which has also come into effect on 1 July 2019. The adoption of this interpretation does not have a material impact on the financial statements of the Group.

2.4 Accounting Standards and interpretations issued but not effective

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective. The directors expect the adoption of these new and amended standards and interpretations will have no material impact on the financial statements in the period of initial application.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair values at the date of acquisition. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative fair values of the disposed operation and the portion of the cash-generating unit retained.

b) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics and the segments are similar in each of the following respects:

- Nature of the products and services
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

b) Operating segments (cont'd)

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, head office expenses, and income tax assets and liabilities. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

c) Foreign currency

(i) Functional and presentation currency

The presentation currency of Zicom Group Limited is Singapore dollars (S$). Each subsidiary in the Group determines its own functional currency and items included in the financial statements of each subsidiary company are measured using that functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences arising on the settlement or translation of monetary items are recognised in profit or loss.

(iii) Consolidated financial statements

On consolidation, the results and balance sheet of foreign operations are translated into Singapore dollars using the following procedures:

- Assets and liabilities are translated at the closing rate prevailing at the reporting date; and
- Income and expenses are translated at average exchange rate for the year, which approximates the exchange rates at the dates of the transactions.

The exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

d) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is the principal in its revenue arrangements.

Sale of goods
Revenue from sale of goods is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods at an amount that reflects the consideration to which the Group expects to be entitled.

Rendering of services
Services are sold separately. Customer receives and consumes the benefits as the entity performs the services and generally has an enforceable right to payment for performance completed to date. The Group therefore recognises revenue from services over time, using an input method based on materials consumed and the actual time spent in the supply of services to measure progress towards complete satisfaction of the service.

Revenue recognised on projects
The Group does not have an alternative use to the asset created and generally has an enforceable right to payment for performance completed. Therefore, revenue is recognised over time using the input method, based on costs incurred, as a measure of entity's performance in transferring control of goods and services.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

d) Revenue from contracts with customers (cont'd)

Revenue recognised on projects (cont'd)
For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed customised asset is delivered to the customer and the customer has accepted it in accordance with the contract.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange of goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or when it is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs
Incremental costs of obtaining a contract are capitalised as acquisition costs if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations and are expected to be recovered.

Capitalised contract costs are amortised on a systematic basis that is consistent with the Group's transfer of the related goods and services to the customer.

Such contract costs are subject to impairment testing. An impairment exists if the carrying amount of an asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods or services, less the remaining costs that relate directly to providing those goods and services. Impairment losses are recognised in profit or loss.

Significant financing component
Generally, the Group receives short-term advances from its customers which is presented as contract liability. As the period between the transfer of the promised goods and payment by customer is one year or less, the Group elects the practical expedient in AASB 15 not to adjust for significant financing component.

Warranty obligations
Warranties, if required, is given to ensure that the Group's products conform with specifications. Warranties are not given in excess of what is typically available and customers do not have an option to purchase a warranty separately. These assurance-type warranties are accounted for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

e) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets and depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its costs is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent to recognition, property, plant and equipment other than land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

e) Property, plant and equipment (cont'd)

Land and buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of the revalued asset does not differ materially from its fair value at the reporting date.

A revaluation surplus is recorded in other comprehensive income and credited to asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Freehold land has an unlimited useful life and is therefore not depreciated. Depreciation of an asset begins when it is available for use and is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Singapore buildings	over remaining period of the lease expiring years 2036 to 2042
Thailand buildings	20 years
Machinery	5 - 10 years
Office furniture and equipment	3 - 5 years
Leasehold improvements	5 years or lease term, if shorter
Motor vehicles	5 years
Computers	1 year

Machinery under installation or construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal (i.e at the date the recipient obtains control) or when no future economic benefits are expected from its use. Any gain or loss on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the year the asset is derecognised.

f) Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets with the exception of development expenditure and computer software costs are not capitalised and the related expenditure is recognised in profit or loss in the period in which such expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

f) Intangible assets (cont'd)

Intangible assets with indefinite useful lives or not yet available for use are not amortised, but are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether it continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets as follows:

Computer software	5 years
Customer list	8 years
Developed technology	7 years
Development expenditure	5 years
Patented technology	10 – 20 years
Unpatented technology	10 – 14 years

Research and development costs
Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during development. Amortisation begins when the development is complete and the asset is available for use or sale. Any expenditure so capitalised is amortised over the period of expected benefit from the related project. During the period of development, the asset is tested for impairment annually.

Club membership
Club membership was acquired separately and is not amortised as it has an indefinite life.

An intangible asset is derecognised upon disposal (i.e at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gains or loss arising from derecognition is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

g) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation surplus.

The Group bases its impairment calculation on detailed budgets which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the period covered by the budgets.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

g) Impairment of non-financial assets (cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in profit or loss unless the asset is measured at revalued amount, in which case, the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

h) Associates

An associate is an entity over which the Group has significant influence through its power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method from the date it becomes an associate.

On acquisition of the investment, any excess of the cost of investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Such goodwill is neither amortised nor tested for impairment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of results of associate in the period in which the investment is acquired.

Under the equity method, investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The profit or loss reflects the Group's share of results of operations of the associate. Distributions received from associate reduces the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of its interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount within the Group's share of results of associates in profit or loss.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures the retained interest at fair value. Any difference between the aggregate of fair value of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

i) Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

At initial recognition, the Group measures financial assets at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

i) Financial Instrument (cont'd)

(i) Financial assets (Cont'd)

Initial recognition and measurement (cont'd)

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The category most relevant to the Group is debt instruments measured at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in FVOCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

For investments in equity instruments which the Group has not elected to present subsequent changes in FVOCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and other cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(ii) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs by recognising a loss allowance based on lifetime ECLs at the reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The Group considers a financial asset in default when contractual payments are significantly delayed from historical payment patterns or when there is internal or external information indicating that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

i) Financial Instrument (cont'd)

(iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using effective interest method. Gain and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amount and the considerations paid is recognised in profit or loss.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts which forms an integral part of the Group's cash management. Bank overdrafts are included within interest-bearing liabilities under current liabilities in the balance sheet.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and trading stocks: purchase costs on a first-in, first-out basis; and
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in, first-out basis.

When necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the asset is substantially completed for its intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

m) Fair value measurement

The Group measures some financial instruments such as derivatives, and non-financial assets such as land and buildings, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

n) Provisions

General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions
Provisions for assurance-type warranty related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually and revised, if necessary.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

n) Provisions (cont'd)

Long service leave / retirement benefits
The liabilities for long service leave and retirement benefits, applicable to Australian and Thailand subsidiaries respectively, are recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government or corporate bond rates with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

o) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, it is deducted in arriving at the carrying amount of the asset.

p) Leases

Set out below are the new accounting policies of the Group upon the adoption of AASB 16 which have been applied from the date of initial application.

The Group assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>Group as lessee</u>

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. The cost of the right-of-use asset also includes an estimate of costs to be incurred by lessee in dismantling and removing the underlying asset, restoring the site to its original condition.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are subject to impairment.

ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payment that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

p) Leases (cont'd)

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If otherwise, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases in profit or loss on a straight-line basis over the lease term. Amounts due from lessees under the finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

q) Other income recognition

Interest income
Interest income is recognised on an accrual basis using the effective interest method.

Dividend income
Dividend income is recognised when the Group's right to receive payment is established.

r) Employee benefits

(i) Defined contribution plans

The Group makes contributions to national pension schemes as defined by the laws of the countries in which it has operations.

For its Australian subsidiaries, contributions are made to employee accumulation superannuation funds. For the Group's companies in Singapore, contributions are made to the Central Provident Fund scheme, a defined contribution pension scheme. The subsidiary company incorporated and operating in the People's Republic of China ("PRC") is required to provide certain staff pension benefits to its employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulators and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Contributions to defined contribution pension schemes are recognised as an expense in the year in which the related service is performed.

(ii) Employee share option plan

Employees (including key management personnel) of the Group receive remuneration in the form of share options as consideration for service rendered. The cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value of the options at the date of grant using an appropriate valuation model. This cost is recognised in profit or loss, with a corresponding increase in the share-based payments reserve, over the period in which service conditions are fulfilled ("vesting period").

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

r) Employee benefits (cont'd)

(iii) Employee share option plan (cond't)

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at beginning and end of that period and is recognised in employee costs.

No expense is recognised for options that do not ultimately vest. The share-based payments reserve is transferred to retained earnings upon expiry or forfeiture of the share options after its vesting date. When the options are exercised, the share-based payments reserve is transferred to share capital as new shares are issued.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where the employee share option plan is cancelled, it is treated as if it vested on the date of cancellation, and any expense that otherwise would have been recognised for services received over the remaining vesting period is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date it was granted, the cancelled and new awards are treated as if there was a modification of the original award, as described in the previous paragraph.

(iv) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled within 12 months from the reporting date is recognised for services rendered by the employees up to the end of the reporting period.

s) Taxation

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

s) Taxation (cont'd)

(iii) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction of goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in the profit or loss.

(iv) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax except:

- where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- receivables and payables are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2. Summary of significant accounting policies (cont'd)

2.5 Significant accounting policies (cont'd)

t) Share capital and share issuance expenses

Ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new shares are deducted against share capital.

u) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- clearly represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if operation had been discontinued from the start of the comparative year.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

(a) Judgements made in applying accounting policies

(i) Determination of control and significant influence over investee

As at 30 June 2020, the Group holds 16.29% (2019: 16.29%) equity interest in Emage Vision Pte Ltd ("EV"). The Group considers EV as an associate as the Group has the ability to exercise significant influence through both its shareholdings and active participation on the Board of Directors.

(ii) Lease term

Judgement is required when assessing the term of the lease and whether to include optional extension and termination periods. Optional periods are included in the lease term if the Group is reasonably certain whether or not to exercise the option to renew or terminate the lease depending on management's analysis of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans the Group has in place for the future use of the asset.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Revaluation of land and buildings

The Group carries its land and buildings at fair value. Changes in fair values of land and buildings are recognised in other comprehensive income. The fair value of land and buildings are determined by accredited independent valuers using recognised valuation techniques. These techniques comprise market comparison approach, replacement cost approach and income approach.

3. Significant accounting judgements, estimates and assumptions (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(i) Revaluation of land and buildings (cont'd)

The determination of the fair value of the land and buildings requires the use of estimates such as:

- sales of similar properties that have been transacted in the open market with adjustments made for differences in factors that affect value;
- an estimate of the current value of the land plus the current gross replacement of improvements, less allowances for physical deterioration, obsolescence and optimisation; and
- capitalisation of net rental income taking into consideration factors such as vacancy rates and rental growth rates.

(ii) Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix by age bracket to calculate ECLs for trade receivables and contract assets. The provision rates are based on number of days past due for groupings of various customer segments that have similar credit risk characteristics.

The provision matrix is initially based on the Group's historical observed default rates and subsequently calibrated to adjust historical credit loss experience with forward-looking information. At each reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The Group also assesses at the end of each reporting period whether there is any objective evidence that the receivables and contract balances is credit-impaired based on factors such as insolvency, financial difficulties or significant delay in repayments.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. The information on ECLs on the Group's trade receivables is disclosed in note 16 to the financial statements.

(iii) Revenue recognised on projects

For contracts where the Group has an enforceable right to payment, revenue is recognised over time using the input method, based on the proportion of costs incurred to date bear to estimated total contract costs, as a measure of entity's performance in transferring control of goods and services. Significant judgement is used to estimate the total contract costs which will determine the amount of revenue recognised on projects. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of contract assets and liabilities at the balance sheet date are disclosed in note 5 to the financial statements.

(iv) Impairment of non-financial assets and investment in associate

The Group assesses whether there are any indicators of impairment for all non-financial assets and investment in associate at each reporting date. Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount which is the higher of its fair value less costs of disposal and its value in use.

Goodwill and other intangibles with indefinite lives are tested for impairment annually and at other times when such indicators exist. Other non-financial assets and investment in associate are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The fair value less costs of disposal calculation is based on available data from binding sales transactions conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the assets (where applicable). The value in use calculations are based on a discounted cash flow (DCF) model. As these calculations are based on assumptions involving unobservable inputs, they are categorised within Level 3 of the fair value hierarchy. The cash flows are derived from budgets for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

When value in use calculations are undertaken to determine the recoverable amount, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts are sensitive to the discount rates used in the DCF model, future cash inflows including the timing of such

3. Significant accounting judgements, estimates and assumptions (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(iv) Impairment of non-financial assets and investment in associate (cont'd)

cash inflows and the growth rates used for both the initial five year cash flow period and long-term growth rates. Management also considers the stage of development and/or commercialisation of certain CGU's product and services. Whilst these decisions are based on information available to date, it also involves a significant level of judgement. These estimates are most relevant to goodwill and other intangible assets recognised by the Group.

The key assumptions used to determine the recoverable amounts for the different cash generating units are disclosed in note 12 to the financial statements.

(v) Taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group recognises deferred tax assets for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amounts of the Group's current tax payables and deferred tax liabilities at 30 June 2020 were S$319,000 (2019: S$291,000) and S$3,310,000 (2019: S$3,542,000) respectively. The Group also had deferred tax assets of S$2,459,000 (2019: S$2,819,000) as at 30 June 2020.

(vi) Estimating the incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay" which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain region and entity-specific estimates (such as subsidiary's standalone credit rating).

4. Segment information

Business segments

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 including flip chip bonders, supply of medtech equipment, medical consumables 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 comprises mainly non-segmental revenue. Unallocated expenses comprise mainly non-segmental expenses such as head office expenses.

4. Segment information (cont'd)

Business segments (cont'd)

The following tables present information regarding operating segments for continuing operations for the years ended 30 June 2020 and 2019.

	Offshore marine, oil & gas machinery S$'000	**Construction equipment** S$'000	**Precision engineering & technologies** S$'000	**Industrial & mobile hydraulics** S$'000	**Consolidated** S$'000
Year ended 30 June 2020					
Revenue					
Sales to external customers	52,623	24,187	20,682	1,584	99,076
Rental income	–	1,870	–	–	1,870
Other revenue	314	679	1,119	8	2,120
Intersegment sales	–	–	60	164	224
Total segment revenue	52,937	26,736	21,861	1,756	103,290
Intersegment elimination					(224)
Unallocated revenue					171
Interest income					38
Total consolidated revenue					103,275
Results					
Segment results	6,290	(2,331)	(639)	(406)	2,914
Unallocated revenue					171
Unallocated expenses					(2,159)
Share of results of associate			(394)		(394)
Profit before tax and finance costs					532
Finance costs					(1,533)
Interest income					38
Loss before taxation					(963)
Tax expense					(359)
Loss after taxation					(1,322)
Other segment information					
Capital expenditure					
- property, plant and equipment	17	1,942	290	–	2,249
- right-of-use assets	(2)	799	407	–	1,204
- intangible assets	–	1	237	–	238
					3,691
Depreciation and amortisation	623	3,683	1,716	–	6,022
Other non-cash expenses	(177)	637	46	562	1,068

4. Segment information (cont'd)

Business segments (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
Year ended 30 June 2019					
Revenue					
Sales to external customers	13,165	37,630	40,323	1,855	92,973
Rental income	–	4,475	12	–	4,487
Other revenue	1	88	1,887	–	1,976
Intersegment sales	–	14	8	271	293
Total segment revenue	13,166	42,207	42,230	2,126	99,729
Intersegment elimination					(293)
Unallocated revenue					134
Interest income					47
Total consolidated revenue					99,617
Results					
Segment results	(3,559)	1,805	5,081	546	3,873
Unallocated revenue					134
Unallocated expenses					(1,891)
Share of results of associate			332		332
Profit before tax and finance costs					2,448
Finance costs					(893)
Interest income					47
Profit before taxation					1,602
Income tax benefit					10
Profit from continuing operations, net of tax					1,612
Other segment information					
Capital expenditure					
- property, plant and equipment	227	2,992	195	–	3,414
- intangible assets	187	6	19	–	212
					3,626
Depreciation and amortisation	531	3,122	971	1	4,625
Other non-cash expenses	814	687	(1,014)	5	492

4. Segment information (cont'd)

Geographical segments

The Group's geographical segments for revenue and non-current assets are determined based on location of customers and assets respectively.

The following table presents revenue and certain assets information regarding geographical segments for the years ended and as at 30 June 2020 and 2019.

30 June 2020

	Australia	**Malaysia**	**Singapore**	**China**	**United States**	**Bangladesh**	**Thailand**	**Indonesia**	**Philippines**	**Taiwan**	**Others**	**Total**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue												
Sales to external customers	14,472	1,143	16,907	4,967	1,654	48,055	1,725	1,491	3,910	2,660	2,092	99,076
Rental income	170	183	831	–	–	–	665	–	21	–	–	1,870
Other revenue from external customers	482	2	1,776	28	–	–	4	28	–	–	9	2,329
												103,275
Other segment information												
Segment non-current assets	4,887	490	34,795	935	–	–	8,683	225	161	–	–	50,176
Investment in associate	–	–	3,337	–	–	–	–	–	–	–	–	3,337
Unallocated assets												2,459
												55,972
Capital expenditure												
- property, plant and equipment	53	1	1,787	–	–	–	420	5	1	–	–	2,267
- right-of-use assets	733	–	471	–	–	–	–	–	–	–	–	1,204
- intangible assets	–	–	238	–	–	–	–	–	–	–	–	238
												3,709

4. Segment information (cont'd)

Geographical segments (cont'd)

30 June 2019

	Australia	**Malaysia**	**Singapore**	**China**	**United States**	**Bangladesh**	**Thailand**	**Indonesia**	**Philippines**	**Taiwan**	**Others**	**Total**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue												
Sales to external customers	24,202	2,334	19,140	1,879	2,380	10,954	1,273	1,143	3,937	19,574	6,157	92,973
Rental income	502	1,230	2,264	–	–	–	466	–	25	–	–	4,487
Other revenue from external customers	170	8	1,894	60	–	–	11	6	–	–	8	2,157
												99,617
Other segment information												
Segment non-current assets	2,903	891	31,689	392	–	–	7,908	260	186	–	–	44,229
Investment in associate	–	–	3,731	–	–	–	–	–	–	–	–	3,731
Unallocated assets												2,819
												50,779
Capital expenditure												
- property, plant and equipment	258	3	2,719	90	–	–	504	31	2	–	–	3,607
- intangible assets	–	–	635	–	–	–	1	9	–	–	–	645
												4,252

5. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

2020	**Offshore marine, oil & gas machinery**	**Construction equipment**	**Precision engineering & technologies**	**Industrial & mobile hydraulics**	**Total**
	S$'000	S$'000	S$'000	S$'000	S$'000
Primary geographical markets					
Australia	–	14,269	12	191	14,472
Singapore	582	4,071	11,942	312	16,907
Taiwan	–	–	2,660	–	2,660
Bangladesh	48,028	26	1	–	48,055
Others	4,013	5,821	6,067	1,081	16,982
Total	52,623	24,187	20,682	1,584	99,076
Main revenue streams					
Sales of goods	728	21,777	14,759	1,486	38,750
Rendering of services	265	2,410	476	98	3,249
Revenue recognised on projects	51,630	–	5,447	–	57,077
Total	52,623	24,187	20,682	1,584	99,076
Timing of transfer of goods and services					
At a point in time	3,807	21,777	14,847	1,486	41,917
Over time	48,816	2,410	5,835	98	57,159
Total	52,623	24,187	20,682	1,584	99,076

2019	**Offshore marine, oil & gas machinery**	**Construction equipment**	**Precision engineering & technologies**	**Industrial & mobile hydraulics**	**Total**
	S$'000	S$'000	S$'000	S$'000	S$'000
Primary geographical markets					
Australia	–	23,617	384	201	24,202
Singapore	500	5,490	12,694	456	19,140
Taiwan	–	–	19,574	–	19,574
Bangladesh	10,954	–	–	–	10,954
Others	1,711	8,523	7,671	1,198	19,103
Total	13,165	37,630	40,323	1,855	92,973
Main revenue streams					
Sales of goods	2,029	34,033	33,616	1,258	70,936
Rendering of services	619	3,597	234	597	5,047
Revenue recognised on projects	10,517	–	6,473	–	16,990
Total	13,165	37,630	40,323	1,855	92,973
Timing of transfer of goods and services					
At a point in time	2,029	34,033	33,616	1,258	70,936
Over time	11,136	3,597	6,707	597	22,037
Total	13,165	37,630	40,323	1,855	92,973

5. Revenue from contracts with customers (cont'd)

(b) Contract balances

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Trade receivables	7,058	16,281
Contract assets	38,237	1,352
Contract liabilities	(2,093)	(9,508)

Trade receivables are non-interest bearing and are generally due when invoiced or on 30 to 60 days' term.

Contract assets mainly relate to the Group's rights to consideration for work completed but not yet billed at reporting date on oil and gas and automation projects. The contract assets are transferred to trade receivables when the rights become unconditional. There was no impairment loss incurred on contract assets during the year.

The significant increase in contract asset is mainly due to the execution of a large order for a gas processing plant. At the date of this report, S$37,608,000 has been transferred to trade receivables.

Contract liabilities are primarily advance consideration received from customers amounting to S$458,000 (2019: S$8,093,000) for which revenue is recognised over time and S$1,635,000 (2019: S$1,415,000) for which revenue is recognised at a point in time.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Contract assets		**Contract liabilities**	
	2020	2019	2020	2019
	S$'000	S$'000	S$'000	S$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	9,208	–
Increase due to cash received, excluding amounts recognised as revenue during the year	–	–	(1,793)	(9,508)
Contract asset reclassified to trade receivables	(1,092)	–	–	–
Recognition of revenue, net of receivables recognised	37,977	1,352	–	–

(c) Transaction price allocated to remaining performance obligations

The Group applies the practical expedient in paragraph 121 of AASB 15 and does not disclose information about remaining performance obligations as at 30 June 2020 and 2019 that have an original expected duration of one year or less.

6. Revenue, income and expenses

(i) Other income

	Consolidated	
	2020	**2019**
	$'000	$'000
Interest income	38	47
Gain on disposal of property, plant and equipment	24	5
Trade and other payables written back	3	–
Forfeiture of customer deposit	26	–
Services rendered	343	304
Gain on disposal of subsidiary	–	1,630
Government grants	1,871	155
Other revenue	24	16
	2,329	2,157

Included in government grants were S$1,739,000 (2019:$nil) relating to Covid-19 business support measures introduced by the Singapore and Australia governments.

(ii) Other operating expenses

Included in other operating expenses are the following:

	Consolidated	
	2020	**2019**
	$'000	$'000
Allowance for inventory obsolescence, net	742	95
(Write-back of)/allowance for impairment and expected credit losses, net	(78)	926
Non-trade receivables written off	–	116
Bank charges	784	296
Bad debts written off	1	96
Foreign exchange loss	27	190
Provision for product warranties made, net	125	379
Property, plant and equipment written off	–	4
Warranty expense charged directly to profit or loss	3	3
Inventories written off	47	23
Intangible assets written off	–	220
Sales commission	1,589	1,761
Sea Freight	551	1,376
Travelling expenses	494	797
Utility charges	685	821

In addition to the expenses included in the table above, current year's other operating expenses includes a provision totalling S$1,866,000 for losses arising from certain financial irregularities identified by the Company in two Thailand-based subsidiaries involving unauthorised cash withdrawals and misreporting. These matters were identified subsequent to the balance sheet date. At the time of releasing the unaudited Appendix 4E to the Australian Securities Exchange on 31 August 2020, an expense of S$1,374,000 representing the Group's best estimate of the exposure has been recorded in the results for the year ended 30 June 2020. Forensic audit conducted between the release date of the unaudited Appendix 4E and these financial statements has resulted in an additional expense of S$492,000 to be reported in the results for the year just ended. No adjustments have been made to 30 June 2019 as the impact of the financial irregularities was not material.

7. Taxation

	Consolidated 2020 S$'000	Consolidated 2019 S$'000
Current income tax		
- Current income tax charge	(1,065)	(257)
- Loss transferred under Group Relief Scheme	872	–
- Adjustments in respect of previous years	(39)	2
Deferred income tax		
- Relating to the origination and reversal of temporary differences	(194)	108
- Adjustments in respect of previous years	67	157
Tax (expense)/benefit from continuing operations	(359)	10
Tax benefit from discontinued operations - deferred income tax	–	4
Tax (expense)/benefit in profit & loss	(359)	14
Net surplus on revaluation of land and buildings	–	(2,856)
Deferred tax charged to other comprehensive income	–	(2,856)

A reconciliation between the tax (expense)/benefit and the product of accounting profit/(loss) of the Group multiplied by the applicable tax rate for the year ended 30 June is as follows:

	Consolidated 2020 S$'000	Consolidated 2019 S$'000
(Loss)/profit before taxation from continuing operations	(963)	1,602
Loss before taxation from discontinued operations	–	(1,309)
(Loss)/profit before taxation	(963)	293
Tax credit at the domestic rates in the countries where the Group operates	115	291
Release of deferred tax liability on intangible assets	42	50
Release of deferred tax liability on revalued properties	121	101
Non-deductible expenses	(453)	(310)
Non-taxable income	241	22
Partial tax exemption	22	21
Deferred tax assets not recognised	(516)	(1,153)
Utilisation of previously unrecognised tax losses	32	769
Adjustments in respect of previous years	28	159
Enhanced tax credits	4	63
Others	5	1
Tax (expense)/benefit	(359)	14

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

7. Taxation (cont'd)

Deferred taxation as at 30 June relates to the following:

	At 30 June 2018	Recognised in profit or loss (charge)/credit	Recognised in other comprehensive income	Discontinued operations	Disposal of subsidiary	Translation/ adjustments	**At 30 June 2019**	Recognised in profit or loss (charge)/credit	Translation/ adjustments	**At 30 June 2020**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Deferred tax assets				(note 8)						
Property, plant and equipment	(28)	28	–	19	–	–	19	(55)	–	(36)
Intangible assets	(1,027)	87	–	638	236	–	(66)	34	–	(32)
Leases	–	–	–	–	–	–	–	29	–	29
Provisions	464	15	–	(12)	(6)	–	461	(67)	–	394
Unutilised tax losses	3,104	(13)	–	(586)	(360)	(36)	2,109	(236)	11	1,884
Unutilised capital allowances	541	(164)	–	(59)	(22)	–	296	(76)	–	220
	3,054	(47)	–	–	(152)		2,819	(371)		2,459
Deferred tax liabilities										
Property, plant and equipment										
– at cost	(988)	22	–	–	–	4	(962)	84	–	(878)
– at revaluation	–	102	(2,856)	–	–	(20)	(2,774)	121	(12)	(2,665)
Intangible assets	(292)	50	–	51	–	(54)	(245)	42	–	(203)
Leases	–	–	–	–	–	–	–	10	–	10
Provisions	–	44	–	–	–	–	44	(16)	–	28
Unutilised capital allowances	275	100	–	–	–	–	375	–	–	375
Unutilised tax losses	5	(5)	–	–	–	–	–	16	–	16
Unutilised donations	17	3	–	–	–	–	20	(13)	–	7
	(983)	316	(2,856)	51	–		(3,542)	244		(3,310)
Tax benefit		269						(127)		

The Group has tax losses of S$25,534,000 (2019: S$24,958,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and there are no evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, profit would increase by S$5,200,000 (2019: S$4,994,000).

8. Discontinued operations

In the previous financial year, on 30 November 2018 the Group completed the capital reduction exercise by distributing and transferring all the issued ordinary shares in its wholly-owned subsidiary, ZIG Ventures Private Limited ("ZIG"), on a pro-rata basis to the shareholders of the Company, resulting in the demerger of ZIG and its subsidiaries from the Group.

The consolidated results of ZIG for the period up to the demerger are presented below:

	2019
	S$'000
Revenue	696
Expenses	(1,446)
Loss from operations	(750)
Finance costs	(4)
Share of results of associates	(555)
Loss before taxation from discontinued operations	(1,309)
Tax benefit	4
Loss from discontinued operations, net of tax	(1,305)
Non-controlling interests	23
Loss from discontinued operations attributable to equity holders of Parent	(1,282)

The consolidated assets and liabilities of ZIG as at 30 November 2018 and the cash flow effect of the demerger were:

	S$'000
Plant and equipment	373
Intangible assets including goodwill	6,152
Investments in associates	8,902
Trade and other receivables	2,073
Inventories	1,291
Cash and cash equivalents	2,109
	20,900
Trade and other payables	(3,439)
Deferred tax liabilities	(51)
Carrying value of net assets	17,410
Non-controlling interests	(196)
	(17,214)
Total consideration	–
Cash and cash equivalents	(2,109)
Net cash outflow on demerger	(2,109)

9. 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 year.

For purposes of calculating diluted earnings per share, profit/(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.

	Continuing operations		**Discontinued operations**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Net (loss)/profit attributable to equity holders of the Parent	(1,200)	1,737	–	(1,282)	(1,200)	455
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	217,141	217,141	217,141	217,141	217,141	217,141
	Singapore cents		Singapore cents		Singapore cents	
Basic and diluted earnings/(loss) per share	(0.55)	0.80	–	(0.59)	(0.55)	0.21

There were 6,600,000 (2019: 2,550,000) 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.

There have been no transactions involving ordinary or potential ordinary shares which occurred between the reporting date and the date of completion of these financial statements.

10. Property, plant and equipment

Consolidated	Freehold land S$'000	Singapore buildings S$'000	Thailand buildings S$'000	Plant and equipment S$'000	Leasehold improvements S$'000	Motor vehicles S$'000	Total S$'000
Cost/Valuation							
At 1.7.2019 – as previously reported	4,004	37,410	5,548	37,886	3,158	1,988	89,994
Effect of adopting AASB 16 (Note 11)	–	–	–	(1,592)	–	(500)	(2,092)
Balance at 1.7.2019 – as restated	4,004	37,410	5,548	36,294	3,158	1,488	87,902
Currency realignment	100	2	138	133	4	13	390
Additions	–	–	–	2,205	26	36	2,267
Adjustment	–	–	–	–	–	25	25
Transfer from right-of-use asset (Note 11)	–	–	–	1,385	–	130	1,515
Transfer to right-of-use asset (Note 11)	–	–	–	(335)	–	–	(335)
Disposals	–	–	–	(27)	–	(17)	(44)
Reclassification to inventories	–	–	–	(1,766)	–	–	(1,766)
Write off	–	–	–	(41)	–	–	(41)
At 30.6.2020	4,104	37,412	5,686	37,848	3,188	1,675	89,913
Accumulated depreciation							
At 1.7.2019 – as previously reported	–	18,402	2,720	27,818	2,778	1,402	53,120
Effect of adopting AASB 16 (Note 11)	–	–	–	(466)	–	(219)	(685)
Balance at 1.7.2019 – as restated	–	18,402	2,720	27,352	2,778	1,183	52,435
Currency realignment	–	2	72	116	2	11	203
Charge for 2020	–	940	281	2,244	183	118	3,766
Adjustment	–	–	–	–	–	23	23
Transfer from right-of-use asset (Note 11)	–	–	–	457	–	59	516
Transfer to right-of-use asset (Note 11)	–	–	–	(28)	–	–	(28)
Disposals	–	–	–	(20)	–	(17)	(37)
Reclassification to inventories	–	–	–	(1,247)	–	–	(1,247)
Write off	–	–	–	(38)	–	–	(38)
At 30.6.2020	–	19,344	3,073	28,836	2,963	1,377	55,593
Net carrying value							
At 30.6.2020	4,104	18,068	2,613	9,012	225	298	34,320

10. Property, plant and equipment (cont'd)

Consolidated	Freehold land S$'000	Singapore buildings S$'000	Thailand buildings S$'000	Plant and equipment S$'000	Leasehold improvements S$'000	Motor vehicles S$'000	Total S$'000
Cost/Valuation							
At 1.7.2018	1,820	10,437	4,626	35,715	3,228	2,057	57,883
Currency realignment	216	6	362	(110)	(19)	(9)	446
Additions	–	–	–	3,213	195	199	3,607
Revaluation surplus	1,968	26,967	560	–	–	–	29,495
Disposals	–	–	–	(28)	–	(234)	(262)
Disposal of subsidiaries	–	–	–	(640)	(246)	–	(886)
Reclassification to inventories	–	–	–	(205)	–	–	(205)
Write off	–	–	–	(59)	–	(25)	(84)
At 30.6.2019	4,004	37,410	5,548	37,886	3,158	1,988	89,994
Accumulated depreciation							
At 1.7.2018	–	4,722	2,034	25,727	2,682	1,417	36,582
Currency realignment	–	6	170	(45)	(15)	(4)	112
Charge for 2019	–	839	259	2,791	260	241	4,390
Revaluation adjustment	–	12,835	257	–	–	–	13,092
Disposals	–	–	–	(27)	–	(229)	(256)
Disposal of subsidiaries	–	–	–	(424)	(149)	–	(573)
Reclassification to inventories	–	–	–	(147)	–	–	(147)
Write off	–	–	–	(57)	–	(23)	(80)
At 30.6.2019	–	18,402	2,720	27,818	2,778	1,402	53,120
Net carrying value							
At 30.6.2019	4,004	19,008	2,828	10,068	380	586	36,874

10. Property, plant and equipment (cont'd)

(a) The net book value of property, plant and equipment held under hire purchase are as follows:

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Motor vehicles	–	282
Plant and equipment	–	1,125
	–	1,407

Leased assets are pledged as security for the related finance lease liabilities (note 19).

(b) During the year, the Group acquired property, plant and equipment with an aggregate cost of S$2,267,000 (2019: S$3,607,000) of which S$1,134,000 (2019: S$nil) was acquired through invoice financing and the balance of $1,133,000 (2019: S$1,027,000) was settled in cash. In 2019, additions amounting to S$268,000 and S$71,000 were financed by hire purchase and loans respectively. Included in prior year's additions was an amount of S$2,241,000 which was previously included in stocks but was converted and capitalised as fixed assets.

(c) During the financial year, the Group disposed of property, plant and equipment with an aggregate net book value of S$7,000 (2019: S$6,000). Sales proceeds amounting to S$31,000 (2019: S$14,000) were received in cash.

(d) The net book value of property, plant and equipment pledged as security are as follows:

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Singapore buildings	18,068	19,008
Freehold land and buildings in Thailand	6,717	6,832
Plant and equipment	201	261
Motor vehicles	44	134
	25,030	26,235

Please refer to note 19 for details.

(e) Revaluation of land and buildings

i) The Group engaged accredited independent valuers to determine the fair values of land and buildings using a combination of recognised valuation techniques. Except for the building at 29 Tuas Avenue 3, Singapore whose revaluation was done as at 30 June 2018, the rest of the land and buildings were revalued as at 30 September 2018.

In arriving at the fair values, valuers have relied on proprietary databases of active market prices of transactions for properties of similar nature, location and condition.

Considering the nature and complexity of the significant inputs, the Group has classified the fair value of the Group's land and buildings within Level 3 of the fair value hierarchy. There were no transfers between the different levels during the year.

10. Property, plant and equipment (cont'd)

(e) Revaluation of land and buildings (cont'd)

The following table shows the information about fair value measurements using significant unobservable inputs:

Description	Valuation techniques	Key unobservable inputs	Interrelationship between unobservable inputs and fair value measurement
Buildings, Singapore	Market Comparison Approach [1]	Comparable prices: S$797 to S$1,661 per square meter	The estimated fair value increases with higher comparable price
Land and buildings, Thailand	Market Comparison Approach and Replacement Cost Approach [2]	Comparable prices: 21,250-30,000 Baht per Sq. wah	The estimated fair value increases with higher comparable price

(1) Market comparison approach considers the sales of similar properties that have been transacted in the open market with adjustment made for differences in factors that affect value.

(2) Replacement cost approach is based on an estimate of the current market value of land, plus the current gross replacement of improvements, less allowance for physical deterioration, obsolescence and optimisation.

As at 30 June 2020, no adjustment was required to the valuations performed previously as the review conducted by management did not identify any material movement in property valuations.

ii) The carrying amounts of land and buildings if measured using the cost model, would be as follows:

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Freehold land	2,002	1,953
Singapore buildings	5,182	5,449
Thailand buildings	2,342	2,533
	9,526	9,935

11. Right-of-use assets and leases

a. Right-of-use assets

Consolidated

	Land and buildings	**Plant and equipment**	**Motor vehicles**	**Total**
	S$'000	S$'000	S$'000	S$'000
At 1 July 2019 (As previously stated)	–	–	–	–
Effect of adopting AASB 16	9,015	1,219	281	10,515
At 1 Jul 2019 (As restated)	9,015	1,219	281	10,515
Currency realignment	14	–	–	14
Additions	797	407	–	1,204
Transfer from property, plant and equipment	–	307	–	307
Transfer to property, plant and equipment	–	(928)	(71)	(999)
Depreciation charge for the year	(2,123)	(104)	(74)	(2,301)
At 30.6.2020	7,703	901	136	8,740

b. Leases liabilities

	Consolidated	
	2020	**2019**
	S$'000	S$'000
At 1 July 2019/2018 (As previously stated)	513	637
Effect of adopting of AASB 16	9,108	–
At 1 Jul 2019/2018 (As restated)	9,621	637
Additions	1,666	285
Finance costs	364	20
Payments	(2,884)	(429)
Currency realignment	17	–
	8,784	513
Lease liabilities		
Current	1,936	240
Non-current	6,848	273
	8,784	513

c. Amounts recognised in profit or loss

As at 30 June 2020, included in the profit or loss, expenses relating to short-term leases was $78,000 and the expenses relating to the leases of low-value assets, excluding short-term leases of low-value assets, was $3,000.

d. Group as a lessor

Rental income recognised by the Group during the year is $1,870,000 (2019: $4,487,000). As at 30 June 2020, trade receivables amounting to S$745,000 (2019: S$1,534,000) are related to rental.

The Group's lease arrangements as lessor are generally short-term

12. Intangible assets

Consolidated	Customer list	Developed technology	Goodwill	Development expenditure	Club membership	Computer software	Unpatented technology	Patented technology	Total
Cost	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1.7.2018	918	1,141	7,210	7,448	10	2,355	3,721	302	23,105
Currency realignment	–	–	(115)	–	1	(8)	–	–	(122)
Additions	–	–	–	426	–	24	183	12	645
Disposal of subsidiaries	–	–	(1,316)	(5,740)	–	(88)	(672)	(117)	(7,933)
Reclassification	–	–	(134)	–	–	–	134	–	–
Write off	–	–	(148)	(119)	–	–	–	(36)	(303)
At 30.6.2019	918	1,141	5,497	2,015	11	2,283	3,366	161	15,392
Currency realignment	–	–	17	–	–	12	–	–	29
Additions	–	–	–	181	–	57	–	–	238
Write off	–	–	–	–	–	(30)	–	–	(30)
At 30.6.2020	918	1,141	5,514	2,196	11	2,322	3,366	161	15,629
Accumulated amortisation									
At 1.7.2018	918	1,141	–	2,239	–	2,185	2,003	17	8,503
Currency realignment	–	–	–	–	–	(7)	–	–	(7)
Amortisation	–	–	–	522	–	86	294	8	910
Disposal of subsidiaries	–	–	–	(859)	–	(53)	(373)	(1)	(1,286)
Write off	–	–	–	(83)	–	–	–	–	(83)
At 30.6.2019	918	1,141	–	1,819	–	2,211	1,924	24	8,037
Currency realignment	–	–	–	–	–	12	–	–	12
Amortisation	–	–	–	196	–	43	248	7	494
Write off	–	–	–	–	–	(30)	–	–	(30)
At 30.6.2020	918	1,141	–	2,015	–	2,236	2,172	31	8,513
Net carrying value									
At 30 June 2020	–	–	5,514	181	11	86	1,194	130	7,116
At 30 June 2019	–	–	5,497	196	11	72	1,442	137	7,355

12. Intangible assets (cont'd)

	Development expenditure	Unpatented technology
Average remaining amortisation period (years) – 2020	5.0	5.0
Average remaining amortisation period (years) – 2019	0.5	6.0

Assets by business segment:

Assets and investments in associates by business segment are summarised as follows:

	Offshore marine, oil & gas machinery S$'000	Construction equipment S$'000	Precision engineering & technologies S$'000	Industrial & mobile hydraulics S$'000	Unallocated S$'000	Total S$'000
Property plant and equipment	7,213	19,080	596	1	7,430	34,320
Right-of-use assets	1,093	4,754	1,410	–	1,483	8,740
Intangible assets other than goodwill	248	9	1,328	11	6	1,602
Goodwill	–	1,875	3,639	–	–	5,514
Investment in associate	–	–	3,337	–	–	3,337
	8,554	25,718	10,310	12	8,919	53,513

Offshore Marine, Oil and Gas Machinery

The assets in this segment relate predominantly to Zicom Private Limited and Zicom Equipment Private Limited. The most significant asset in this segment relates to a building at 9 Tuas Avenue 9, Singapore amounting to S$6.8m, carried at fair value less accumulated depreciation, which has been supported by independent valuation performed as at 30 September 2018. No adjustment was required to this valuation as at 30 June 2020 as the review conducted by management did not identify any material movement in property valuation. Included in this segment is also right-of-use assets, the most significant item relates to a 30 year lease for the land which the building at 9 Tuas Avenue 9 sits on amounting to S$1.1m. The oil and gas segment continues to generate positive cash flows with a pipeline of contracts and margin on product sales and projects further supporting no impairment trigger.

Construction Equipment

The assets in this segment relate predominantly to Foundation Associates Engineering Private Limited, Cesco Australia Limited and Zicom Cesco Engineering Co. Ltd. This segment manufactures and supply concrete mixers and foundation equipment including equipment rental continues to generate positive cash flows. Due to the goodwill that arose from the acquisition of Cesco Australia Limited, an impairment analysis is performed annually (refer below for discussion on Zicom Group Limited).

Precision Engineering and Technologies

Companies included in this segment are Sys-Mac Automation Engineering Pte Ltd and Orion Systems Integration Pte Ltd. Due to the goodwill that arose from acquisition of these entities, an annual impairment assessment is performed.

Industrial and Mobile Hydraulics

As noted above, there are no material assets in this segment.

Unallocated

The most significant asset in this segment represents a building at 29 Tuas Avenue 3, Singapore and its right-of-use asset arising from 30+30 year lease for the land that the building at 29 Tuas Avenue 3 sits on amounting to S$7.3m and S$1.4m respectively. The building is carried at fair value less accumulated depreciation supported by valuation report from accredited independent valuer. No adjustment was required to this valuation as at 30 June 2020 as the review conducted by management did not identify any material movement in property valuation.

12. Intangible assets (cont'd)

Impairment tests for goodwill and associates

With the exception of club membership amounting to S$11,000 (2019: S$11,000), the Group did not have any intangible assets with indefinite useful life as at 30 June 2020. Goodwill acquired through business combinations are allocated to the individual entity which is also the cash generating unit (CGU). These entities fall within the Precision Engineering and Technologies and Construction Equipment segments of the Group as outlined above.

Consolidated	**As at 30.6.2020**	**As at 30.6.2019**	**Basis on which recoverable values are determined**	**Pre-tax discount rate per annum**	
	S$'000	S$'000		**2020**	**2019**
Carrying value of capitalised goodwill based on cash-generating units					
Sys-Mac Automation Engineering Pte Ltd	2,975	2,975	Value in use	15%	15%
Zicom Group Limited	1,875	1,858	Value in use	18%	17%
Orion Systems Integration Pte Ltd ("Orion")	664	664	Value in use	18%	18%
	5,514	5,497			

In accordance with AASB 136, the carrying value of the Group's goodwill on acquisition as at 30 June 2020 was assessed for impairment.

The recoverable amount of each CGU is determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five year period. Budgeted revenue and gross margin in the financial budgets are based on past performance and its expectation of market development. Long term growth rate of 1% (2019: 1%) was used for the above cash generating units with the exception of Orion for which 20% (2019: 0%) declining growth rate was used.

Zicom Group Limited

Goodwill in this CGU relates mainly to Cesco Australia Limited that operates in the construction industry in the manufacturing of cement mixers. The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections from financial budgets that was approved by management covering a 5 year period. The cash flows beyond 5 years were extrapolated using a long-term growth rate of 1% (2019: 1%) based on market information consistent for the industry it operates in. The cash flows for the first 5 years included growth of between 0% and 12% (2019: 0% and 100%).

Sys-Mac Automation Engineering Pte Ltd ("Sys-Mac")

Sys-Mac is involved in contract manufacturing and system integration which includes machining works, design and build of customised automation equipment and systems. The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections from financial budgets that was approved by management covering a 5 year period. The cash flows beyond 5 years were extrapolated using a long-term growth rate of 1% (2019: 1%) based on market information consistent for the industry it operates in. The cash flows for the first 5 years included growth of between 0% and 60% (2019: 0% and 50%).

Orion Systems Integration Pte Ltd ("Orion")

Orion provides equipment with high performance flip chip applications to companies involved in back-end semiconductor production. Its signature product is Phoenix Quadpro, a high speed, fine pitch flip chip bonder. The cash flows beyond 5 years were extrapolated using a declining growth rate of 20% (2019: nil) considering Orion's reliance on a single product. The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections from financial budgets that was approved by management covering a 5 year period. The cash flows for the first 5 years included growth of between 0% and 100% (2019: 0% and 100%).

12. Intangible assets (cont'd)

Impairment tests for goodwill (cont'd)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions:

The calculations of value in use (VIU) for the CGUs are most sensitive to the following assumptions:

- Gross margins
- Pre-tax discount rates
- Market share assumptions
- Growth rate estimates
- Timing of cash flows

Budgeted gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period or if unavailable, based on management assessment of the markets. These are increased over the budget period for anticipated efficiency improvements. Decreased demand can lead to a decline in gross margin. A decrease in gross margin of 10% (2019: 10%) in Cesco Australia Limited and Orion would not result in an impairment adjustment. Decreases greater than 10% (2019: 10%) may result in impairment adjustments. For Sys-Mac, a decrease in gross margin of more than 5% (2019: 5%) may result in impairment adjustments.

Pre-tax discount rates – Discount rate reflect the current market assessment of the risk specific to the CGUs, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and the yield on a 10-15 year government bond at the beginning of the budgeted year. CGU's specific risk is incorporated in the discount rate by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. A rise in the pre-tax discount rate by 5% (2019: 5%) or above may result in impairment adjustments for all CGUs.

Market share assumptions –These assumptions are important because management assesses how the CGU's position relative to its competitors may change over the forecast period.

Growth rates – These are used to extrapolate cash flow projections beyond the period covered by the most recent budgets and are based on management's assessment of the markets and do not exceed the long-term average growth rate for the industries relevant to the CGUs. Management acknowledges that the speed of technological change and the possibility of new entrants can have a significant impact on growth rates. Growth rates can also impact on the margins achieved by the CGUs as discussed above. Should the long term growth rate be reduced by 1% (2019: 1%), there is still no impairment required.

Summary of sensitivity to changes in assumptions

Management believe that no reasonably possible change in any of the above key assumptions would cause the carrying values of these CGUs to materially exceed their recoverable amounts.

For all of the above CGUs, the calculated value in use were in excess of the carrying amounts of the assets and as such there were no impairment adjustment required for the financial years ended 30 June 2020 and 2019 for goodwill as their recoverable values were in excess of their carrying values.

13. Investments in subsidiaries

	Parent Entity	
	2020	2019
	S$'000	S$'000
Investments in controlled entities, at cost	54,544	54,544
Less: Impairment loss	(1,461)	(1,540)
	53,083	53,004

The consolidated financial statements include the financial statements of Zicom Group Limited and the subsidiaries listed in the following table.

The carrying amount in each controlled entity has been adjusted to assess recoverable amounts on the basis of their underlying assets.

Name of Company	Country of incorporation/ formation	Carrying value of Parent Entity investment		Percentage of equity held by the Group	
		2020	2019	2020	2019
		S$'000	S$'000	%	%
Held by the Company:					
Cesco Australia Limited	Australia	8,908	8,829	100	100
Zicom Holdings Private Limited	Singapore	44,175	44,175	100	100
Controlled entities held through subsidiary companies:					
Cesco Equipment Pty Ltd	Australia	–	–	100	100
Zicom Private Limited	Singapore	–	–	100	100
Zicom Energy Solutions Private Limited	Singapore	–	–	59	51
Zicom Equipment Private Limited	Singapore	–	–	100	100
Link Vue Systems Pte Ltd	Singapore	–	–	72	72
Foundation Associates Engineering Private Limited	Singapore	–	–	100	100
FAE Construction Pte Ltd	Singapore	–	–	100	100
FAEQUIP Corporation	Philippines	–	–	100	100
FAE Thai Co. Ltd	Thailand	–	–	100	100
Sys-Mac Automation Engineering Pte Ltd	Singapore	–	–	100	100
MTA-Sysmac Automation Pte Ltd	Singapore	–	–	61	61
iPtec Pte Ltd	Singapore	–	–	100	100
Orion Systems Integration Pte Ltd	Singapore	–	–	98	98
PT Sys-Mac Indonesia	Indonesia	–	–	100	100
Zicom Cesco Engineering Co. Ltd	Thailand	–	–	100	100
Zicom Cesco Thai Co. Ltd	Thailand	–	–	100	100
Zicom Thai Hydraulics Co. Ltd	Thailand	–	–	100	100
FA Geotech Equipment Sdn Bhd	Malaysia	–	–	100	100
Deqing Cesco Machinery Co. Ltd	China	–	–	100	100
		53,083	53,004		

13. Investments in subsidiaries (cont'd)

Investment in Zicom Energy Solutions Private Limited ("ZES")

On 30 November 2019, Zicom Private Limited ("ZPL"), a wholly-owned subsidiary, increased its investment in ZES by way of capitalisation of an amount of S$137,000 owed by ZES to ZPL, increasing the Group's interest in ZES from 51% to 59%. The effect on the change in interest in ZES amounted to S$51,000 has been recognised within equity.

Entity subject to class order relief

Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to Cesco Australia Limited ("CAL") and Cesco Equipment Pty Ltd ("CEPL") from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports.

As a condition for the relief, a Deed of Cross Guarantee was executed between Zicom Group Limited ("ZGL") and CAL on 15 May 2008. The effect of the Deed is that ZGL has guaranteed to pay any deficiency in the event of winding up of CAL or if CAL does not meet its obligations under the terms of overdraft, loans, leases or other liabilities subject to the guarantee.

CAL has also given a similar guarantee in the event that ZGL is wound up or if it does not meet its obligations under the terms of overdraft, loans and leases or other liabilities subject to the guarantee.

On 9 May 2013, CEPL executed a Deed of Assumption with ZGL so that CEPL is joined to the Deed of Cross Guarantee and assumes liability under and be bound by the Deed of Cross Guarantee as if CEPL was a Group Entity when the Deed of Cross Guarantee was executed.

The consolidated Income Statement and Balance Sheet of the entities that are members of the Closed Group are as follows:

Consolidated Income Statement	**Closed Group**	
	2020	**2019**
	S$'000	S$'000
(Loss)/profit from continuing activities before taxation	(581)	606
Income tax	–	–
Net (loss)/profit for the year	(581)	606
Accumulated losses at the beginning of year	(21,219)	(21,829)
Expired employee share options	116	4
Dividends paid	–	–
Accumulated losses at the end of year	(21,684)	(21,219)

13. Investments in subsidiaries (cont'd)

Consolidated Balance Sheet	Closed Group	
	2020	**2019**
	S$'000	S$'000
Non-current assets		
Property, plant and equipment	756	1,191
Right-of-use assets	2,365	–
Intangible assets	340	337
Deferred tax assets	287	284
Investments in subsidiaries	44,175	44,175
	47,923	45,987
Current assets		
Cash and bank balances	2,503	1,197
Inventories	3,951	4,996
Trade and other receivables	2,097	4,041
Prepayments	22	21
	8,573	10,255
Current liabilities		
Payables	2,420	3,808
Contract liabilities	207	70
Lease liabilities	517	–
Other interest-bearing liabilities	405	671
Provisions	583	545
	4,132	5,094
NET CURRENT ASSETS	4,441	5,161
Non-current liabilities		
Lease liabilities	1,903	–
Other interest-bearing liabilities	133	283
Provisions	154	152
	2,190	435
NET ASSETS	50,174	50,713
Equity attributable to equity holders of the Parent		
Share capital	72,322	72,322
Reserves	(464)	(390)
Accumulated losses	(21,684)	(21,219)
TOTAL EQUITY	50,174	50,713

14. Investment in associate

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

	Consolidated	
Emage Vision Pte Ltd ("EV")	**2020**	**2019**
Shareholdings held: 16.29% (30 Jun 19: 16.29%)	S$'000	S$'000
Principal place of business: Singapore		
At beginning of year	3,731	–
Investment during the year	–	3,473
Share of results after income tax	(394)	332
Dividend received	–	(74)
At end of year	3,337	3,731

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.

15. Inventories

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Raw materials/trading stocks (at cost or net realisable value)	17,424	19,694
Work-in-progress (at cost)	6,928	9,499
Finished goods (at cost)	2,383	2,342
Stocks-in-transit (at cost)	1,133	578
Total inventories at lower of cost and net realisable value	27,868	32,113

Inventories recognised as cost of sales for the year ended 30 June 2020 totalled S$67,554,000 (2019: S$58,406,000) for the Group.

16. Current assets - receivables

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Trade receivables	9,913	20,300
Allowance for impairment and expected credit losses	(2,110)	(2,485)
	7,803	17,815
Advance payments to suppliers	775	491
Deposits	94	110
Related party receivables:		
- Associate		
- trade	42	–
- non-trade	26	–
- Other related parties		
- trade	328	1,219
- non-trade	37	739
Grant receivables	388	–
Unrealised gain on derivative	51	–
Other receivables	56	55
Total financial assets at amortised cost	9,600	20,429

Trade and other receivables are non-interest bearing and are generally due when invoiced or on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

As at 30 June 2020, trade receivables amounting to S$1,966,000 (2019: S$2,630,000) were arranged to be settled via letters of credit issued by reputable banks in countries where the customers were based.

<u>Receivables that are past due but not impaired</u>

Trade and other receivables that are not impaired are with creditworthy debtors with good payment records. Cash and short-term deposits are placed with reputable banks.

As at 30 June 2020, the ageing analysis of trade receivables that are past due but not impaired is as follows:

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Less than 30 days	3,162	4,822
30 to 60 days	252	1,373
61 to 90 days	182	562
91 to 120 days	106	1,961
More than 120 days	808	3,623
	4,510	12,341

16. Current assets – receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are credit-impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Trade receivables - nominal amounts	1,960	2,146
Less: allowance for impairment	(1,960)	(2,146)
	–	–
Movement in allowance accounts:		
As at 1 July	2,146	1,087
Charge for the year	282	1,197
Written off	(312)	(11)
Unused amounts reversed	(171)	(120)
Currency realignment	15	(7)
As at 30 June	1,960	2,146

Trade receivables are individually determined to be impaired at the end of the reporting period based on the management's historical experience in the collection of debts from customers. These receivables are not secured by any collateral or credit enhancements.

Expected credit losses

Expected credit losses are made for trade receivables which are not credit-impaired. The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Consolidated	
	2020	**2019**
	S$'000	S$'000
As at 1 July	339	–
Effect of adopting AASB 9	–	490
Charge for the year	139	–
Unused amounts reversed	(328)	(151)
As at 30 June	150	339

For related parties' receivables, please refer to note 25 for terms and conditions.

17. Contract costs

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Acquisition costs	434	443
Fulfilment costs	852	644
	1,286	1,087

Incremental costs of obtaining a contract are capitalised as acquisition costs if these costs are recoverable.

Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered.

Capitalised contract costs are amortised on a systematic basis that is consistent with the entity's transfer of the related goods and services to the customer.

For the financial year ended 30 June 2020, S$1,275,000 (2019: S$207,000) was amortised and no impairment loss had been recognised.

18. Current liabilities - payables

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Trade payables and accruals (a)	28,254	16,710
Related party payables (b)		
- trade	–	527
- non-trade	170	240
Deferred grant income	252	–
Other payables	243	179
	28,919	17,656

(a) All amounts are non-interest bearing and are normally settled on 30 to 90 days' terms.

(b) For related parties' payables, please refer to note 25 for terms and conditions.

19. Other interest-bearing liabilities

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Current		
Bank overdrafts (a)	1,274	1,283
Bills payable (b)	16,088	4,275
Revolving term loans (c)	12,600	13,700
Term loans (d)	153	163
Loans from a related party (e)	2,429	2,464
	32,544	21,885
Non-current		
Term loans (d)	2,133	283

Details of the secured borrowings are as follows:

(a) Bank overdraft amounting to S$142,000 (2019: S$544,000) which bears interest at floating rates ranging from 6.00% to 6.25% (2019: 5.75% to 6.00%) per annum is secured by corporate guarantee from Zicom Holdings Private Limited ("ZHPL").

Bank overdraft of S$449,000 (2019: S$422,000) which bears interest at floating rate ranging from 6.80% to 7.70% (2019:7.70%) per annum is secured by a corporate guarantee from Zicom Cesco Engineering Co. Ltd.

Bank overdraft of S$683,000 (2019: S$317,000) which bears interest at floating rate ranging from 6.80% to 7.70% (2019:7.70%) per annum is secured by a legal mortgage on the subsidiary company's freehold land and buildings at 700/895 Moo 2, Amata Nakorn Industrial Estate, Chonburi, Thailand and a corporate guarantee from ZHPL.

(b) Bills payable amounting to S$12,253,000 (2019: S$nil) with a maturity of up to 185 or 390 days offered as part of project financing bear fixed interest rates until expiry, ranging from 3.97% to 5.90% per annum, at which point interest rate resets and are secured by a corporate guarantee given by ZHPL.

Bills payable amounting to S$3,583,000 (2019: S$3,766,000) with an average maturity of 1 - 4 months (2019: 1 - 4 months) bear fixed interest rates until expiry, ranging from 1.85% to 3.51% (2019: 1.80% to 4.39%) per annum, at which point interest rate resets and are secured by a corporate guarantee given by ZHPL.

The remaining bills payable amounting to S$252,000 (2019: S$509,000) with a term of 120 days (2019: 1 month) bears interest at fixed rate until expiry of 3.52% (2019:4.81%) per annum is secured by a corporate guarantee from the Company.

(c) A revolving credit line of S$5,000,000 (2019: S$5,000,000) for a term of 10 years was offered to ZHPL where drawdown can be made in tranches for a tenure of 1, 2 or 3 months and thereafter, rollover as required. This facility which is secured by a first legal mortgage on ZHPL's building at No. 9 Tuas Avenue 9 Singapore 639198 and corporate guarantees from the Company and Zicom Private Limited shall be reduced by an annual reduction of S$500,000 commencing on 28 August 2018. As at 30 June 2020, S$4,000,000 (2019: S$4,500,000) is outstanding bearing interest at fixed rates until expiry, ranging from 2.00% to 3.35% (2019: 3.25% to 3.35%) per annum, at which point, interest rate resets.

Short term loan of S$3,000,000 (2019: S$3,000,000) with a term of 5 years was granted to Zicom Private Limited where drawdown can be made in tranches for a tenure of 1, 3 or 6 months and thereafter, rollover as required. This facility which is subject to a monthly reduction of S$50,000 commencing on 16 June 2018 is secured by a first legal mortgage on ZHPL's building at No. 5 Tuas Avenue 1 Singapore 639490 and a corporate guarantee from ZHPL. As at 30 June 2020, S$1,750,000 (2019: S$2,350,000) is outstanding with tenure of 1 month (2019: 1 month) bearing interest at floating rate ranging from 1.51% to 3.22% (2019: 3.22%) per annum, at which point, interest rate resets.

Short term loans with a tenure of 3 - 6 months (2019: 6 months) amounting to S$1,850,000 (2019: S$1,850,000) bear interest at fixed rates until expiry ranging from 2.77% to 3.99% (2019: 3.97% to 3.99%) per annum at which time interest rate resets and is secured by a corporate guarantee given by ZHPL.

19. Interest-bearing liabilities (cont'd)

(c) The remaining short-term loans with tenure of 1 month (2019: 1 month) amounting to S$5,000,000 (2019: $5,000,000) which is secured by a first legal mortgage on ZHPL's building at No. 29 Tuas Avenue 3 Singapore 639420 bears interest at fixed rates until expiry, ranging from 1.50% to 3.26% (2019: 3.14% to 3.26%) per annum at which point interest rate resets.

(d) Term loans amounting to S$63,000 (2019: S$106,000) comprising of current and long-term portions of S$27,000 (2019: S$44,000) and S$36,000 (2019: S$62,000) respectively which are secured by a fixed charge over the purchased motor vehicles and equipment are payable over the remaining 1 to 3 years (2019: 2 – 4 years) and bear interest at fixed rates of 5.05% to 5.40% (2019: 4.12% to 5.40%) per annum.

Term loans amounting to S$223,000 (2019: S$340,000) comprising of current and long-term portions of S$126,000 (2019: S$119,000) and S$97,000 (2019: S$221,000) respectively is repayable over 1 – 2 years (2019: 2 - 3 years and bear interest at fixed rates of 5.11% and 5.51% (2019: 5.11% and 5.51%) per annum. It is secured by a fixed charge over the purchased motor vehicle and equipment and a corporate guarantee from Cesco Australia Limited.

Temporary bridging loans with a tenor of 5 years totalled S$5,000,000 (2019:$nil) were offered to Zicom Private Limited, Zicom Equipment Private Limited and Sys-Mac Automation Engineering Pte Ltd during the current financial year. Introduced by the Singapore government to help businesses cope during the pandemic, interest is charged at a fixed rate of 2.25% per annum and repayment of loan only commences after 12 months. As at 30 June 2020, $2,000,000 under this facility which is secured by a corporate guarantee by ZHPL has been drawn down.

(e) Loans from a related party amounting to S$2,429,000 (2019: S$2,464,000) which bear interest at fixed rate of 5% (2019: 5%) per annum have a maturity of 3 months which may be extended if required at the discretion of borrowers.

(f) Financing facilities available

As at 30 June 2020, the Group had available S$100,961,000 (2019: S$120,800,000) of undrawn committed borrowing facilities and all significant bank covenants were complied with.

20. Provisions

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Current		
Assurance-type warranties	611	747
Employee benefits	457	431
	1,068	1,178
Non-current		
Employee benefits	417	316
Reinstatement costs	152	151
	569	467
Movement in provision for assurance-type warranties:		
At beginning of year	747	1,494
Additional provision	426	735
Disposal of subsidiaries	–	(79)
Unused amounts reversed	(301)	(378)
Utilised	(264)	(1,019)
Currency realignment	3	(6)
At end of year	611	747
Warranty expense charged directly to profit or loss (note 6)	3	3
Movement in provision for employee benefits:		
At beginning of year	747	648
Additional provision	121	121
Unused amounts reversed	–	–
Utilised	(6)	(7)
Currency realignment	12	(15)
At end of year	874	747
Movement in provision for reinstatement costs:		
At beginning of year	151	154
Currency realignment	1	(3)
At end of year	152	151

Provision for assurance-type warranty claims is recognised on deck machineries, gas processing plants and flip chip bonders supplied. Assumptions used to calculate these provisions were based on a certain percentage of sale value and past experience of the level of repairs and returns based on the two-year warranty period.

In accordance with the lease agreements, the Group must reinstate certain subsidiaries' leased premises in Singapore and Australia to its original condition at the end of the lease term.

Because of the long-term nature of liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred.

21. Share capital

a. Share Capital

	2020	2019	2020	2019
	No. of shares (Thousands)		S$'000	S$'000
Ordinary fully paid shares	217,141	217,141	21,100	21,100

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. Movements in ordinary share capital

	Company	Group
	Number of ordinary shares (Thousands)	S$'000
At 1 July 2018	217,141	38,314
Share capital reduction	–	(17,214)
At 30 June 2019 and 30 June 2020	217,141	21,100

On 15 November 2018, the shareholders of the Company approved a capital reduction exercise satisfied by distributing and transferring all the issued ordinary shares in its wholly-owned subsidiary, ZIG Ventures Private Limited ("ZIG"), on a pro-rata basis to the shareholders of the Company. The capital reduction effectively resulted in the demerger of ZIG from the Group. This exercise was completed on 30 November 2018 and accordingly, the share capital of the Group was reduced, without cancelling any of the Company's shares, by S$17,214,000, an amount equal to the net book value of ZIG and its subsidiaries as at 30 November 2018.

There were no movement in share capital during the current financial year.

22. Cash and cash equivalents

	Consolidated	
	2020	2019
	S$'000	S$'000
Cash at bank and in hand	11,493	15,009
Short-term fixed deposits	15	15
	11,508	15,024

For the purpose of statement of the consolidated cash flows, cash and cash equivalents comprise the following as at 30 June:

Cash and short-term deposits	11,508	15,024
Bank overdrafts	(1,274)	(1,283)
	10,234	13,741

Cash at bank balance amounting to S$4,110,000 as at 30 June 2020 (2019: S$11,010,000) earned interest at floating rate based on daily bank deposit rates ranging from 0.01% to 2.30% (2019: 0.01% to 2.15%) per annum.

Short-term deposits are made for varying periods of 1 day to 3 months depending on the immediate cash requirements of the Group and earn interest at the respective short-term rates.

Included in short-term fixed deposits are amounts of S$15,000 (2019: S$15,000) pledged for facilities.

23. Financial instruments

(a) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Group enters into derivative transactions, principally foreign currency forward contracts, purpose is to manage currency risk arising from the Group's operations and sources of finance. The Group does not apply hedge accounting for such derivatives.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from loans and borrowings which have floating interest rates. The Group's policy with respect to controlling this risk is linked to a regular review of the total debt position and assessment of the impact of material changes in interest rates applicable to new and existing debt facilities. Consideration is given to potential renewal of existing positions, alternative financing, alternative hedging positions and mix of fixed and variable interest rates. At the balance sheet date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Financial assets		
Cash and bank balances	4,110	11,010
Financial liabilities		
Bank overdrafts	1,274	1,283

Sensitivity analysis of interest rate risk

As at 30 June 2020, if interest rates had increased/decreased by 25 basis point with all other variables held constant, post-tax profit for the consolidated entity for the current financial year would be S$5,000 (2019: S$20,000) higher/lower, as a result of the higher/lower interest rates. Accordingly, the Group's equity as at year-end will be S$5,000/(S$5,000) (2019: S$20,000/(S$20,000)) higher/lower.

23. Financial instruments (cont'd)

(c) Foreign currency risk

Foreign currency risk occurs as a result of the Group's transactions that are not denominated in their respective functional currencies. These transactions arise from the Group's ordinary course of business. The Group transacts business in various currencies and as a result, is largely exposed to movements in exchange rates of United States dollar, Euro, Bangladeshi Taka and Australian dollar.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. The Group also uses foreign currency forward contracts to hedge a portion of its future foreign exchange exposure purely as a hedging tool and does not take positions in currencies with a view to make speculative gains from currency movements.

The following sensitivity analysis is based on the foreign exchange risk exposure in existence at the balance sheet date. As at 30 June, if exchange rates had moved, as illustrated in the table below, with all other variables held constant, post-tax results and equity would have been affected as follows:

	2020	**2019**
Consolidated	S$'000	S$'000
USD		
- strengthened 1% (2019: 3%)	24	103
- weakened 2% (2019: 1%)	(47)	(34)
EURO		
- strengthened 5% (2019: 1%)	(13)	(3)
- weakened 1% (2019: 2%)	3	5
AUD		
- strengthened 4% (2019: 1%)	-	5
- weakened 1% (2019: 1%)	-	(5)
BDT		
- strengthened 2% (2019: 2%)	(8)	15
- weakened 2% (2019: 2%)	8	(15)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Credit risk is monitored through careful selection of customers and their balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant.

The Group determines that its financial assets are credit impaired when contractual payments are significantly delayed from historical payment patterns or when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The Group provides for expected credit losses for all trade receivables using a provision matrix based on the Group's historical credit loss experience adjusted for factors that are specific to the debtors and general economic conditions at the reporting date.

23. Financial instruments (cont'd)

(d) Credit risk (cont'd)

Credit risk concentration profile
The Group determines concentration of credit risk by monitoring the country profile of its trade receivables and contract assets on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and contract assets at the balance sheet date is as follows:

	Consolidated			
	2020		2019	
	S$'000	% of total	S$'000	% of total
Austria	42	0.5	207	1.2
Australia	1,226	15.7	2,901	16.3
Bangladesh	2,046	26.2	3,414	19.2
India	–	–	237	1.3
Indonesia	114	1.5	204	1.1
Malaysia	324	4.2	1,426	8.0
People's Republic of China	171	2.2	1,072	6.0
Myanmar	34	0.4	460	2.6
Singapore	2,570	32.9	4,107	23.1
Taiwan	101	1.3	2,709	15.2
Thailand	673	8.6	751	4.2
United States of America	420	5.4	211	1.2
Others	82	1.1	116	0.6
	7,803	100	17,815	100

At the balance sheet date, approximately 35.9% (2019: 55.6%) of the Group's trade receivables were due from 3 (2019: 6) major customers.

Contract assets

	Consolidated			
	2020		2019	
	S$'000	% of total	S$'000	% of total
Bangladesh	36,712	96.0	–	–
Indonesia	–	–	211	15.6
People's Republic of China	77	0.2	–	–
Singapore	1,308	3.4	1,131	83.7
United States of America	140	0.4	10	0.7
	38,237	100	1,352	100

23. Financial instruments (cont'd)

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

The following table summarises the maturity profile of the Group's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments. The expected timing of actual cash flows from these financial instruments may differ.

Consolidated	1 year or less S$'000	After 1 year but not more than 5 years S$'000	5 to 10 years S$'000	Total S$'000
2020				
Financial assets:				
Trade receivables	7,686	–	–	7,686
Other receivables	204	–	–	204
Cash and bank balances	11,508	–	–	11,508
Total undiscounted financial assets	19,398	–	–	19,398
Financial liabilities:				
Trade payables	5,861	–	–	5,861
Other payables	20,988	–	–	20,988
Loans and borrowings	33,714	2,229	–	35,943
Lease liabilities	2,243	4,397	4,088	10,728
Total undiscounted financial liabilities	62,806	6,626	4,088	73,520
Total net undiscounted financial liabilities	(43,408)	(6,626)	(4,088)	(54,122)
2019				
Financial assets:				
Trade receivables	18,493	–	–	18,493
Other receivables	873	–	–	873
Cash and bank balances	15,024	–	–	15,024
Total undiscounted financial assets	34,390	–	–	34,390
Financial liabilities:				
Trade payables	10,495	–	–	10,495
Other payables	5,731	–	–	5,731
Loans and borrowings	22,501	600	13	23,114
Total undiscounted financial liabilities	38,727	600	13	39,340
Total net undiscounted financial liabilities	(4,337)	(600)	(13)	(4,950)

23. Financial instruments (cont'd)

(f) Fair values

(i) Fair value of financial instruments that are carried at fair value

	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
	S$'000	S$'000	S$'000	S$'000
Consolidated				
2020				
Financial assets:				
Derivatives – foreign currency options	–	51	–	51
At 30 June 2020	–	51	–	51

The Group had no financial instruments measured at fair value as at 30 June 2019.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of cash and short-term deposits, current trade and other receivables, current trade and other payables, current interest-bearing liabilities reasonably approximate their fair values because they are mostly short-term in nature and repriced frequently.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values of non-current bank loans bearing interest at fixed rates, which are not carried at fair value in the balance sheet, are presented in the following table. The fair value is estimated using discounted cash flow analysis using discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The Group's own non-performance risk as at 30 June 2020 was assessed to be insignificant.

	Consolidated			
	Carrying Amount		**Fair Value**	
	2020	**2019**	**2020**	**2019**
	S$'000	S$'000	S$'000	S$'000
Financial liabilities:				
Term loans	2,133	283	1,969	248

24. Capital Management

The Group's primary objective when managing capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The Group regularly reviews the Company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets or increase borrowings. No changes were made in the objectives, policies and processes during the years ended 30 June 2020 and 30 June 2019.

Management monitors capital through the gearing ratio (net debt / total capital). The Group defines net debts as interest-bearing liabilities less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Parent and reserves. The Group's policy is to keep its gearing ratio at less than 50%.

The gearing ratios as at 30 June 2020 and 30 June 2019 were as follows:

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Lease liabilities (note 11)	8,784	513
Other interest-bearing liabilities (note 19)	34,677	22,168
Less: bank overdrafts (note 19)	(1,274)	(1,283)
	42,187	21,398
Less: cash and cash equivalents (note 22)	(10,234)	(13,741)
Net debt	31,953	7,657
Equity attributable to holders of the Parent	65,078	65,777
Gearing ratio	49.10%	11.64%

25. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, the following table provides the total amount of transactions that have been entered with related parties at mutually agreed terms for the relevant financial year.

(a) Sale and purchase of goods and services

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Minority shareholder of a subsidiary company		
- Sales	337	1,480
- Purchases	–	33
Associates		
- Sales	9	358
- Purchases	773	–
- Interest income	–	24
- Rental & utilities income	68	82
- Services rendered	64	319
Other related parties		
- Sales	1,254	790
- Purchases	–	367
- Interest income	3	7
- Rental & utilities income	198	77
- Services rendered	36	142
- Interest expenses	95	92
- Services received	63	56

(In Singapore dollars)

25. Related party disclosures (cont'd)

(b) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at arm's length basis at normal market prices and on normal commercial terms.

Except for non-trade balances due from related parties amounting to S$51,000 (2019: S$251,000) which are on 30 to 60 days terms, the remaining non-trade balances are unsecured, interest-free and have no fixed terms of repayment. For information regarding outstanding balances on related party receivables and payables at year-end, please refer to notes 16 and 18.

(c) Compensation of key management personnel

	Consolidated	
	2020	**2019**
	S$	S$
Short-term employee benefits	1,161,202	1,305,802
Post-employment benefits	36,090	33,540
Share-based payments	17,522	–
Total compensation	1,214,814	1,339,342

26. Share-based payment plans

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year for equity-settled share-based payment transactions amounted to S$48,000 (2019: S$21,000).

There have been no cancellations or modifications to the plan during the years 2020 and 2019.

(b) Description of the share-based payment plan

Zicom Employee Share and Option Plan ("ZESOP")

Share options are granted to employees as an incentive to retain experience and attract talent. Under the ZESOP, the exercise price of the options approximates the market price of the shares on the grant dates. Employees must remain in service for a period of 1 to 3 years.

Should an employee leave the company or resign from his office, any vested options not exercised prior to that date will be lost except for exceptional circumstances such as death, physical or mental incapacity.

The contractual life of each option granted is 3 to 5 years. There are no cash-settlement alternatives.

26. Share-based payment plans (cont'd)

(c) Movement during the year

	2020	2019
	No. of options (Thousands)	
Outstanding at beginning of year	2,550	2,610
Granted during the year	6,000	–
Forfeited during the year	–	(60)
Expired during the year	(1,950)	–
Outstanding at end of year	6,600	2,550
Exercisable at end of year	1,300	2,550

The outstanding balance of share options as at 30 June 2020 and 30 June 2019 is represented by:

No. of options (Thousands) 2020	2019	Exercise price (Australian Cents)	Exercisable on or after	Expiry Date
-	1,950	20.5	1/11/2016	31/10/2019
600	600	18.0	1/12/2016	30/11/2020
700	–	8.1	13/11/2019	12/11/2024
221	–	8.1	13/11/2020	12/11/2024
215	–	8.1	13/11/2021	12/11/2024
214	–	8.1	13/11/2022	12/11/2024
1,581	–	8.1	16/10/2020	15/10/2024
1,535	–	8.1	16/10/2021	15/10/2024
1,534	–	8.1	16/10/2022	15/10/2024
6,600	2,550			

(d) Weighted average fair value

The weighted average fair value of options granted in the current financial year was A$0.02 (2019: nil).

(e) No share option was exercised during the year.

(f) Option pricing model

The fair value of the equity-settled share options granted during the year under the ZESOP is estimated as at the date of grant using a Trinomial model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Inputs		
Grant date	16/10/2019	13/11/2019
Exercise price (A$):	0.081	0.081
Stock price at grant date (A$):	0.081	0.080
Maximum option life in years:	5	5
Volatility:	23.79%	23.20%
Risk free interest rate:	1.00%	1.00%

The effects of early exercise have been incorporated into the calculations by defining the conditions under which employees are expected to exercise their options after vesting in terms of the stock price reaching a specified multiple of the exercise price, which is not necessarily indicative of exercise patterns that may occur in the future.

The expected volatility reflects the assumption that historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

27. Commitments

(a) Commitments

As at year-end, the Group has issued letters of guarantee amounting to S$20,555,000 (2019: S$23,589,000).

(b) Operating lease commitments

The Group has entered into commercial leases for the use of land and buildings and office equipment as lessee. These leases have an average of 2 to 30 years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments for the leases are as follows:

	Consolidated	
	2020	**2019**
	S$'000	S$'000
Within 1 year	–	2,347
Within 2 - 5 years	–	3,968
More than 5 years	–	4,217
	–	10,532

As disclosed in note 2.3, the Group adopted AASB 16 *Leases* on 1 July 2019 and accordingly these lease payments have been separately recognised as right-of-use assets and lease liabilities on the balance sheet as at 30 June 2020.

(c) Capital commitment

The Group has no capital commitment as at 30 June 2020 and 30 June 2019.

28. Auditors' remuneration

During the year, the following fees were paid/payable for services provided by auditors:

	Consolidated	
	2020	**2019**
	S$	S$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- Audit and review of financial statements	139,320	129,662
- Taxation services	–	14,136
Amounts received or due and receivable by Ernst & Young (Singapore) for:		
- Audit and review of financial statements	235,000	250,000
Amounts received or due and receivable by other audit firms for:		
- Audit and review of financial statements	27,464	27,857
- Taxation services	50,805	4,691
	452,589	426,346

29. Parent Entity disclosures

(a) The individual financial statements of the Parent Entity shows the following aggregate amounts:

	2020 S$'000	2019 S$'000
Balance sheet		
Non-current assets	53,083	53,004
Current assets	1,319	1,748
Total assets	54,402	54,752
Current liabilities	104	233
Net assets	54,298	54,519
Equity		
Share capital (i)	71,850	71,850
Share capital - exercise of share options	472	472
Capital reserve	688	688
Foreign currency translation reserve	(515)	(518)
Share-based payments reserve	73	141
Accumulated losses	(18,270)	(18,114)
	54,298	54,519
Results		
(Loss)/profit for the year	(272)	509
Other comprehensive income	–	–
Total comprehensive (loss)/income	(272)	509

(i) The share capital of the Parent Entity differs from that of the consolidated entity due to the reverse takeover which took place in 2006. Accordingly, the Parent Entity which is the legal parent is accounted for as the acquiree for accounting purposes.

(b) Guarantees

(i) The Parent Entity has issued letters of guarantee amounting to S$4,251,000 (2019: S$5,009,000) to secure trade facilities and bank loans for controlled entities.

(ii) The Parent Entity has entered into a Deed of Cross Guarantee and the subsidiaries subject to the deed is disclosed in note 13.

(c) Contingent liabilities

The Parent Entity has no contingent liabilities as at 30 June 2020 and 30 June 2019.

30. Subsequent events

Subsequent to the financial year-end, the Company discovered certain financial irregularities in two Thailand-based subsidiaries involving unauthorised cash withdrawals and misreporting. A provision of S$1,374,000 was made representing the Group's best estimate of the exposure at the time of releasing the unaudited Appendix 4E to the Australian Securities Exchange on 31 August 2020. A forensic audit which was carried out in September 2020 has resulted in an additional provision of S$492,000 for the year ended 30 June 2020, giving rise to a total exposure of S$1,866,000.

Except as disclosed above, no matter or circumstance has occurred subsequent to the year-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 30 June 2020.

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 for the financial year ended 30 June 2020 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 30 June 2020 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.1.

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 13 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

GL Sim
Executive Chairman
30 September 2020

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Zicom Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Assessment of the carrying value of the intangible assets and non-current assets

Why significant	How our audit addressed the key audit matter
In accordance with the requirements of Australian Accounting Standards and as described in Note 12 of the financial report, the Group performed an annual impairment assessment of the carrying value of the non-current assets and the cash generating units (CGUs) to which they relate, to determine whether their recoverable amount is below the carrying amount as at balance date. The Group's assessment in the current year resulted in the recording of no impairment charges. An impairment assessment of goodwill is carried out annually while finite life intangible assets, Right of Use asset and property, plant and equipment are assessed for indicators of impairment. In respect of goodwill, impairment testing was performed by the Group as disclosed in Note 12. Management's assessment of the recoverability of the Group's intangible assets of S$7.1 million, inclusive of goodwill of S$5.5 million, and PPE & ROU of S$34.2m and S$8.7m respectively, involves significant judgments and assumptions about the progress and future results of the Cash Generating Units ("CGUs") of the Group. Due to the range of judgments and assumptions used in the impairment models (such as cash flow forecasts, growth rates, discount rates, timing of cash flows, market share assumptions and margins) and assessments, as well as the significant carrying amount of the property, plant and equipment, Right of Use asset and intangible assets (35% of total assets), this was a Key Audit Matter. As disclosed in Note 12 of the financial report, the impairment models are sensitive to growth rate, margin, timing of cash flows and discount rate which, if not achieved, could reasonably be expected to give rise to impairment charges in the future.	Our audit procedures included the following: ▸ We assessed the Group's determination of CGUs based on our understanding of the nature of the Group and their operations and assessed whether this was consistent with the internal reporting of the business. ▸ We evaluated the Group's assessment for indicators of impairment. In doing so, we considered the business performance of the CGUs and associated results for the year, market conditions and expected future results. Where indicators of impairment were identified or the CGU included goodwill, we assessed the Group's value-in-use models to determine recoverable amount for the CGU. ▸ We also assessed the useful life of each finite life asset in the context of the expected future period of economic consumption. ▸ We assessed the cash flow forecasts approved by the Board and used in the impairment model taking into account our knowledge of the business and relevant external information. ▸ In conjunction with our valuation specialists, we assessed the discount rate applied to the cash flows of each CGU to assess whether the rate reflects the risks associated with the respective cash flow forecasts and were comparable with externally available industry, economic and financial data. ▸ We considered the sensitivity of the Group's estimated value-in-use for its CGUs for changes in significant assumptions including discount rates, terminal growth rates, and revenue growth assumptions. ▸ We assessed the adequacy of the related disclosures in Note 12 of the financial report.

Revenue recognition – engineering, procurement, construction, testing & commissioning contract

Why significant	How our audit addressed the key audit matter
During the period, the Group had a material contract in place for the supply of engineering, procurement, construction, testing and commissioning of Wellhead Gas Compressor Stations for which a significant component of the project had been completed. The recognition of revenue for this contract had a significant impact on revenue and results of the Group for the year. The recognition of revenue involves judgment and estimates made by the Group, including assessing the degree of completion of projects which are accounted for over time and have enforceable right to payment for performance complete to date.	Our audit procedures included the following: ▸ We reviewed the contract and assessed the appropriateness of revenue recognised. ▸ We assessed the effectiveness of relevant controls relating to the determination of revenue recognised. ▸ We considered the re-performed the percentage of completion attributed to the specific contract after assessing the underlying inputs to the calculation. ▸ We evaluated the significant judgements and estimates made by the Group to identify separable performance obligations and enforceable rights to payment based on performance completed to date for the specific contract.

Misappropriation of cash in foreign subsidiary

Why significant	How our audit addressed the key audit matter
As disclosed in Note 6 of the financial report, the misappropriation of cash was identified as having occurred in two of the Group's subsidiaries in Thailand. This was considered a key audit matter due to the extent of misappropriation that had occurred.	Our audit procedures included the following: ▸ We involvement of our forensic accounting specialists to assess the extent and financial impact of the misappropriation. ▸ We considered whether this matter impacted on the Group's compliance with laws and regulations. ▸ We considered the disclosures made in the financial report in relation to this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Zicom Group Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Tom du Preez
Partner
Brisbane
30 September 2020

Zicom Group Limited

Information on Shareholdings
As at 28 September 2020

Distribution of Equity Securities

a) Analysis of numbers of equity security holders by size of holding:

			Ordinary Shares	Number of Holders
1	–	1,000	7,014	61
1,001	–	5,000	583,260	162
5,001	–	10,000	1,993,538	221
10,001	–	100,000	12,181,987	350
100,001		and over	202,374,981	112
			217,140,780	906

b) There were 297 holders of less than a marketable parcel of ordinary shares.

Twenty Largest Equity Security Holders

The names of the twenty largest equity security holders are listed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares
SNS HOLDINGS PTE LTD	94,028,360	43.30%
GIOK LAK SIM	13,752,777	6.34%
JUAT KOON SIM	11,812,172	5.44%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,069,978	5.10%
MR MAKRAM HANNA & MRS RITA HANNA	7,061,665	3.25%
JUAT LIM SIM	6,487,767	2.99%
CITICORP NOMINEES PTY LIMITED	4,263,591	1.96%
EE GEK GOH	2,791,017	1.29%
FIRST CHARNOCK SUPERANNUATION PTY LTD	2,691,316	1.24%
SIONG TECK NG	2,423,165	1.12%
HUNG SEAH TANG	2,100,839	0.97%
JUAT KHIANG SIM	2,069,525	0.95%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,778,703	0.82%
BNP PARIBAS NOMS (NZ) LTD	1,629,393	0.75%
MR AIDAN HANNA	1,563,000	0.72%
KOK HWEE SIM	1,488,180	0.69%
MR CHUAN GAO	1,383,791	0.64%
KOK YEW SIM	1,350,253	0.62%
G M ELASTOMERICS PTY LTD	1,331,000	0.61%
BNP PARIBAS NOMINEES PTY LTD	1,267,110	0.58%

Substantial Shareholders

Substantial shareholders in the company (holding not less than 5% of the issued capital), as disclosed in substantial shareholder notices given to the company, are set out below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares
GIOK LAK SIM & HIS ASSOCIATES	107,781,137	49.64%
JUAT KOON SIM & HIS ASSOCIATES	14,603,189	6.73%

Voting Rights

On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

BOARD OF DIRECTORS

Giok Lak Sim	(Executive Chairman)
Kok Yew Sim	(Executive Director)
Lim Bee Chun, Jenny	(Executive Director)
Kok Hwee Sim	
Yian Poh Lim	
Renny Yeo Ah Kiang	
Stewart James Douglas	
Shaw Pao Sze	

Ian Robert Millard (Alternate Director to G L Sim)

JOINT COMPANY SECRETARIES

Lim Bee Chun, Jenny
Igor Sushko

REGISTERED OFFICE

38 Goodman Place
Murarrie QLD 4172
Australia

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Facsimile	:	+61 7 3390 6898
Website	:	www.zicomgroup.com

SHARE REGISTRY

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

AUDITORS

Ernst & Young
111 Eagle Street
Brisbane, QLD 4000
Australia

SOLICITORS

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

BANKERS

Australia

Westpac Banking Corporation

Singapore

United Overseas Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
DBS Bank Ltd
Westpac Banking Corporation

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