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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

“In the midst of darkness, light persists”

Mahatma Gandhi 1869-1948

Mahatma Gandhi's famous speech in 1931 cannot be more appropriate to describe the dark periods in the last 18 months. Indeed, in the midst of darkness, humanity has focused on the light. It has embraced all necessary health control measures and expedited the discovery of vaccines to control the pandemic so normalcy can be restored to our lives. However, the Delta Variant and the Mu Variant, two of the most virulent mutations of the Covid-19 virus which are more infectious and transmissible, continue to keep the pandemic at its height. It is assuming an endemic characteristic like common flu. The virus has somewhat evolved to control our destiny. Economic growth is subject to it being under control.

Severe Impact

The impact inflicted on our businesses in 2020 right up to the end of the financial year just ended has been the most severe in the Company's history. Orders for our products and services virtually ceased for almost the better part of the year, caused by lockdowns, global downturns compounded by trade war and geopolitical conflicts between USA and China, reduced travels and people movement. We had to rely on past orders secured in 2019 pre-pandemic, for revenue and cash flow.

Outcome In Adversity

In the midst of these adversities, we devised and innovated new ways of working together to execute our projects remotely. We reinforced communications and understanding among the teams and invested in new tools to facilitate these, ramped up tight healthcare control measures across the businesses and enhanced safety measures for all employees with emphasis on those at project sites. These additional costs were incurred necessarily. The payback came in the form of successful completion of projects, without penalties and runaway costs. Customers' trust and confidence has been bolstered positioning ourselves strongly for new projects ahead.

Unrelenting Efforts Paying Off

At the same time, our push into Green Energy projects had been unrelenting in expediting technology developments and engagement with customers. Most of these efforts had to be carried out remotely. The hard work and tenacity in the midst of very tough challenges finally paid off with us securing a total of S\$60m of LNG propulsion systems. These were secured from one of the world's biggest oil tanker owners. The tankers are chartered to a top European oil company which strongly champions green energy and sustainability. This strong recognition is now propelling us to foray into different medium of carbon-free gas propulsion systems to meet industry demand, such as methanol and ammonia.

Green Shoots

In the last 6 months, general enquiries covering all sectors of our businesses have increased. We believe the Group has turned the corner and should see better days ahead. The resilience, fortitude and dedication of the Group's management and work force reinforce the Group's ability to capture growing opportunities as the global economy is resetting. The pandemic is expected to ease with increased vaccinations. Humanity and businesses are adapting to live with this potential endemic as a new normal to restore economic growth.

Share Buy-back

Our ability to deliver projects successfully in the pandemic enabled the Group to pay off all project loans taken in time, and to achieve a strong positive cash flow. This has reduced the Group's gearing ratio positioning the Board to review its capital management policy. As the board is of the opinion that the Group's quoted share price does not reflect its intrinsic value, it has decided on a share buy-back from September 2021.

The Teams' Fortitude

During the year the management and all employees, in particular the site project teams displayed great valour, strong dedication and commitment in the face of adversity in executing projects. We owe them great gratitude for their efforts without which, the projects would not have been successfully completed in time. A group of senior managers volunteered suspension of their pay between 20-30%. I took a 50% suspension of my pay. This was to strengthen cash liquidity. On 30 June 2021, their salaries were restored as we emerged with a stronger cash position. I did not restore my pay suspension but instead decided to reduce my monthly pay permanently by two-thirds as a solidarity with the employees' strong dedication and commitment during a crisis.

Chairman's Message

Appreciation

Our Board members gave valuable guidance and exercised patience and support during the year, for which I am grateful. I would like to take this opportunity to express my appreciation to our shareholders for their forbearance and continuing support. We look forward to deliver better returns and to enhance their share value in the near future.

A handwritten signature in black ink, appearing to be 'G L Sim', with a stylized, looped 'G' and a horizontal stroke at the end.

G L Sim
Chairman

Board of Directors

Giok Lak Sim, FCPA
Executive Chairman, Age 75

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 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 41

Experience and expertise

Made an Executive Director on 25 September 2014 and 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. His first task was to spearhead the Group's foray into LNG propulsion systems and is now leading the team to execute the maiden project in transforming the offshore marine sector. He is leading the team to advance development into carbon-free gas propulsion systems in addition to LNG to meet evolving mandates of the International Maritime Organisation.

Mr Sim graduated with a Bachelor's degree in Electrical and Electronics Engineering from the University of Michigan, Ann Arbor, USA (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 400,000 options

Board of Directors

Lim Bee Chun, Jenny, FCCA

Executive Director and Joint Company Secretary, Age 48

Experience and expertise

Appointed to the Board on 13 November 2019, 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

Yian Poh Lim, BSc, MSc

Non-Executive and Independent Director, Age 75

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 Jiaying 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, England.

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)

Independent Director of ECON Healthcare (Asia) Limited (appointed on 22 March 2021)

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

Board of Directors

Renny Yeo Ah Kiang, PBM, BBM
Non-Executive and Independent Director, Age 71

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.

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)
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
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

NIL

Stewart James Douglas, BBus, CA ANZ, GAICD
Non-Executive and Independent Director, Age 50

Experience and expertise

Appointed to the Board on 13 November 2019, Mr Douglas is an Audit Partner/Director at 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

Board of Directors

Dean Tai Chi-Shang, PhD

Non-Executive and Non-Independent Director, Age 43

Experience and expertise

Appointed to the Board on 30 November 2020, Dr Dean Tai is a founder, Chief Scientific Officer (CSO) and Director of HistoIndex Pte Ltd (“HistoIndex”). HistoIndex is a medical technology company providing optical medical imaging systems and services to aid pathologists in diagnostics, clinical trials and research studies for the assessment and staging of liver diseases. Dr Dean Tai brings with him many years of board experiences, global marketing exposure and collaborations in addition to his strong attributes in innovation, research and development. Dr Dean Tai earned both his Bachelor of Technology (with First Class Honours) and PhD in Biomedical Engineering from the University of Auckland, New Zealand.

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

NIL

Kok Hwee Sim, BSc, MSc

Non-Executive and Non-Independent Director, Age 43

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 remained on the Board as a Non-Executive Director for 2 years before stepping down to focus on the medical technology businesses. On 30 November 2020, he was appointed as Alternate Director to Mr Giok Lak Sim.

Mr Kok Hwee Sim is an experienced chief executive officer, skilled in operations management, corporate finance, engineering, business development and international business. Mr Sim graduated with a Bachelor of Science Degree in Industrial Engineering and Operations Research from the University of Michigan, Ann Arbor, USA (Magna Cum Laude) and Master of Science Degree in Financial Engineering from Columbia University, New York, USA. 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

Non-Executive Director of Zicom Holdings Private Limited

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

1,538,180 ordinary shares and 250,000 options

Marvin Blok, BA, MSc, FCPA
Joint Company Secretary, Age 47

Experience and expertise

Mr Marvin Blok joined the Group on 24 August 2021 as the Finance Manager of Cesco Australia Limited and appointed Joint Company Secretary on 29 September 2021. He has more than 15 years of financial and commercial experience across many industries including manufacturing, banking & insurances, transport, education and consultancy. Mr Blok has held diverse positions such as financial controller, finance manager, commercial manager, project controller and improvement manager in both domestic and international enterprises. Mr Blok graduated with a Bachelor of Commerce from the University of Nijmegen, the Netherlands and Master of Science in Management and Financial Controlling from the Open University of the Netherlands. He is a Fellow of CPA Australia.

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

Nil

Directors' Report 2021

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 2021.

Directors

The following persons were directors of Zicom Group Limited during the financial year and up to the date of this report. Unless otherwise stated, the directors were in office for entire period.

| | |
|-----------------|---|
| Mr. G L Sim | (Executive Chairman) |
| Mr. K Y Sim | (Executive Director, Group CEO) |
| Ms. Jenny Lim | (Executive Director) |
| Mr. Y P Lim | (Non-Executive and Independent Director) |
| Mr. S J Douglas | (Non-Executive and Independent Director) |
| Mr. Renny Yeo | (Non-Executive and Independent Director) |
| Mr. Dean Tai | (Non-Executive and Non-Independent Director, Appointed 30 November 2020) |
| Mr. K H Sim | (Non-Executive and Non-Independent Director, Retired on 30 November 2020, Appointed as Alternate Director to Mr. Giok Lak Sim on 30 November 2020) |
| Mr. S P Sze | (Non-Executive and Independent Director, Retired on 30 November 2020) |
| Mr. I R Millard | (Alternate Director to Mr. Giok Lak Sim, Retired on 30 November 2020) |

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 design and supply of LNG propulsion systems, deck machinery, gas metering stations, gas processing plants and compressor stations, manufacturing of foundation equipment, concrete mixers, rental of foundation equipment, supply of precision and automation equipment and services and computer chip packaging machines and surgical masks.

Consolidated Results

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

| Key Financials | Change % | Year ended 30 June 21 S\$ million | Year ended 30 June 20 S\$ million |
|---|-------------|---|---|
| Total consolidated revenue | - 9.6 | 93.39 | 103.28 |
| Net loss after tax attributable to equity holders of the Parent | + 6.3 | (1.13) | (1.20) |

The Group's cash and bank balances comprising cash and cash equivalents and fixed deposits as at 30 June 2021 strengthened to S\$20.33m (30 June 2020: S\$11.51m). The Group's gearing ratio which has been arrived at by dividing interest-bearing liabilities less cash and cash equivalents over capital has strengthened during the year to 15.80% from 49.10% at the end of 30 June 2020.

The audited gearing ratio of 15.80% represents an improvement over the gearing ratio of 16.08% disclosed in our unaudited Appendix 4E. Additional revaluation surplus relating to the Thailand land and buildings of S\$1.15m has been recorded in the audited accounts as the valuation report was only made available after the release of Appendix 4E due to the lockdown in Thailand. For the same reasons, audited net tangible assets per share has also recorded an improvement to what was disclosed in the unaudited Appendix 4E.

Dividends & Share Buy-Back

Although the Group has shown a strong positive operating cash flow, the results for the year just ended do not justify any payment of dividends. Given the prospects ahead, we are hopeful of profits in the near term that could justify us paying dividends to shareholders.

While the Group is in a strong positive cash flow position, its share price does not reflect its intrinsic value. The Board has therefore decided to carry out a share buy-back exercise from September 2021 as part of the Group's capital management exercise.

Review of Operations

The Group's consolidated revenue for the full year was S\$93.39m as compared with S\$103.28m in the previous year, a decrease of 9.6%. The Group's full year net consolidated loss after tax attributable to members to 30 June 2021 is S\$1.13m as compared with net consolidated loss of S\$1.20m in the previous year, an improvement of 6.3%.

Loss per share for the year was Singapore 0.52 cents compared to Singapore 0.55 cents in the previous year, an improvement of Singapore 0.03 cents per share. Net tangible assets per share increased from Singapore 23.11 cents to Singapore 23.94 cents. Return on equity, based on average of the opening and closing equity, for the year was -1.7% as compared to -1.8% in the preceding year.

The audited net tangible assets per share of Singapore 23.94 cents represents an improvement over 23.41 Singapore cents disclosed in our unaudited Appendix 4E. Similar to the improvement seen in audited gearing ratio, the improvement in net tangible assets per share was due to additional revaluation surplus relating to the Thailand land and buildings of S\$1.15m recorded in the audited accounts after the release of Appendix 4E.

The Covid-19 pandemic had remained unabated, continuing to cast a pall globally throughout the financial year just ended. Customers slowed down in new orders. The global supply chain and movement of people were affected, resulting in shortage of labour and materials. Lockdowns had caused port congestion and shipping delays. All these factors had affected our business performance. These have raised business costs and financing charges, reducing margins.

Notwithstanding these challenges, we managed to successfully complete our projects without penalties, given force majeure reliefs being granted by customers, and at the same time successfully transforming our marine sector to evolve into a green energy player.

There is light in darkness. After 18 months labouring under the pandemic that first broke out in December 2019, governments have accepted that the pandemic has evolved into an endemic as the new normal. Measures are introduced to reactivate the economy minimising lockdowns, riding on aggressive ramping up in vaccinations. Business enquiries and project tenders have increased. General economic recovery is evident.

Capital Management

Notwithstanding the results, the Group achieved strong positive cash flows during the year just ended. This positions it to capitalise on growth opportunities as the pandemic abates. Going forward the Group is confident of strong prospects. The Board is of the opinion that the Group's current share price does not reflect its intrinsic value. It has therefore decided to carry out a share buy-back exercise from September 2021.

Evolving Green Energy Directions

The Group's efforts in transforming the Offshore Marine, Oil and Gas sector in embarking on Green Energy LNG propulsion systems for ocean-going vessels to meet pollution standards mandated by the International Maritime Organisation (IMO) is proving successful. Our gas processing plant business has achieved new milestones holding strong promises for scalability. The revenue generated by these activities will potentially replace revenue lost in marine deck machinery whose demand continues to be weak and uncertain. To expand our market footprint, in addition to LNG, we have begun to foray into developing propulsion systems for methanol and ammonia, as demand for carbon-free systems is fast gaining traction. China is leading in shipbuilding in the world and most of the vessels ordered from their shipyards adopt green energy propulsion or dual-fuel systems. Green energy being a relatively nascent technology, comes with great opportunities to innovate, value-add and accelerate growth. Demand for these is mandated by international maritime regulations.

To more correctly reflect the business direction that is evolving, this cluster has been renamed as Green Energy, Gas and Marine Equipment. For the year just ended, as a cluster, it has been profitable notwithstanding the challenging environment under which the businesses were carried out.

Segmental Revenue

The following is an analysis of the segmental revenue: -

| Segmental Revenue | Change % | Year ended 30 June 21 S\$ million | Year ended 30 June 20 S\$ million |
|--------------------------------------|-------------|---|---|
| Green Energy, Gas & Marine Equipment | - 27.77 | 38.24 | 52.94 |
| Construction Equipment | + 13.28 | 30.29 | 26.74 |
| Precision Engineering & Technologies | + 4.67 | 22.88 | 21.86 |
| Industrial & Mobile Hydraulics | + 9.09 | 1.92 | 1.76 |

Green Energy, Gas & Marine Equipment

There was a drop in revenue during the financial year just ended. This was due to timing of revenue recognition. Notwithstanding the drop in revenue recognition, this segment has been profitable for 2 consecutive years. We expect to maintain its performance in the years to come. Demand for our products and services in this cluster is increasing as reflected in the confirmed orders in hand. This segment potentially forms the bulk of our revenue and its growth is expected to be sustainable.

We have renamed this sector as Green Energy, Gas & Marine Equipment to reflect its evolving direction.

Green energy technology is nascent. There are abundant growth opportunities for innovations and to value-add as well as evolution in new applications. As evident with the majority of new ships being built globally, carbon-free propulsion systems are installed as ship owners are increasingly embracing Environmental Sustainability Governance as part of their ESG responsibility while complying with mandated global maritime regulations.

Construction Equipment

Demand for construction equipment in Australia, Singapore, Malaysia, the Philippines and Thailand picked up towards the last quarter of calendar year 2020. The momentum carried through towards the end of the financial year just ended as pandemic restrictions eased with the availability of vaccines. The pandemic is expected to evolve into an endemic as with the common flu. Governments and businesses are adjusting to this new normal in reactivating the global economy. Construction activities in 2020 have, in the main, been held back in most infected countries that included all the countries in which the Group operated. Pent-up construction activities coupled with the easing of pandemic, a result of higher vaccination coverage, is expected to drive demand for our equipment.

Precision Engineering & Technologies

Revenue from precision engineering and technologies segment increased by 4.67% in the full year as compared with the previous year. The increase reflects gradual resurgence in demand for automation and manufacturing services in line with economic recovery.

The growth in this segment will gain increasing impetus as more people are vaccinated and the global supply chains recover driving growth. While the impasse in the USA-China political relationship is expected to continue for a while, tension has been considerably lessened with a new President in USA. Global trade is expected to recover as success in controlling the pandemic gains pace.

The emergence of the Covid-19 Variant, the Delta, which is more transmissible and infectious has called for use of quality masks that meet surgical standards such as Type IIR. Our surgical masks are manufactured to the highest standards meeting EU and FDA specifications. Demand for our masks has increased. We have recovered our capital investment. The mask project was primarily premised as an CSR project to help society meet the shortage of masks at the height of the pandemic in mid-2020. Profits from this activity are expected to remain marginal pursuant to our CSR objective.

Industrial & Mobile Hydraulics

This sector, as with most businesses, was impacted by the Covid-19 lockdown. As the main part of this business includes supply of hydraulic systems to the concrete mixer manufacturing, we have decided to consolidate and include this division into the Construction Equipment segment with effect from 1 July 2021.

Financial Position

The Group's financial position remains satisfactory: -

| Classification | Increase S\$ million | As at 30 June 21 S\$ million | As at 30 June 20 S\$ million |
|--------------------------|-------------------------|---------------------------------|---------------------------------|
| Net assets | 0.51 | 65.79 | 65.28 |
| Net working capital | 1.70 | 23.87 | 22.17 |
| Cash in hand and at bank | 8.82 | 20.33 | 11.51 |

Return per Share

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

| Classification | Decrease Singapore Cents | Year ended 30 June 2021 Singapore Cents | Year ended 30 June 2020 Singapore Cents |
|----------------|-----------------------------|---|---|
| Loss per share | 0.03 | (0.52) | (0.55) |

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

| Classification | Increase Singapore Cents | As at 30 June 21 Singapore Cents | As at 30 June 20 Singapore Cents |
|-------------------------------|-----------------------------|-------------------------------------|-------------------------------------|
| Net tangible assets per share | 0.83 | 23.94 | 23.11 |

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

The audited net tangible assets per share of Singapore 23.94 cents represents an improvement over 23.41 Singapore cents disclosed in our unaudited Appendix 4E. The improvement in net tangible assets per share was due to additional revaluation surplus relating to the Thailand land and buildings of S\$1.15m recorded in the audited accounts after the release of Appendix 4E.

Capital Expenditure

For the year ending 30 June 2022, the Group does not plan to invest in any major capital equipment.

Confirmed Orders

We have a total of S\$82.9m (30 June 2020: S\$53.6m) outstanding confirmed orders in hand as at 30 June 2021. A breakdown of these outstanding confirmed orders are as follows: -

| | S\$ m |
|--------------------------------------|-------------|
| Green Energy, Gas & Marine Equipment | 62.1 |
| Construction Equipment | 9.3 |
| Precision Engineering & Technologies | <u>11.5</u> |
| Total | <u>82.9</u> |

Of the above, S\$64.2m are scheduled for delivery in the financial year 2022 and S\$18.7m are scheduled to be delivered in the financial year 2023.

Prospects

Your board is confident that the Group is turning the corner. Prospects ahead are strong.

The successful milestones achieved by our transformation into green energy and gas processing plants will place us in a position to recover revenue lost in marine equipment. Potentials for growth surpassing past level in this sector are strong. With potential recovery in deck machinery in time to come and increase in value-added activity in this sector, we are hopeful of an expanded revenue base capable of vertical and horizontal growth in the years ahead, barring no worsening of the pandemic or the global trade war.

Overall, Group's growth prospects are strong, it being further supported by the construction sector being expected to resurge strongly post-pandemic and global manufacturing activities recovering in line with the easing of the pandemic propelling increase in demand in precision engineering and automation activities.

Subsequent Events after the Balance Sheet Date

Subsequent to the financial year-end, the board of directors resolved to carry out an on-market share buy-back within the 10/12 limit provided for under Section 257A of the *Corporations Act 2001* to enhance shareholders value as part of capital management. The share buy-back exercise has commenced in September 2021 after the release of the full year results and requisite notifications had been given to the regulatory authorities.

Except for the above, no matter or circumstances 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 2021.

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 | 5 | 5 | - | - | 2 | 2 |
| Mr. K Y Sim | 5 | 5 | - | - | - | - |
| Ms. Jenny Lim | 5 | 5 | - | - | - | - |
| Mr. Y P Lim | 5 | 5 | 3 | 3 | 2 | 2 |
| Mr. Renny Yeo | 4 | 5 | 2 | 3 | 1 | 2 |
| Mr. S J Douglas | 5 | 5 | 3 | 3 | - | - |
| Dr. Dean Tai | 5 | 5 | - | - | - | - |
| Mr. K H Sim | 5 | 5 | - | - | - | - |

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\$31,185 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 G L Sim and Y P Lim retire by rotation and being eligible, offer themselves for re-election.

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 2021.

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 table:

- | | | |
|------|-------------------|---|
| (i) | Directors | |
| | Mr. G L Sim | (Executive Chairman) |
| | Mr. K Y Sim | (Executive Director, Group CEO) |
| | Ms. Jenny Lim | (Executive Director) |
| | Mr. Y P Lim | (Non-Executive and Independent Director) |
| | Mr. S J Douglas | (Non-Executive and Independent Director) |
| | Mr. Renny Yeo | (Non-Executive and Independent Director) |
| | Mr. Dean Tai | (Non-Executive and Non-Independent Director, Appointed 30 November 2020) |
| | Mr. K H Sim | (Non-Executive and Non-Independent Director, Retired on 30 November 2020, Appointed as Alternate Director to Mr. Giok Lak Sim on 30 November 2020) |
| | Mr. S P Sze | (Non-Executive and Independent Director, Retired on 30 November 2020) |
| | Mr. I R Millard | (Alternate Director to Mr. Giok Lak Sim, Retired on 30 November 2020) |
| (ii) | Senior Executives | |
| | J L Sim | (Managing Director of Zicom Private Limited) |
| | H S Tang | (Chief Technical Officer of Zicom Private Limited) |

In view of the evolving green energy direction of the Group as a result of our business transformation, with effect from 1 July 2021, Mr J L Sim will focus on his expertise on deck machinery and Mr H S Tang, who is 72, will focus on engineering mentorship. Both will cease to be KMP from that date as they are not expected to be instrumental in the future strategic directions of the Group's activities and hence will not directly or indirectly control the major activities of the Group.

There were no other 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.

Remuneration report (Audited)

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. No options were granted to Non-Executive Directors during the financial year and none are proposed for consideration at the 2021 Annual General Meeting.

The Board recommends that total directors' fees for Non-Executive Directors for the financial year ending 30 June 2022 be fixed at a maximum sum of A\$200,000 (S\$202,080), the same level as the previous year.

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. Car allowance which is given to defray cost of commuting has been suspended since the lockdown first started in April 2020 until further review.

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 2021. 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 Executive Chairman of Zicom Group Limited and all its subsidiaries.

Mr Sim is entitled to an annual review of his monthly salary if the consolidated profits before tax of the Group 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, he reduced his monthly salary by 30% and from 1 January 2020, by another 10%. He has decided to further reduce his monthly salary by another two-thirds from 1 July 2021 which translates to less than one-third of the monthly salary he used to draw in 2007. 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.

Remuneration report (Audited)

Both Mr G L Sim and Mr K Y Sim are paid a monthly salary and a car allowance. Car allowance which is given to defray cost of commuting has been suspended since the lockdown first started in April 2020 until further review. 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 minimum profit target was not achieved. 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.

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. Similarly, car allowance which is given to defray cost of commuting has been suspended since the lockdown first started in April 2020 until further review.

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 for future contributions 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.

Remuneration report (Audited)

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, no share option was granted or exercised whilst 600,000 share options had expired.

There were 6,000,000 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:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|
| Earnings per share (Australian cents) | (0.52) | (0.59) | 0.22 | (4.83) | (2.03) |
| Dividends per share (Australian cents) | – | – | – | – | 0.15 |
| Closing share price (Australian cents) | 6.30 | 5.00 | 11.00 | 9.60 | 12.00 |
| Net tangible assets per share (Australian cents) | 23.69 | 24.13 | 28.36 | 25.12 | 28.65 |

Exchange rates used for currency translation

| | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|
| Average rate for EPS | 1.0058 | 0.9288 | 0.9749 | 1.0375 | 1.0498 |
| Closing rate for NTA per share | 1.0104 | 0.9576 | 0.9488 | 1.0076 | 1.0570 |

Zicom Group Limited

Directors' Report 2021

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 2021 and 2020 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.

| 2021 | Short Term Employee Benefits | | | | Post-Employment Benefit | Share-Based Payments | | Total | Performance Related | Consisting Of Share Options % |
|---|------------------------------|----------|-----------------------|------------------------------------|-------------------------|----------------------------------|---------------|----------------|---------------------|-------------------------------|
| | Cash Salary and Fees | Bonus | Non-Monetary Benefits | Other Short-Term Employee Benefits | Superannuation | Performance Bonus Paid in Shares | Share options | | | |
| Name | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ | % | % |
| <i>Non-Executive Directors</i> | | | | | | | | | | |
| K H Sim ⁽¹⁾ | 14,668 | — | — | — | — | — | — | 14,668 | — | — |
| Y P Lim | 45,261 | — | — | — | — | — | — | 45,261 | — | — |
| Renny Yeo | 40,232 | — | — | — | — | — | — | 40,232 | — | — |
| S J Douglas | 40,232 | — | — | — | — | — | — | 40,232 | — | — |
| Dean Tai | 17,602 | — | — | — | — | — | — | 17,602 | — | — |
| S P Sze ⁽¹⁾ | 12,573 | — | — | — | — | — | — | 12,573 | — | — |
| I R Millard ⁽¹⁾ | — | — | — | — | — | — | — | — | — | — |
| Sub-total Non-Executive Directors | 170,568 | — | — | — | — | — | — | 170,568 | | |
| <i>Executive Directors</i> | | | | | | | | | | |
| G L Sim – Executive Chairman | 51,840 | — | — | — | 3,888 | — | — | 55,728 | — | — |
| K Y Sim | 240,000 | — | — | — | 12,240 | — | 2,661 | 254,901 | — | 1 |
| Jenny Lim | 183,115 | — | — | 1,020 | 12,240 | — | 1,663 | 198,038 | — | 1 |
| Sub-total Executive Directors | 474,955 | — | — | 1,020 | 28,368 | — | 4,324 | 508,667 | | |
| <i>Other Key Management Personnel</i> | | | | | | | | | | |
| J L Sim ⁽²⁾ | 151,200 | — | — | — | 5,400 | — | 1,314 | 157,914 | — | 1 |
| H S Tang ⁽³⁾ | 126,840 | — | — | — | 5,400 | — | 1,314 | 133,554 | — | 1 |
| Sub-total Other Key Management Personnel | 278,040 | — | — | — | 10,800 | — | 2,628 | 291,468 | | |
| Grand total | 923,563 | — | — | 1,020 | 39,168 | — | 6,952 | 970,703 | | |

(1) Messrs K H Sim, S P Sze and I R Millard retired on 30 November 2020.

(2) J L Sim is the managing director of Zicom Private Limited.

(3) H S Tang is the chief technical officer of Zicom Private Limited.

Zicom Group Limited

Directors' Report 2021

Remuneration report (Audited)

C Details of remuneration (Cont'd)

| 2020 | Short Term Employee Benefits | | | | Post-Employment Benefit | Share-Based Payments | | Total | Performance Related | Consisting Of Share Options % |
|---|------------------------------|----------|-----------------------|------------------------------------|-------------------------|----------------------------------|---------------|------------------|---------------------|-------------------------------|
| | Cash Salary and Fees | Bonus | Non-Monetary Benefits | Other Short-Term Employee Benefits | Superannuation | Performance Bonus Paid in Shares | Share options | | | |
| Name | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ | % | % |
| <i>Non-Executive Directors</i> | | | | | | | | | | |
| 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 | | |
| <i>Executive Directors</i> | | | | | | | | | | |
| 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 | | |
| <i>Other Key Management Personnel</i> | | | | | | | | | | |
| 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.

Zicom Group Limited

Directors' Report 2021

Remuneration report (Audited)

Details of share options to key management personnel

Options granted to, vested, exercised or expired during the years 2021 and 2020 as well as their outstanding options held as at year-end are shown in the tables below.

30 June 2021

| | Balance at 1 July 2020 | ← Granted | Options exercised | → Expired | Balance at 30 June 2021 | Exercisable | Not Exercisable | Expiry date |
|-------------------|---------------------------|--------------|----------------------|--------------|-------------------------------|-------------|--------------------|-------------|
| <i>Directors</i> | | | | | | | | |
| K Y Sim | 700,000 | — | — | (300,000) | 400,000 | 136,000 | 264,000 | 12/11/2024 |
| Jenny Lim | 250,000 | — | — | — | 250,000 | 85,000 | 165,000 | 12/11/2024 |
| K H Sim | 550,000 | — | — | (300,000) | 250,000 | 250,000 | — | 12/11/2024 |
| Y P Lim | 250,000 | — | — | — | 250,000 | 250,000 | — | 12/11/2024 |
| <i>Executives</i> | | | | | | | | |
| J L Sim | 200,000 | — | — | — | 200,000 | 68,000 | 132,000 | 15/10/2024 |
| H S Tang | 200,000 | — | — | — | 200,000 | 68,000 | 132,000 | 15/10/2024 |
| | 2,150,000 | — | — | (600,000) | 1,550,000 | 857,000 | 693,000 | |

Messrs S P Sze and I R Millard held 100,000 share options each at the date of their retirement.

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 |
|-------------------|--|--------------|----------------------|--------------|-------------------------------|-------------|--------------------|-------------|
| <i>Directors</i> | | | | | | | | |
| 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 |
| <i>Executives</i> | | | | | | | | |
| J L Sim | 200,000 | 200,000 | — | (200,000) | 200,000 | — | 200,000 | 15/10/2024 |
| H S Tang | 200,000 | 200,000 | — | (200,000) | 200,000 | — | 200,000 | 15/10/2024 |
| | 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.

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 27 for more details.

No other key management personnel were granted, exercised or had options which expired during the years 2021 and 2020 or had outstanding options as at 30 June 2021 and 30 June 2020.

Zicom Group Limited**Directors' Report 2021****Remuneration report (Audited)**

Shareholdings of key management personnel as at 30 June 2021 and 30 June 2020 are as follows:

30 June 2021

| | Balance at 1 July 2020 or date of appointment, if later | Sold | Options exercised | Bought | Balance as at 30 June 2021 |
|-------------------|---|-----------|----------------------|--------|-------------------------------|
| <i>Directors</i> | | | | | |
| 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 | — | — | — | — | — |
| Dean Tai | — | — | — | — | — |
| <i>Executives</i> | | | | | |
| J L Sim | 6,687,767 | — | — | — | 6,687,767 |
| H S Tang | 2,111,339 | (354,682) | — | — | 1,756,657 |
| | 121,451,239 | (354,682) | — | — | 121,096,557 |

Messrs I R Millard and S P Sze held 592,250 and NIL ordinary shares respectively at the date of their retirement.

30 June 2020

| | Balance at 1 July 2019 or date of appointment, if later | Sold | Options exercised | Bought | Balance as at 30 June 2020 |
|-------------------|---|------|----------------------|--------|-------------------------------|
| <i>Directors</i> | | | | | |
| 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 | — | — | — | — | — |
| <i>Executives</i> | | | | | |
| J L Sim | 6,687,767 | — | — | — | 6,687,767 |
| H S Tang | 2,111,339 | — | — | — | 2,111,339 |
| | 122,043,489 | — | — | — | 122,043,489 |

There were no other transactions and balances with key management personnel and their related parties during the years 2021 and 2020.

Zicom Group Limited

Directors' Report 2021

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

In August 2020, EY Corporate Services Limited in Thailand was engaged to conduct a fact-finding investigation with regards to alleged cash fraud discovered in Thailand subsidiary companies. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of non-audit services provided did not compromise auditor's independence.

Ernst & Young Australia only received or due to receive fees for assurance-related services.

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.



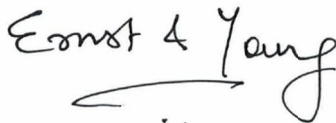
GL Sim
Executive Chairman
30 September 2021

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 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 year.



Ernst & Young



Madhu Nair
Partner
30 September 2021

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” or “ZGL”). 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 Board is responsible for the governance of ZGL. The role of the Board is to review and approves ZGL’s strategic direction and provide oversight of management.

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, responsibilities, rights and remuneration entitlement. These contracts set out the circumstances in which the employment of the Executives may be terminated by either ZGL or the Executives including details of notice periods.

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 attend all meetings of the Board and Board Committees and is responsible for the day-to-day corporate secretarial function and are directly accountable to the Board through the Chairman.

Diversity Policy

The Company’s workforce is relatively small and as such, the Board does not see the relevance of having a written diversity policy or establishing measurable objectives for achieving gender diversity. However, the Company 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.

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 8.

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 an appropriate balance of skills, industry knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively and to represent Shareholders.

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

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.

Independence

At the date of this annual report, the Board is made up of 3 executive directors, 2 non-executive and non-independent and 3 independent directors. Hence, majority of board members are non-executive.

An independent director is one who:

- is not and has not within the last three years been employed in an executive capacity by the Company or other group member;
- does not receive performance-based remuneration;
- is not or has not been within the last three years in a material business relationship (eg. supplier, professional adviser, consultant or customer) with the Company or other group member or is not an officer of or associated with someone with such a relationship.
- is not and does not represent a substantial shareholder of the Company or has not within the last three years been an officer or employee of, or professional adviser to, a substantial shareholder;
- 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 role as an independent director.

Mr Stewart Douglas has no relationships or interests that would affect his role as an independent director.

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

Dr Dean Tai being an executive director and chief technical officer of HistoIndex Pte Ltd ("HI"), an investee company of ZIG Ventures Limited ("ZIGV"), reports to Mr G L Sim as chairman of HI. The Board has therefore considered Dr Dean Tai to be not independent.

Mr S P Sze has no relationships or interests that would affect his independence and hence was an independent director until his retirement on 30 November 2020.

Mr Ian R Millard has no relationships or interests that would affect his independence and hence was an independent director until his retirement on 30 November 2020.

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

Mr K H Sim had, within the last three years, been an executive director 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 1 January 2019, Mr G L Sim stepped down 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.

Corporate Governance Statement

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 | 26 years | Mr Y P Lim | 15 years |
| Mr K Y Sim | 7 years | Mr Renny Yeo | 2 years |
| Ms Jenny Lim | 2 years | Mr Stewart Douglas | 2 years |
| Dr Dean Tai | 1 year | | |
| Mr K H Sim | | | |
| - As director | 13 years | | |
| - As alternate director | 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.

The Board recognises that it is desirable for the majority of the Board to be independent directors. However, given the size of the current operations and financial resources of the Company, the current Board composition reflects an appropriate balance of skills, expertise and experience to discharge its obligations effectively and act in the best interest of the Company and all stakeholders.

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, all new directors are invited to meet key executives and attend site visits of key operations to gain an understanding of the Company's structure, business operations, history and key risks. 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 Company has a Code of Conduct that applies to ZGL and its Directors, officers, employees and consultants and sets out the standards of responsibility and ethical conduct required of our people. A summary of this Code is as follow:

- Act honestly and with high standards of personal integrity
- Act ethically and responsibly
- Protect Company's non-public information such as business plans, product formulas, marketing strategies, pricing, proposals, potential mergers and acquisitions
- Safeguard Company's assets which include physical, electronic and intellectual properties
- Comply with all laws and regulations that apply to the Company and its operations
- Treat fellow colleagues with respect and do not engage in bullying, harassment or discrimination
- Deal with customers and suppliers fairly and ethically
- Respect government authorities and regulatory bodies
- Do not allow our personal interests to influence our decisions made on behalf of Company
- Do not take advantage of the Company's property or information or its customer for personal gain or to cause detriment to the Company or customer
- Do not take advantage of our position or the opportunities arising therefrom for personal gains
- Report breaches of the Code

Corporate Governance Statement

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.

Any material breaches of the Code of Conduct are reported to the Board and monitored until the relevant breach is considered closed.

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 3 members, all of whom are independent:

- Mr S J Douglas (Chairman)
- Mr Y P Lim
- Mr Renny Yeo (appointed on 30 November 2020)

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 annual and half-yearly financial reports are reviewed by the Audit Committee and the external auditors, including the disclosures made in those reports. Where there are other periodic reports to be released to the market, it will be reviewed by the relevant board committee and the Board.

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 ("ASX") 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.

As soon as the confirmation of release is received from ASX, the Company Secretaries forward it to the Board immediately for their information. The Company also circulates all price sensitive announcements to the Board ahead of release being made.

The Company will ensure that all substantive presentations are released to the market to enable all shareholders the opportunity to access the materials included in the presentation.

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.

The Chairman encourages shareholders to ask questions and make comments about the Company's operations at the AGMs. The Chair may respond directly to questions or, at his discretion, may refer a question to another Director, the Group CEO or a senior executive. As far as practicable, all substantive resolutions at the shareholders' meetings are decided by a poll rather than a show of hands.

All shareholders are encouraged to take advantage of the benefit of electronic communications by electing to receive communication 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, cyber-security, 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.

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, chaired by an independent director.

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.

The grant of options to Non-Executive Directors are not conditional upon the achievement of any performance condition so as not to compromise on their objectivity.

Transactions which limit the economic risk of participating in unvested elements under equity-based remuneration schemes are not allowed.

Zicom Group Limited
Consolidated Statement of Comprehensive Income for the year ended 30 June 2021

(In Singapore dollars)

| | Note | 2021 S\$'000 | 2020 S\$'000 |
|---|------|-----------------------|-----------------------|
| Revenue from contracts with customers | 5 | 89,462 | 99,076 |
| Rental income | | 1,521 | 1,870 |
| Revenue | | <u>90,983</u> | <u>100,946</u> |
| Other revenue | 6 | 2,410 | 2,329 |
| Total consolidated revenue | | <u>93,393</u> | <u>103,275</u> |
| Cost of materials | | (48,458) | (60,948) |
| Employee, contract labour and related costs | | (24,684) | (24,659) |
| Depreciation and amortisation | | (6,436) | (6,561) |
| Property related expenses | | (167) | (165) |
| Other operating expenses | 6 | (13,078) | (9,978) |
| Finance costs | | (1,131) | (1,533) |
| Share of results of associate | 13 | (146) | (394) |
| Loss before taxation | | <u>(707)</u> | <u>(963)</u> |
| Tax expense | 7 | (465) | (359) |
| Loss for the year | | <u><u>(1,172)</u></u> | <u><u>(1,322)</u></u> |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss (net of tax): | | | |
| Revaluation of land and buildings | | <u>2,041</u> | <u>—</u> |
| Items that may be subsequently reclassified to profit and loss (net of tax): | | | |
| Foreign currency translation on consolidation | | <u>(398)</u> | <u>504</u> |
| Other comprehensive income for the year, net of tax | | <u>1,643</u> | <u>504</u> |
| Total comprehensive income for the year | | <u><u>471</u></u> | <u><u>(818)</u></u> |
| Loss attributable to: | | | |
| Equity holders of the Parent | | (1,125) | (1,200) |
| Non-controlling interests | | <u>(47)</u> | <u>(122)</u> |
| Loss for the year | | <u><u>(1,172)</u></u> | <u><u>(1,322)</u></u> |
| Total comprehensive income/(loss) attributable to: | | | |
| Equity holders of the Parent | | 518 | (696) |
| Non-controlling interests | | <u>(47)</u> | <u>(122)</u> |
| Total comprehensive income/(loss) for the year | | <u><u>471</u></u> | <u><u>(818)</u></u> |
| Earnings per share (cents) | | | |
| Basic loss per share | 8 | (0.52) | (0.55) |
| Diluted loss per share | 8 | (0.52) | (0.55) |

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

Zicom Group Limited
Consolidated Balance Sheet as at 30 June 2021

(In Singapore dollars)

| | Note | 2021 S\$'000 | 2020 S\$'000 |
|--|-------------|------------------------|------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 34,896 | 34,320 |
| Right-of-use assets | 10 | 8,507 | 8,740 |
| Intangible assets | 11 | 6,906 | 7,116 |
| Deferred tax assets | 7 | 1,921 | 2,459 |
| Investment in associate | 13 | 3,191 | 3,337 |
| | | <u>55,421</u> | <u>55,972</u> |
| Current assets | | | |
| Cash and cash equivalents | 22 | 17,246 | 11,508 |
| Fixed deposits | 23 | 3,080 | – |
| Inventories | 14 | 24,082 | 27,868 |
| Trade and other receivables | 15 | 19,692 | 9,600 |
| Contract assets | 5 | 1,630 | 38,237 |
| Contract costs | 16 | 4,161 | 1,286 |
| Prepayments | | 319 | 356 |
| Tax recoverable | | 137 | 195 |
| | | <u>70,347</u> | <u>89,050</u> |
| TOTAL ASSETS | | <u><u>125,768</u></u> | <u><u>145,022</u></u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Trade and other payables | 17 | 17,652 | 28,667 |
| Contract liabilities | 5 | 8,346 | 2,093 |
| Lease liabilities | 10 | 2,336 | 1,936 |
| Other interest-bearing liabilities | 18 | 15,683 | 32,544 |
| Provisions | 19 | 2,160 | 1,068 |
| Unearned income | 20 | 231 | 252 |
| Provision for taxation | | 73 | 319 |
| | | <u>46,481</u> | <u>66,879</u> |
| NET CURRENT ASSETS | | <u>23,866</u> | <u>22,171</u> |
| Non-current liabilities | | | |
| Lease liabilities | 10 | 5,744 | 6,848 |
| Other interest-bearing liabilities | 18 | 3,850 | 2,133 |
| Deferred tax liabilities | 7 | 3,565 | 3,310 |
| Provisions | 19 | 336 | 569 |
| | | <u>13,495</u> | <u>12,860</u> |
| TOTAL LIABILITIES | | <u><u>59,976</u></u> | <u><u>79,739</u></u> |
| NET ASSETS | | <u><u>65,792</u></u> | <u><u>65,283</u></u> |
| Equity attributable to equity holders of the Parent | | | |
| Share capital | 21 | 21,100 | 21,100 |
| Reserves | | 12,333 | 11,260 |
| Retained earnings | | 32,201 | 32,718 |
| | | <u>65,634</u> | <u>65,078</u> |
| Non-controlling interests | | <u>158</u> | <u>205</u> |
| TOTAL EQUITY | | <u><u>65,792</u></u> | <u><u>65,283</u></u> |
| TOTAL LIABILITIES AND EQUITY | | <u><u>125,768</u></u> | <u><u>145,022</u></u> |

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 2021

(In Singapore dollars)

| | | Attributable to equity holders of the Parent | | | | | | Non-controlling interests | Total equity |
|--|---------------|---|---------------------------|--|---------------------------------|-------------------|---------|---------------------------|--------------|
| Note | Share capital | Share capital – exercise of share options (a) | Asset revaluation surplus | Foreign currency translation reserve (b) | Share-based payment reserve (c) | Retained earnings | Total | | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1.7.2019 | 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 | 27 | – | – | – | 48 | – | 48 | – | 48 |
| Expired employee share options | | – | – | – | (116) | 116 | – | – | – |
| Transfer of depreciation for buildings | | – | – | (583) | – | 583 | – | – | – |
| Acquisition of non-controlling interests | 12 | – | – | – | – | (51) | (51) | 51 | – |
| Balance at 30.6.2020 | 20,628 | 472 | 12,472 | (1,285) | 73 | 32,718 | 65,078 | 205 | 65,283 |
| Loss for the year | – | – | – | – | – | (1,125) | (1,125) | (47) | (1,172) |
| Other comprehensive income | | | | | | | | | |
| Revaluation of land and buildings | – | – | 2,041 | – | – | – | 2,041 | – | 2,041 |
| Foreign currency translation | – | – | – | (398) | – | – | (398) | – | (398) |
| Total comprehensive income for the year | – | – | 2,041 | (398) | – | (1,125) | 518 | (47) | 471 |
| Share-based payments | 27 | – | – | – | 38 | – | 38 | – | 38 |
| Expired employee share options | | – | – | – | (26) | 26 | – | – | – |
| Transfer of depreciation for buildings | | – | – | (582) | – | 582 | – | – | – |
| Balance at 30.6.2021 | 20,628 | 472 | 13,931 | (1,683) | 85 | 32,201 | 65,634 | 158 | 65,792 |

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

Zicom Group Limited
Consolidated Statement of Cash Flows for the year ended 30 June 2021

(In Singapore dollars)

| | Note | 2021 S\$'000 | 2020 S\$'000 |
|---|-------------|------------------------|------------------------|
| Cash flows from operating activities: | | | |
| Operating loss before taxation | | (707) | (963) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 9 | 3,622 | 3,766 |
| Depreciation of right-of-use assets | 10 | 2,471 | 2,301 |
| Amortisation of intangible assets | 11 | 343 | 494 |
| Bad debts written off | 6 | – | 1 |
| Write-back of impairment and expected credit losses, net of provision | 6 | (85) | (78) |
| Allowance for inventory obsolescence, net of reversal | 6 | 209 | 742 |
| Inventories written off | 6 | 294 | 47 |
| Finance costs | | 1,131 | 1,533 |
| Interest income | 6 | (9) | (38) |
| Property, plant and equipment written off | 6 | 1 | – |
| Intangible assets written off | 6 | 34 | – |
| Gain on disposal of property, plant and equipment | 6 | (11) | (24) |
| Gain on derecognition of right-of-use assets | 6 | (1) | – |
| Trade and other payables written back | 6 | (1) | (3) |
| Rental waiver | 6 | (67) | – |
| Provisions made, net of write-back | 19 | 1,125 | 246 |
| Share-based payments | | 38 | 48 |
| Share of results of associate | 13 | 146 | 394 |
| Unrealised exchange differences | | (320) | 331 |
| Operating profit before reinvestment in working capital | | 8,213 | 8,797 |
| Decrease/(increase) in stocks and work-in-progress | | 1,910 | 3,974 |
| Decrease/(increase) in trade receivables, contract assets and prepayments | | 23,769 | (26,108) |
| (Decrease)/increase in trade and other payables, contract liabilities | | (4,554) | 3,028 |
| Cash generated from/(used in) operations | | 29,338 | (10,309) |
| Interest received | | 9 | 38 |
| Interest paid | | (1,649) | (1,006) |
| Income taxes paid | | (270) | (229) |
| Net cash generated from/(used in) operating activities | | 27,428 | (11,506) |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | 9(a) | (1,445) | (1,133) |
| Proceeds from disposal of property, plant and equipment | 9(b) | 12 | 31 |
| Purchase of computer software | 11 | (53) | (57) |
| Increase in development expenditure | 11 | – | (181) |
| Increase in patented technology | 11 | (11) | – |
| Net cash used in investing activities | | (1,497) | (1,340) |
| Cash flows from financing activities: | | | |
| (Decrease)/increase in bills payable | | (16,088) | 10,679 |
| Proceeds from bank borrowings | | 3,000 | 2,000 |
| Repayments of bank borrowings | | (1,396) | (1,260) |
| Loans from a related party | | – | 1,035 |
| Repayment of loan to a related party | | (607) | (1,070) |
| Proceeds from asset financing | | 1,021 | 462 |
| Repayment of principal portion of lease liabilities | 10(b) | (3,031) | (2,503) |
| Increase in fixed deposits pledged | 23 | (3,080) | – |
| Net cash (used in)/generated from financing activities | | (20,181) | 9,343 |
| Net increase/(decrease) in cash and cash equivalents | | 5,750 | (3,503) |
| Net foreign exchange differences | | 41 | (4) |
| Cash and cash equivalents at beginning of year | 22 | 10,234 | 13,741 |
| Cash and cash equivalents at end of year | 22 | 16,025 | 10,234 |

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 2021 was authorised for issue on 30 September 2021 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 2021. 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.

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

2.2 Basis of consolidation (cont'd)

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.

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.

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

2.3 Changes in accounting policies

The Group has applied the following standards and amendments for the first time for annual period beginning on or after 1 July 2020.

- Amendments to Reference to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

IFRIC agenda decision – Configuration or Customisation Costs in a Cloud Computing Arrangement
In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements.

SaaS arrangement are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future benefits flowing from the software itself and to restrict others' access to those benefits. As such, the Group does not receive a software intangible asset at the contract commencement date. As at the reporting date, we have incurred S\$60,000 for such arrangements and has recognised as operating expense over the term of the service contract.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

2.5 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.

The Group determines if it has acquired a business when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

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 the amount recognised at acquisition date 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.

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

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.

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, right-of-use assets 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.

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

2.5 Significant accounting policies (cont'd)

c) Foreign currency (cont'd)

(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 the Group satisfies a performance obligation (“PO”) by transferring control of the promised goods and services to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO. The transaction price is the amount of 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 builds specialised assets for customers through fixed price contracts. Revenue is recognised when the control over the specialised asset has been transferred to the customer and performance obligations are fulfilled. At contract inception, the Group assesses whether the Group transfers control of the asset over time or at a point in time by determining if its performance creates an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The specialised asset has no alternative use for the Group and the Group generally has an enforceable right to payment arising from contractual terms. For these contracts, revenue is recognised over time using the input method, based on costs incurred, as a measure of Group’s progress towards completing the construction of the specialised asset.

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed specialised asset is delivered to the customer and the customer has accepted it in accordance with the contract.

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

2.5 Significant accounting policies (cont'd)

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

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 or an anticipated contract which the Group can specifically identify, generate or enhance resources of the Group that will be used in satisfying future performance obligations and are expected to be recovered. Otherwise such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of the capitalised contract cost exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

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

Certain contracts include standard warranty terms to give assurance 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*.

2. Summary of significant accounting policies (cont'd)**2.5 Significant accounting policies (cont'd)****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.

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 does not differ materially from the fair value of land and buildings 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 | 15 - 21 years |
| 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.

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

2.5 Significant accounting policies (cont'd)

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

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. 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.

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

2.5 Significant accounting policies (cont'd)

f) Intangible assets (cont'd)

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.

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.

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.

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.

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

2.5 Significant accounting policies (cont'd)

h) Associates (cont'd)

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 associate 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.

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.

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

2.5 Significant accounting policies (cont'd)

i) Financial Instrument (cont'd)

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.

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, cancelled or expires. On derecognition, the difference between the carrying amount and the consideration 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.

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

2.5 Significant accounting policies (cont'd)

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.

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

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

2.5 Significant accounting policies (cont'd)

m) Fair value measurement (cont'd)

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.

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

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.

Group as lessee

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.

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

2.5 Significant accounting policies (cont'd)

p) Leases (cont'd)

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 asset 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.

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.

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

2.5 Significant accounting policies (cont'd)

p) Leases (cont'd)

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 payment 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)

(ii) Employee share option plan (cont'd)

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 payment 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 payment 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.

(iii) 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.

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

2.5 Significant accounting policies (cont'd)

s) Taxation (cont'd)

(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 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.

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.

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

2.5 Significant accounting policies (cont'd)

s) Taxation (cont'd)

(iii) Deferred tax (cont'd)

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.

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.

(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.

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.

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 2021, 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 consolidated 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 accounted for as set out in our accounting policy note 2.5(e). The fair value of land and buildings are determined by accredited external valuers using recognised valuation techniques. These techniques comprise market comparison approach, replacement cost approach and income approach.

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 market 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.

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

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

(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 amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. 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 15 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 of disposing the assets (where applicable). The value in use calculations are based on a discounted cash flow (DCF) model. 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.

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)

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 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 11 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. 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 2021 were S\$73,000 (2020: S\$319,000) and S\$3,565,000 (2020: S\$3,310,000) respectively. The Group also had deferred tax assets of S\$1,921,000 (2020: S\$2,459,000) as at 30 June 2021.

(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:

- Green Energy, Gas & Marine Equipment (formerly known as Offshore Marine, Oil & Gas Machinery)
 - design and supply of LNG propulsion systems, deck machinery, gas metering stations, compressor stations, gas processing plants and related equipment, parts and services.
- Construction Equipment
 - manufacture and supply of concrete mixers and foundation equipment, including equipment rental, parts and related services.
- 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.

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

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 2021 and 2020.

| | Green Energy, Gas & Marine Equipment S\$'000 | Construction Equipment S\$'000 | Precision Engineering & Technologies S\$'000 | Industrial & Mobile Hydraulics S\$'000 | Consolidated S\$'000 |
|---------------------------------------|---|---|---|---|---------------------------------|
| Year ended 30 June 2021 | | | | | |
| Revenue | | | | | |
| Revenue from contracts with customers | 37,868 | 27,937 | 21,825 | 1,832 | 89,462 |
| Rental income | — | 1,521 | — | — | 1,521 |
| Other revenue | 374 | 828 | 1,007 | 8 | 2,217 |
| Intersegment sales | — | 3 | 51 | 75 | 129 |
| Total segment revenue | 38,242 | 30,289 | 22,883 | 1,915 | 93,329 |
| Intersegment elimination | | | | | (129) |
| Unallocated revenue | | | | | 184 |
| Interest income | | | | | 9 |
| Total consolidated revenue | | | | | 93,393 |
| Results | | | | | |
| Segment results | 3,264 | (653) | (1,045) | 990 | 2,556 |
| Unallocated revenue | | | | | 184 |
| Unallocated expenses | | | | | (2,179) |
| Share of results of associate | | | (146) | | (146) |
| Profit before tax and finance costs | | | | | 415 |
| Finance costs | | | | | (1,131) |
| Interest income | | | | | 9 |
| Loss before taxation | | | | | (707) |
| Tax expense | | | | | (465) |
| Loss after taxation | | | | | (1,172) |
| Other segment information | | | | | |
| Capital expenditure | | | | | |
| - property, plant and equipment | 1,261 | 2,158 | 171 | — | 3,590 |
| - right-of-use assets | — | 405 | 914 | — | 1,319 |
| - intangible assets | 23 | 12 | 8 | — | 43 |
| | | | | | 4,952 |
| Depreciation and amortisation | 677 | 3,504 | 1,737 | — | 5,918 |
| Other non-cash expenses | 1,084 | 634 | (7) | (100) | 1,611 |

In the current financial year, revenue from a single (2020:1) customer of Green Energy, Gas & Marine Equipment represents approximately 38% (2020: 47%) of the Group's revenue from contracts with external customers.

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

4. Segment information (cont'd)

Business segments (cont'd)

| | Green Energy, Gas & Marine Equipment 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 | | | | | |
| Revenue from contracts with 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 |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

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 2021 and 2020.

30 June 2021

| | Australia S\$'000 | Malaysia S\$'000 | Singapore S\$'000 | China S\$'000 | United States S\$'000 | Bangladesh S\$'000 | Thailand S\$'000 | Indonesia S\$'000 | Philippines S\$'000 | Taiwan S\$'000 | Others S\$'000 | Total S\$'000 |
|---------------------------------------|----------------------|---------------------|----------------------|------------------|-----------------------------|-----------------------|---------------------|----------------------|------------------------|-------------------|-------------------|------------------|
| Revenue | | | | | | | | | | | | |
| Revenue from contracts with customers | 16,322 | 1,113 | 23,597 | 987 | 1,254 | 36,613 | 875 | 390 | 3,971 | 1,352 | 2,988 | 89,462 |
| Rental income | 113 | 309 | 885 | — | — | — | 207 | — | 7 | — | — | 1,521 |
| Other revenue from external customers | 586 | 3 | 1,741 | 4 | — | — | 59 | 2 | 15 | — | — | 2,410 |
| | | | | | | | | | | | | <u>93,393</u> |
| Other segment information | | | | | | | | | | | | |
| Segment non-current assets | 4,400 | 245 | 35,390 | 583 | — | — | 9,380 | 82 | 229 | — | — | 50,309 |
| Investment in associate | — | — | 3,191 | — | — | — | — | — | — | — | — | 3,191 |
| Unallocated assets | | | | | | | | | | | | <u>1,921</u> |
| | | | | | | | | | | | | <u>55,421</u> |
| Capital expenditure | | | | | | | | | | | | |
| - property, plant and equipment | 59 | 85 | 3,187 | — | — | — | 199 | 4 | 85 | — | — | 3,619 |
| - right-of-use assets | — | — | 1,294 | — | — | — | 7 | — | 18 | — | — | 1,319 |
| - intangible assets | — | — | 64 | — | — | — | — | — | — | — | — | <u>64</u> |
| | | | | | | | | | | | | <u>5,002</u> |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

4. Segment information (cont'd)

Geographical segments (cont'd)

30 June 2020

| | Australia S\$'000 | Malaysia S\$'000 | Singapore S\$'000 | China S\$'000 | United States S\$'000 | Bangladesh S\$'000 | Thailand S\$'000 | Indonesia S\$'000 | Philippines S\$'000 | Taiwan S\$'000 | Others S\$'000 | Total S\$'000 |
|---------------------------------------|----------------------|---------------------|----------------------|------------------|-----------------------------|-----------------------|---------------------|----------------------|------------------------|-------------------|-------------------|------------------|
| Revenue | | | | | | | | | | | | |
| Revenue from contracts with 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 |
| | | | | | | | | | | | | <u>103,275</u> |
| 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 | | | | | | | | | | | | <u>2,459</u> |
| | | | | | | | | | | | | <u>55,972</u> |
| 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 | — | — | — | — | — | — | — | — | <u>238</u> |
| | | | | | | | | | | | | <u>3,709</u> |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

5. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

| 2021 | Green Energy, Gas & Marine Equipment | Construction Equipment | Precision Engineering & Technologies | Industrial & Mobile Hydraulics | Total |
|---|--|---------------------------|--|--------------------------------------|---------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Primary geographical markets | | | | | |
| Australia | – | 15,753 | 353 | 216 | 16,322 |
| Singapore | 372 | 6,829 | 15,717 | 679 | 23,597 |
| Taiwan | – | – | 1,352 | – | 1,352 |
| Bangladesh | 36,613 | – | – | – | 36,613 |
| Others | 883 | 5,355 | 4,403 | 937 | 11,578 |
| Total | 37,868 | 27,937 | 21,825 | 1,832 | 89,462 |
| Main revenue streams | | | | | |
| Sales of goods | 66 | 25,272 | 14,567 | 1,346 | 41,251 |
| Rendering of services | 265 | 2,665 | 753 | 486 | 4,169 |
| Revenue recognised on projects | 37,537 | – | 6,505 | – | 44,042 |
| Total | 37,868 | 27,937 | 21,825 | 1,832 | 89,462 |
| Timing of transfer of goods and services | | | | | |
| At a point in time | 168 | 25,272 | 15,438 | 1,346 | 42,224 |
| Over time | 37,700 | 2,665 | 6,387 | 486 | 47,238 |
| Total | 37,868 | 27,937 | 21,825 | 1,832 | 89,462 |
| 2020 | | | | | |
| | Green Energy, Gas & Marine Equipment | 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 |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

(b) Contract balances

| | Consolidated | |
|----------------------|-----------------|-----------------|
| | 2021 S\$'000 | 2020 S\$'000 |
| Trade receivables | 17,396 | 7,058 |
| Contract assets | 1,630 | 38,237 |
| Contract liabilities | (8,346) | (2,093) |

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 on oil and gas and automation projects but not billed at reporting date. 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 decrease in contract asset is mainly due to the transfer of S\$37,608,000 to trade receivables relating to large order for a gas processing plant and such amount transferred has been received from the customer during the financial year. This large order which was completed on 30 June 2021 also contributed to the significant increase in trade receivables as at year-end. S\$8,993,000 relating to the last milestone payment has been recorded as unbilled receivable as at the reporting date.

Contract liabilities are primarily advance consideration received from customers amounting to S\$7,025,000 (2020: S\$458,000) for which revenue is recognised over time and S\$1,321,000 (2020: S\$1,635,000) for which revenue is recognised at a point in time.

The significant increase in contract liabilities is due to advance consideration received for the supply of propulsion systems.

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

| | Contract assets | | Contract liabilities | |
|---|-----------------|-----------------|----------------------|-----------------|
| | 2021 S\$'000 | 2020 S\$'000 | 2021 S\$'000 | 2020 S\$'000 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | — | — | 1,779 | 9,208 |
| Increase due to cash received, excluding amounts recognised as revenue during the year | — | — | (8,032) | (1,793) |
| Contract asset reclassified to trade receivables | (37,948) | (1,092) | — | — |
| Recognition of revenue, net of trade receivables recognised | 1,341 | 37,977 | — | — |

(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 if the performance obligation is part of a contract that has an original expected duration of one year or less.

As at 30 June 2021, revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date for the supply of LNG propulsion systems amounts to S\$60,953,000 (2020: nil) for the financial periods 2022 to 2023.

Zicom Group Limited**Notes to the Consolidated Financial Statements**

(In Singapore dollars)

6. Other income and expenses

(i) Other income

| | Consolidated | |
|---|---------------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Interest income | 9 | 38 |
| Gain on disposal of property, plant and equipment | 11 | 24 |
| Gain on derecognition of right-of-use assets | 1 | — |
| Trade and other payables written back | 1 | 3 |
| Forfeiture of customer deposit | — | 26 |
| Services rendered | 216 | 343 |
| Sales of scrap | 92 | 14 |
| Government grants | 1,996 | 1,871 |
| Rental waiver | 67 | — |
| Other revenue | 17 | 10 |
| | 2,410 | 2,329 |

Included in government grants were S\$1,948,000 (2020: S\$1,739,000) 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 | |
|---|---------------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Allowance for inventory obsolescence, net of reversal | 209 | 742 |
| Write-back of impairment and expected credit losses, net of provision | (85) | (78) |
| Bank charges | 1,304 | 784 |
| Bad debts written off | — | 1 |
| Foreign exchange (gain)/loss | (303) | 27 |
| Provision for product warranties made, net of reversal | 1,034 | 125 |
| Property, plant and equipment written off | 1 | — |
| Warranty expense charged directly to profit or loss | — | 3 |
| Inventories written off | 294 | 47 |
| Intangible assets written off | 34 | — |
| Sales commission | 787 | 1,589 |
| Sea freight | 4,435 | 551 |
| Travelling expenses | 98 | 494 |
| Utility charges | 695 | 685 |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

7. Taxation

| | Consolidated | |
|---|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Current income tax | | |
| - Current income tax charge | (922) | (1,065) |
| - Loss transferred under Group Relief Scheme | 880 | 872 |
| - Adjustments in respect of previous years | (40) | (39) |
| Deferred income tax | | |
| - Relating to the origination and reversal of temporary differences | (607) | (194) |
| - Adjustments in respect of previous years | 224 | 67 |
| Tax expense in profit & loss | (465) | (359) |
| Net surplus on revaluation of buildings | (470) | — |
| Deferred tax charged to other comprehensive income | (470) | — |

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

| | Consolidated | |
|--|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Loss before taxation | (707) | (963) |
| Tax credit at the domestic rates in the countries where the Group operates | 197 | 115 |
| Release of deferred tax liability on intangible assets | 43 | 42 |
| Release of deferred tax liability on revalued properties | 120 | 121 |
| Non-deductible expenses | (234) | (453) |
| Non-taxable income | 317 | 241 |
| Partial tax exemption | 23 | 22 |
| Deferred tax assets not recognised | (648) | (516) |
| Deferred tax asset written off | (600) | — |
| Utilisation of previously unrecognised tax losses | 134 | 32 |
| Adjustments in respect of previous years | 184 | 28 |
| Enhanced tax credits | 5 | 4 |
| Others | (6) | 5 |
| Tax expense | (465) | (359) |

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

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

7. Taxation (cont'd)

Deferred taxation as at 30 June relates to the following:

| | At 30 June 2019 | Recognised in profit or loss (charge)/credit | Translation/ adjustments | At 30 June 2020 | Recognised in profit or loss (charge)/credit | Recognised in other comprehensive income | Translation/ adjustments | At 30 June 2021 |
|---------------------------------|--------------------|--|-----------------------------|--------------------|--|--|-----------------------------|--------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Deferred tax assets | | | | | | | | |
| Property, plant and equipment | 19 | (55) | — | (36) | (89) | — | — | (125) |
| Intangible assets | (66) | 34 | — | (32) | (20) | — | — | (52) |
| Leases | — | 29 | — | 29 | (8) | — | — | 21 |
| Provisions | 461 | (67) | — | 394 | 166 | — | — | 560 |
| Unutilised tax losses | 2,109 | (236) | 11 | 1,884 | (600) | — | 30 | 1,314 |
| Unutilised capital allowances | 296 | (76) | — | 220 | (17) | — | — | 203 |
| | <u>2,819</u> | <u>(371)</u> | | <u>2,459</u> | <u>(568)</u> | <u>—</u> | | <u>1,921</u> |
| Deferred tax liabilities | | | | | | | | |
| Property, plant and equipment | | | | | | | | |
| — at cost | (962) | 84 | — | (878) | 25 | — | (3) | (856) |
| — at revaluation | (2,774) | 121 | (12) | (2,665) | 120 | (470) | 33 | (2,982) |
| Intangible assets | (245) | 42 | — | (203) | 43 | — | — | (160) |
| Leases | — | 10 | — | 10 | 10 | — | — | 20 |
| Provisions | 44 | (16) | — | 28 | 10 | — | — | 38 |
| Unutilised capital allowances | 375 | — | — | 375 | — | — | — | 375 |
| Unutilised tax losses | — | 16 | — | 16 | (16) | — | — | — |
| Unutilised donations | 20 | (13) | — | 7 | (7) | — | — | — |
| | <u>(3,542)</u> | <u>244</u> | | <u>(3,310)</u> | <u>185</u> | <u>(470)</u> | | <u>(3,565)</u> |
| Tax expense | | <u>(127)</u> | | | <u>(383)</u> | | | |

The Group has tax losses and capital allowances of S\$28,980,000 (2020: S\$24,583,000) and S\$884,000 (2020: S\$951,000) respectively that are available for offset against future taxable profits of the companies in which these arose. Whilst unabsorbed losses can be carried forward indefinitely, unabsorbed capital allowance must be used to offset income from the same business source. These deferred tax assets have not been recognised as they have arisen in subsidiaries that have been loss-making for some time and there is 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\$5,925,000 (2020: S\$5,200,000).

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

8. 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.

| | Consolidated | |
|--|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Net loss attributable to equity holders of the Parent | (1,125) | (1,200) |
| Parent Entity | | |
| Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000) | 217,141 | 217,141 |
| Singapore cents | | |
| Basic and diluted loss per share | (0.52) | (0.55) |

There were 6,000,000 (2020: 6,600,000) 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.

Notes to the Consolidated Financial Statements

(In Singapore dollars)

9. 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 |
|--|-----------------------------|-----------------------------------|----------------------------------|-----------------------------------|--------------------------------------|------------------------------|------------------|
| <u>Cost/Valuation</u> | | | | | | | |
| At 1.7.2020 | 4,104 | 37,412 | 5,686 | 37,848 | 3,188 | 1,675 | 89,913 |
| Currency realignment | (291) | — | (409) | (13) | 12 | 4 | (697) |
| Additions | — | — | — | 3,607 | 12 | — | 3,619 |
| Revaluation surplus | 1,082 | 2,174 | 866 | — | — | — | 4,122 |
| Transfer from right-of-use asset (Note 10) | — | — | — | 670 | — | 94 | 764 |
| Transfer to right-of-use asset (Note 10) | — | — | — | (1,389) | — | — | (1,389) |
| Disposals | — | — | — | (27) | — | (11) | (38) |
| Reclassification | — | (86) | 86 | — | — | — | — |
| Reclassification to inventories | — | — | — | (2,211) | — | — | (2,211) |
| Write off | — | — | — | (152) | — | — | (152) |
| At 30.6.2021 | 4,895 | 39,500 | 6,229 | 38,333 | 3,212 | 1,762 | 93,931 |
| <u>Accumulated depreciation</u> | | | | | | | |
| At 1.7.2020 | — | 19,344 | 3,073 | 28,836 | 2,963 | 1,377 | 55,593 |
| Currency realignment | — | — | (233) | (36) | 15 | — | (254) |
| Charge for 2021 | — | 940 | 273 | 2,221 | 83 | 105 | 3,622 |
| Revaluation adjustment | — | 1,101 | 510 | — | — | — | 1,611 |
| Transfer from right-of-use asset (Note 10) | — | — | — | — | — | 90 | 90 |
| Transfer to right-of-use asset (Note 10) | — | — | — | — | — | — | — |
| Disposals | — | — | — | (26) | — | (11) | (37) |
| Reclassification | — | (86) | 86 | — | — | — | — |
| Reclassification to inventories | — | — | — | (1,439) | — | — | (1,439) |
| Write off | — | — | — | (151) | — | — | (151) |
| At 30.6.2021 | — | 21,299 | 3,709 | 29,405 | 3,061 | 1,561 | 59,035 |
| Net carrying value | | | | | | | |
| At 30.6.2021 | 4,895 | 18,201 | 2,520 | 8,928 | 151 | 201 | 34,896 |

Notes to the Consolidated Financial Statements

(In Singapore dollars)

9. 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 1.7.2019 – as previously reported | 4,004 | 37,410 | 5,548 | 37,886 | 3,158 | 1,988 | 89,994 |
| Effect of adopting AASB 16 (Note 10) | – | – | – | (1,592) | – | (500) | (2,092) |
| 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 10) | – | – | – | 1,385 | – | 130 | 1,515 |
| Transfer to right-of-use asset (Note 10) | – | – | – | (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 10) | – | – | – | (466) | – | (219) | (685) |
| 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 10) | – | – | – | 457 | – | 59 | 516 |
| Transfer to right-of-use asset (Note 10) | – | – | – | (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 |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

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

- (a) During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$3,619,000 (2020: S\$2,267,000) of which \$1,445,000 (2020: S\$1,133,000) was settled in cash, S\$nil (2020: \$1,134,000) were acquired through invoice financing and the remaining balance of \$2,174,000 (2020: S\$nil) which was previously included in the stock but converted and capitalised as fixed asset during the current financial year.
- (b) During the financial year, the Group disposed of property, plant and equipment with an aggregate net book value of S\$1,000 (2020: S\$7,000). Sales proceeds amounting to S\$12,000 (2020: S\$31,000) were received in cash.
- (c) The net book value of property, plant and equipment pledged as security are as follows:

| | Consolidated | |
|---|-----------------|-----------------|
| | 2021 S\$'000 | 2020 S\$'000 |
| Singapore buildings | 18,201 | 18,068 |
| Freehold land and buildings in Thailand | 7,415 | 6,717 |
| Plant and equipment | 157 | 201 |
| Motor vehicles | 13 | 44 |
| | <u>25,786</u> | <u>25,030</u> |

Please refer to note 18 for details.

- (d) Revaluation of land and buildings
- i) The fair values of land and buildings are determined by accredited external valuers using a combination of recognised valuation techniques. All land and buildings were revalued as at 30 June 2021.

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.

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

(d) 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\$733 to S\$1,527 (2020: 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: 21,250-25,000 (2020: 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.

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

| | Consolidated | |
|---------------------|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Freehold land | 1,860 | 2,002 |
| Singapore buildings | 4,916 | 5,182 |
| Thailand buildings | 1,940 | 2,342 |
| | <u>8,716</u> | <u>9,526</u> |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

10. Right-of-use assets and leases

a. Right-of-use assets

Consolidated

| | Land and buildings S\$'000 | Plant and equipment S\$'000 | Motor vehicles S\$'000 | Total S\$'000 |
|---|----------------------------------|-----------------------------------|------------------------------|------------------|
| At 1.7.2019 (As previously stated) | – | – | – | – |
| Effect of adopting AASB 16 | 9,015 | 1,219 | 281 | 10,515 |
| At 1.7.2019 (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 |
| Currency realignment | 147 | 2 | – | 149 |
| Additions | 1,002 | 317 | – | 1,319 |
| Transfer from property, plant and equipment | – | 1,389 | – | 1,389 |
| Transfer to property, plant and equipment | – | (670) | (4) | (674) |
| Depreciation charge for the year | (2,206) | (210) | (55) | (2,471) |
| Other movements | 55 | – | – | 55 |
| At 30.6.2021 | 6,701 | 1,729 | 77 | 8,507 |

Included in other movements is the under-recognition of prior year's lease amounting to S\$67,000 (2020: \$nil) adjusted in the current year offset by the derecognition of right-of-use asset amounting to \$12,000 (2020: \$nil).

b. Leases liabilities

| | Consolidated | |
|------------------------|------------------------|------------------------|
| | 2021 S\$'000 | 2020 S\$'000 |
| As at 1 July | 8,784 | 9,621 |
| Additions | 2,340 | 1,666 |
| Derecognition of lease | (13) | – |
| Finance costs | 377 | 364 |
| Payments | (3,562) | (2,884) |
| Currency realignment | 154 | 17 |
| As at 30 June | 8,080 | 8,784 |
| Lease liabilities | | |
| Current | 2,336 | 1,936 |
| Non-current | 5,744 | 6,848 |
| | 8,080 | 8,784 |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

10. Right-of-use assets and leases (cont'd)

c. Amounts recognised in profit or loss

Included in property related expenses in the profit or loss for the financial year ended 30 June 2021, expenses relating to short-term leases was \$59,000 (2020: \$78,000) and expenses relating to the leases of low-value assets, excluding short-term leases of low-value assets, was \$3,000 (2020: \$3,000).

d. Group as a lessor

Rental income recognised by the Group during the year is \$1,521,000 (2020: \$1,870,000). As at 30 June 2021, trade receivables amounting to S\$699,000 (2020: S\$745,000) are related to rental. The Group's lease arrangements as lessor are generally short-term.

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

11. 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 1.7.2019 | 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 |
| Currency realignment | — | — | 103 | — | — | (1) | — | — | 102 |
| Additions | — | — | — | — | — | 53 | — | 11 | 64 |
| Reclassification | — | — | — | (166) | — | 166 | — | — | — |
| Write off | — | — | — | (15) | (11) | (5) | — | (8) | (39) |
| At 30.6.2021 | 918 | 1,141 | 5,617 | 2,015 | — | 2,535 | 3,366 | 164 | 15,756 |
| <u>Accumulated amortisation</u> | | | | | | | | | |
| At 1.7.2019 | 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 |
| Currency realignment | — | — | — | — | — | (1) | — | — | (1) |
| Amortisation | — | — | — | — | — | 86 | 250 | 7 | 343 |
| Write off | — | — | — | — | — | (5) | — | — | (5) |
| At 30.6.2021 | 918 | 1,141 | — | 2,015 | — | 2,316 | 2,422 | 38 | 8,850 |
| <u>Net carrying value</u> | | | | | | | | | |
| At 30 June 2021 | — | — | 5,617 | — | — | 219 | 944 | 126 | 6,906 |
| At 30 June 2020 | — | — | 5,514 | 181 | 11 | 86 | 1,194 | 130 | 7,116 |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

11. Intangible assets (cont'd)

| | Development expenditure | Unpatented technology |
|---|----------------------------|--------------------------|
| Average remaining amortisation period (years) – 2021 | NA | 4.0 |
| Average remaining amortisation period (years) – 2020 | 5.0 | 5.0 |

Assets by business segment:

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

| | Green Energy, Gas & Marine Equipment 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 | 8,526 | 18,706 | 376 | – | 7,288 | 34,896 |
| Right-of-use assets | 1,020 | 4,830 | 1,274 | – | 1,383 | 8,507 |
| Intangible assets other than goodwill | 225 | 18 | 1,037 | – | 9 | 1,289 |
| Goodwill | – | 1,978 | 3,639 | – | – | 5,617 |
| Investment in associate | – | – | 3,191 | – | – | 3,191 |
| | 9,771 | 25,532 | 9,517 | – | 8,680 | 53,500 |

Green Energy, Gas & Marine Equipment

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\$7m carried at fair value supported by external valuation performed as at 30 June 2021. The other most significant asset is the right-of-use asset relating to a 30-year lease for the land which the building at 9 Tuas Avenue 9 sits on amounting to S\$1m. The gas segment continues to generate positive cash flows with a pipeline of contracts. The green energy segment clinched its first order amounting to S\$60m further supporting no impairment trigger.

Construction Equipment

The assets in this segment relate predominantly to Foundation Associates Engineering Private Limited, Cescos Australia Limited and Zicom Cescos 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 Cescos Australia Limited, an impairment analysis is performed annually (refer below for discussion on Zicom Group Limited).

Precision Engineering & 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.

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

11. Intangible assets (cont'd)

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\$7.2m and S\$1.3m respectively. The building is carried at fair value supported by valuation report from accredited external valuer as at 30 June 2021.

Impairment tests for goodwill and associates

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 & Technologies and Construction Equipment segments of the Group as outlined above.

| | As at 30.6.2021 | As at 30.6.2020 | Basis on which recoverable values are determined | Pre-tax discount rate per annum | |
|---|--------------------|--------------------|---|--|------|
| Consolidated | S\$'000 | S\$'000 | | 2021 | 2020 |
| <i>Carrying value of capitalised goodwill based on cash-generating units</i> | | | | | |
| Sys-Mac Automation Engineering Pte. Ltd. | 2,975 | 2,975 | Value in use | 15% | 15% |
| Zicom Group Limited Orion Systems Integration Pte. Ltd. ("Orion") | 1,978 | 1,875 | Value in use | 18% | 18% |
| | 664 | 664 | Value in use | 18% | 18% |
| | <u>5,617</u> | <u>5,514</u> | | | |

In accordance with AASB 136, the carrying value of the Group's goodwill on acquisition as at 30 June 2021 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 5-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% (2020: 1%) was used for the above cash generating units with the exception of Orion for which 20% (2020: 20%) 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% (2020: 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 9% (2020: 0% and 12%).

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 solutions 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% (2020: 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% (2020: 0% and 60%). Based on the value in use calculation, there is a headroom of S\$2.8m and management concludes that there is no impairment in this CGU.

11. Intangible assets (cont'd)

Impairment tests for goodwill (cont'd)

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% (2020: 20%) 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% (2020: 0% and 100%).

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. For Sys-Mac, a decrease in gross margin of more than 5% (2020: 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 3 percentage points (2020: 5 percentage points) or above may result in impairment adjustment for Sys-Mac CGU.

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% (2020: 1%), there is still no impairment required for Sys-Mac CGU.

Summary of sensitivity to changes in assumptions

Considering that the calculated value in use for both Orion and Zicom Group Limited CGUs equal to their carrying values, any unfavourable change in any of the above key assumptions may result in an impairment adjustment.

For the Sys-mac CGU, management believe that no reasonably possible change in any of the above key assumptions would cause its carrying value to materially exceed its recoverable amount.

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

12. Investments in subsidiaries

| | Parent Entity | |
|---|-----------------|-----------------|
| | 2021 S\$'000 | 2020 S\$'000 |
| Investments in controlled entities, at cost | 54,544 | 54,544 |
| Less: Impairment loss | (1,421) | (1,461) |
| | <u>53,123</u> | <u>53,083</u> |

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 | |
|--|--|--|-----------------|--|-----------|
| | | 2021 S\$'000 | 2020 S\$'000 | 2021 % | 2020 % |
| <i>Held by the Company:</i> | | | | | |
| Cesco Australia Limited | Australia | 8,948 | 8,908 | 100 | 100 |
| Zicom Holdings Private Limited | Singapore | 44,175 | 44,175 | 100 | 100 |
| <i>Controlled entities held through subsidiary companies:</i> | | | | | |
| Cesco Equipment Pty Ltd | Australia | — | — | 100 | 100 |
| Zicom Private Limited | Singapore | — | — | 100 | 100 |
| Zicom Energy Solutions Private Limited | Singapore | — | — | 59 | 59 |
| 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 |
| | | 53,123 | 53,083 | | |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

12. Investments in subsidiaries (cont'd)

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

In the previous financial year, 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 | |
|---|-----------------|-----------------|
| | 2021 S\$'000 | 2020 S\$'000 |
| Loss from continuing activities before taxation | (89) | (581) |
| Income tax | — | — |
| Net loss for the year | (89) | (581) |
| Accumulated losses at the beginning of year | (21,684) | (21,219) |
| Expired employee share options | 26 | 116 |
| Accumulated losses at the end of year | (21,747) | (21,684) |

Zicom Group Limited**Notes to the Consolidated Financial Statements**

(In Singapore dollars)

12. Investments in subsidiaries (cont'd)**Consolidated Balance Sheet**

| | Closed Group | |
|--|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Non-current assets | | |
| Property, plant and equipment | 615 | 756 |
| Right-of-use assets | 1,878 | 2,365 |
| Intangible assets | 358 | 340 |
| Deferred tax assets | 303 | 287 |
| Investments in subsidiaries | 44,175 | 44,175 |
| | 47,329 | 47,923 |
| Current assets | | |
| Cash and cash equivalents | 1,364 | 2,503 |
| Inventories | 4,580 | 3,951 |
| Trade and other receivables | 3,843 | 2,097 |
| Prepayments | 30 | 22 |
| | 9,817 | 8,573 |
| Current liabilities | | |
| Payables | 3,716 | 2,420 |
| Contract liabilities | 87 | 207 |
| Lease liabilities | 654 | 517 |
| Other interest-bearing liabilities | 123 | 405 |
| Provisions | 616 | 583 |
| | 5,196 | 4,132 |
| NET CURRENT ASSETS | 4,621 | 4,441 |
| Non-current liabilities | | |
| Lease liabilities | 1,286 | 1,903 |
| Other interest-bearing liabilities | 18 | 133 |
| Provisions | 144 | 154 |
| | 1,448 | 2,190 |
| NET ASSETS | 50,502 | 50,174 |
| Equity attributable to equity holders of the Parent | | |
| Share capital | 72,322 | 72,322 |
| Reserves | (73) | (464) |
| Accumulated losses | (21,747) | (21,684) |
| TOTAL EQUITY | 50,502 | 50,174 |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

13. Investment in associate

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

| | Consolidated | |
|--|---------------------|--------------|
| Emage Vision Pte Ltd ("EV") | 2021 | 2020 |
| Shareholdings held: 16.29% (30 Jun 20: 16.29%) | S\$'000 | S\$'000 |
| Principal place of business: Singapore | | |
| At beginning of year | 3,337 | 3,731 |
| Share of results after income tax | (146) | (394) |
| At end of year | <u>3,191</u> | <u>3,337</u> |

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

14. Inventories

| | Consolidated | |
|--|---------------------|---------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Raw materials/trading stocks (at cost or net realisable value) | 14,929 | 17,424 |
| Work-in-progress (at cost) | 6,400 | 6,928 |
| Finished goods (at cost) | 2,154 | 2,383 |
| Stocks-in-transit (at cost) | 599 | 1,133 |
| Total inventories at lower of cost and net realisable value | <u>24,082</u> | <u>27,868</u> |

Inventories recognised as cost of sales for the year ended 30 June 2021 totalled S\$56,088,000 (2020: S\$67,554,000) for the Group.

15. Current assets - receivables

| | Consolidated | |
|---|---------------------|--------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Trade receivables | 20,029 | 9,913 |
| Allowance for impairment and expected credit losses | (1,934) | (2,110) |
| | <u>18,095</u> | <u>7,803</u> |
| Advance payments to suppliers | 889 | 775 |
| Deposits | 217 | 94 |
| Related party receivables: | | |
| - Associate | | |
| - trade | 7 | 42 |
| - non-trade | — | 26 |
| - Other related parties | | |
| - trade | 150 | 328 |
| - non-trade | 26 | 37 |
| Grant receivables | 256 | 388 |
| Unrealised gain on derivative | — | 51 |
| Other receivables | 52 | 56 |
| Total financial assets at amortised cost | <u>19,692</u> | <u>9,600</u> |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

15. Current assets – receivables (cont'd)

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 2021, trade receivables amounting to S\$7,713,000 (2020: S\$1,966,000) were arranged to be settled via letters of credit issued by reputable banks in countries where the customers were based.

Receivables that are past due but not impaired

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

As at 30 June 2021, the ageing analysis of trade receivables is as follows:

| | Consolidated | |
|--------------------|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Less than 30 days | 1,912 | 3,162 |
| 30 to 60 days | 314 | 252 |
| 61 to 90 days | 538 | 182 |
| 91 to 120 days | 109 | 106 |
| More than 120 days | 837 | 808 |
| | <u>3,710</u> | <u>4,510</u> |

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 | |
|-------------------------------------|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Trade receivables - nominal amounts | 1,882 | 1,960 |
| Less: allowance for impairment | <u>(1,882)</u> | <u>(1,960)</u> |
| | <u>—</u> | <u>—</u> |
| Movement in allowance accounts: | | |
| As at 1 July | 1,960 | 2,146 |
| Charge for the year | 76 | 282 |
| Written off | (71) | (312) |
| Unused amounts reversed | (62) | (171) |
| Currency realignment | <u>(21)</u> | <u>15</u> |
| As at 30 June | <u>1,882</u> | <u>1,960</u> |

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. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade debtor is credit impaired. These receivables are not secured by any collateral or credit enhancements.

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

15. Current assets – receivables (cont'd)

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 | |
|-------------------------|-----------------|-----------------|
| | 2021 S\$'000 | 2020 S\$'000 |
| As at 1 July | 150 | 339 |
| Charge for the year | 15 | 139 |
| Unused amounts reversed | (114) | (328) |
| Currency realignment | 1 | – |
| As at 30 June | 52 | 150 |

For non-trade receivables from related parties, please refer to note 26 for terms and conditions.

16. Contract costs

| | Consolidated | |
|-------------------|-----------------|-----------------|
| | 2021 S\$'000 | 2020 S\$'000 |
| Acquisition costs | 3,929 | 434 |
| Fulfilment costs | 232 | 852 |
| | 4,161 | 1,286 |

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 customers.

For the financial year ended 30 June 2021, S\$1,621,000 (2020: S\$1,275,000) was amortised and no impairment loss had been recognised.

17. Current liabilities - payables

| | Consolidated | |
|---------------------------------|-----------------|-----------------|
| | 2021 S\$'000 | 2020 S\$'000 |
| Trade payables and accruals (a) | 16,180 | 28,254 |
| Related party payables (b) | | |
| - trade | 1 | – |
| - non-trade | 444 | 170 |
| Other payables | 1,027 | 243 |
| | 17,652 | 28,667 |

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

(b) For non-trade payables to related parties, please refer to note 26 for terms and conditions.

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

18. Other interest-bearing liabilities

| | Consolidated | |
|--------------------------------|---------------|---------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| <i>Current</i> | | |
| Bank overdrafts (a) | 1,221 | 1,274 |
| Bills payable (b) | — | 16,088 |
| Revolving term loans (c) | 11,350 | 12,600 |
| Term loans (d) | 1,290 | 153 |
| Loans from a related party (e) | 1,822 | 2,429 |
| | <u>15,683</u> | <u>32,544</u> |
| <i>Non-current</i> | | |
| Term loans (d) | <u>3,850</u> | <u>2,133</u> |

Details of the secured borrowings are as follows:

- (a) Bank overdraft amounting to S\$583,000 (2020: S\$591,000) which bears interest at floating rate ranging from 6.00% to 6.8% (2020: 6.00% to 7.70%) per annum is secured by corporate guarantee from Zicom Holdings Private Limited ("ZHPL").

Bank overdraft of S\$638,000 (2020: S\$683,000) which bears interest at floating rate at 6.80% (2020: ranging from 6.80% - 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 outstanding as at 30 June 2020 amounting to S\$16,088,000 have been fully settled during the financial year and there are no outstanding bills payable as at 30 June 2021. Below sets out the terms of bills payable outstanding as at 30 June 2020.

| Tenure | Interest at fixed rate during tenure | Corporate Guarantor | Amount (S\$) |
|-----------------------|--------------------------------------|---------------------|-------------------|
| Up to 185 or 390 days | 3.97% to 5.90% | ZHPL | 12,253,000 |
| 1 – 4 months | 1.85% to 3.51% | ZHPL | 3,583,000 |
| 120 days | 3.52% | ZGL | 252,000 |
| | | | <u>16,088,000</u> |

- (c) A revolving credit line of S\$5,000,000 (2020: 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 2021, S\$3,500,000 (2020: S\$4,000,000) is outstanding with tenure of 1 month (2020: 1-2 months) bearing interest at fixed rates until expiry, ranging from 1.75% to 2.70% (2020: 2.00% to 3.35%) per annum, at which point, interest rate resets.

18. Interest-bearing liabilities (cont'd)

- (c) Short term loan of S\$3,000,000 (2020: 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 2021, S\$1,150,000 (2020: S\$1,750,000) is outstanding with tenure of 1 month (2020: 1 month) bearing interest at fixed rate at 1.53% (2020: 1.51% to 3.22%) per annum, at which point, interest rate resets.

Short term loans with a tenure of 3 - 6 months (2020: 3 - 6 months) amounting to S\$1,700,000 (2020: S\$1,850,000) bear interest at fixed rates until expiry ranging from 2.20% to 2.28% (2020: 2.77% to 3.99%) per annum at which time interest rate resets and is secured by a corporate guarantee given by ZHPL.

The remaining short-term loans with tenure of 1 month (2020: 1 month) amounting to S\$5,000,000 (2020: \$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 1.51% to 1.60% (2020: 1.50% to 3.26%) per annum at which point interest rate resets.

- (d) Term loans amounting to S\$37,000 (2020: S\$63,000) comprising of current and long-term portions of S\$20,000 (2020: S\$27,000) and S\$17,000 (2020: S\$36,000) respectively which are secured by a fixed charge over the purchased motor vehicles and equipment are payable over the remaining 1 to 2 years (2020: 1 - 3 years) and bear interest at fixed rates of 5.05% to 5.40% (2020: 5.05% to 5.40%) per annum.

Term loans amounting to S\$103,000 (2020: S\$223,000) comprising of current and long-term portions of S\$103,000 (2020: S\$126,000) and S\$nil (2020: S\$97,000) respectively is repayable within 1 year (2020: 1 - 2 years) and bear interest at fixed rates of 5.51% (2020: 5.11% and 5.51%) per annum. It is secured by a fixed charge over the purchased equipment and a corporate guarantee from Cescio Australia Limited.

Temporary bridging loans with a tenor of 5 years totalled S\$5,000,000 were offered to Zicom Private Limited, Zicom Equipment Private Limited and Sys-Mac Automation Engineering Pte Ltd in the previous 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 after drawdown. As at 30 June 2021, S\$5,000,000 (2020: S\$2,000,000) comprising of current and long-term portions of S\$1,167,000 (2020: S\$nil) and S\$3,833,000 (2020: 2,000,000) respectively is outstanding and secured by a corporate guarantee by ZHPL.

- (e) Loans from a related party amounting to S\$1,822,000 (2020: S\$2,429,000) which bear interest at fixed rate of 3.5% (2020: 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 2021, the Group had available S\$73,421,000 (2020: S\$100,961,000) of undrawn committed borrowing facilities and all significant bank covenants were complied with.

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

19. Provisions

| | Consolidated | |
|--|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| <i>Current</i> | | |
| Assurance-type warranties | 1,400 | 611 |
| Employee benefits | 487 | 457 |
| Reinstatement costs | 200 | — |
| Onerous contracts | 73 | — |
| | <u>2,160</u> | <u>1,068</u> |
| <i>Non-current</i> | | |
| Employee benefits | 219 | 417 |
| Reinstatement costs | 117 | 152 |
| | <u>336</u> | <u>569</u> |
| Movement in provision for assurance-type warranties: | | |
| At beginning of year | 611 | 747 |
| Additional provision | 1,304 | 426 |
| Unused amounts reversed | (270) | (301) |
| Utilised | (247) | (264) |
| Currency realignment | 2 | 3 |
| At end of year | <u>1,400</u> | <u>611</u> |
| Warranty expense charged directly to profit or loss (note 6) | <u>—</u> | <u>3</u> |
| Movement in provision for employee benefits: | | |
| At beginning of year | 874 | 747 |
| Additional provision | 55 | 121 |
| Unused amounts reversed | (192) | — |
| Utilised | (46) | (6) |
| Currency realignment | 15 | 12 |
| At end of year | <u>706</u> | <u>874</u> |
| Movement in provision for reinstatement costs: | | |
| At beginning of year | 152 | 151 |
| Additional provision | | |
| - charge for the year | 152 | — |
| - borne by subtenant | 10 | — |
| Currency realignment | 3 | 1 |
| At end of year | <u>317</u> | <u>152</u> |
| Movement in provision for onerous contracts: | | |
| At beginning of year | — | — |
| Additional provision | 76 | — |
| Utilised | (3) | — |
| At end of year | <u>73</u> | <u>—</u> |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

19. Provisions (cont'd)

Provision for assurance-type warranty claims is made for deck machineries, compressor stations, 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 for reinstatement is the costs that will ultimately be incurred.

As soon as a contract is assessed to be onerous, a provision for onerous contracts is recorded for the loss it expects to make on the contract.

20. Unearned income

| | Consolidated | |
|-----------------|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Unearned income | 231 | 252 |

Included in unearned income as at 30 June 2021 was an amount of S\$196,000 (2020: nil) relating to an Enterprise Development Grant awarded to Zicom Private Limited, a wholly-owned subsidiary, to support the building of LNG engineering capability and development of a high pressure LNG fuel gas supply system for large vessels. Cash advancement was disbursed upon the acceptance of the offer and shall be recognised in profit or loss on a systematic basis over the periods in which the related costs for which the grant is intended to compensate are recognised as expenses.

The remaining unearned income of \$35,000 as at 30 June 2021 (2020: S\$252,000) relates to the Job Support Scheme ("JSS") introduced by the Singapore government ("JSS") to offset local employees' wages and help protect their jobs. The cumulative grant received as at the reporting date that was intended to defray the Group's payroll costs in future periods is recorded as "unearned income". Such unearned income shall be released to future period's profit or loss on a systematic basis over the remaining relevant periods.

21. Share capital

| | 2021 | 2020 | 2021 | 2020 |
|----------------------------|----------------------------------|-------------|----------------|----------------|
| | 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.

There were no movements in share capital for both financial years.

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

22. Cash and cash equivalents

| | Consolidated | |
|--------------------------|-----------------|-----------------|
| | 2021 S\$'000 | 2020 S\$'000 |
| Cash at bank and in hand | 17,230 | 11,493 |
| Demand deposits | 16 | 15 |
| | <u>17,246</u> | <u>11,508</u> |

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

| | | |
|--------------------------|---------------|---------------|
| Cash and demand deposits | 17,246 | 11,508 |
| Bank overdrafts | (1,221) | (1,274) |
| | <u>16,025</u> | <u>10,234</u> |

Cash at bank balances amounting to S\$7,542,000 as at 30 June 2021 (2020: S\$4,110,000) earned interest at floating rate based on daily bank deposit rates ranging from 0.01% to 2.30% (2020: 0.01% to 2.30%) per annum.

23. Fixed Deposits

These are fixed deposits placed with the bank to secure banking facilities. Fixed deposit amounting to S\$3,053,000 earned interest at floating rate at 0.1% (2020: nil) per annum, the remaining fixed deposit do not earn interest.

24. 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.

Zicom Group Limited

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(In Singapore dollars)

24. Financial instruments

(b) Interest rate risk (cont'd)

At the balance sheet date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| <i>Financial assets</i> | | |
| Cash and cash equivalents | 7,542 | 4,110 |
| Fixed deposits | 3,053 | — |
| | <u>10,595</u> | <u>4,110</u> |
| <i>Financial liabilities</i> | | |
| Bank overdrafts | <u>1,221</u> | <u>1,274</u> |

Sensitivity analysis of interest rate risk

As at 30 June 2021, if interest rates had increased/decreased by 25 basis point with all other variables held constant, post-tax losses for the consolidated entity for the current financial year would be S\$19,000 (2020: S\$5,000) lower/higher as a result of the higher/lower interest rates. Accordingly, the Group's equity as at year-end will be S\$19,000/(S\$19,000) (2020: S\$5,000/(S\$5,000)) higher/lower.

(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:

| | 2021 | 2020 |
|------------------------------|----------------|----------------|
| <i>Consolidated</i> | S\$'000 | S\$'000 |
| USD | | |
| - strengthened 1% (2020: 1%) | 100 | 24 |
| - weakened 2% (2020: 2%) | (200) | (47) |
| EURO | | |
| - strengthened 2% (2020: 5%) | (2) | (13) |
| - weakened 3% (2020: 1%) | 3 | 3 |
| AUD | | |
| - strengthened 4% (2020: 4%) | 4 | — |
| - weakened 1% (2020: 1%) | (1) | — |
| BDT | | |
| - strengthened 1% (2020: 2%) | 34 | (8) |
| - weakened 1% (2020: 2%) | (34) | 8 |

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Notes to the Consolidated Financial Statements

(In Singapore dollars)

24. Financial instruments (cont'd)

(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.

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 | | Consolidated | |
|----------------------------|---------------------|------------|---------------------|------------|
| | 2021 | | 2020 | |
| | S\$'000 | % of total | S\$'000 | % of total |
| Australia | 2,508 | 13.9 | 1,226 | 15.7 |
| Bangladesh | 9,445 | 52.2 | 2,046 | 26.2 |
| Indonesia | 17 | 0.1 | 114 | 1.5 |
| Malaysia | 465 | 2.6 | 324 | 4.2 |
| People's Republic of China | 119 | 0.7 | 171 | 2.2 |
| Myanmar | 5 | 0.0 | 34 | 0.4 |
| New Zealand | 354 | 2.0 | — | — |
| Singapore | 4,293 | 23.7 | 2,570 | 32.9 |
| Switzerland | 99 | 0.5 | 37 | 0.5 |
| Taiwan | 127 | 0.7 | 101 | 1.3 |
| Thailand | 473 | 2.6 | 673 | 8.6 |
| United States of America | 45 | 0.2 | 420 | 5.4 |
| Others | 145 | 0.8 | 87 | 1.1 |
| | 18,095 | 100 | 7,803 | 100 |

At the balance sheet date, approximately 61.9% (2020: 35.9%) of the Group's trade receivables were due from 3 (2020: 3) major customers.

Contract assets

| | Consolidated | | Consolidated | |
|----------------------------|---------------------|------------|---------------------|------------|
| | 2021 | | 2020 | |
| | S\$'000 | % of total | S\$'000 | % of total |
| Bangladesh | — | — | 36,712 | 96.0 |
| Malaysia | 462 | 28.3 | — | — |
| People's Republic of China | — | — | 77 | 0.2 |
| Singapore | 1,168 | 71.7 | 1,308 | 3.4 |
| United States of America | — | — | 140 | 0.4 |
| | 1,630 | 100 | 38,237 | 100 |

Zicom Group Limited

Notes to the Consolidated Financial Statements

(In Singapore dollars)

24. 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.

| | 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 |
|---|------------------------------|---|-----------------------------|------------------|
| Consolidated 2021 | | | | |
| <i>Financial assets:</i> | | | | |
| Trade receivables | 17,923 | — | — | 17,923 |
| Other receivables | 549 | — | — | 549 |
| Cash and cash equivalents | 17,246 | — | — | 17,246 |
| Fixed deposits | 3,080 | — | — | 3,080 |
| Total undiscounted financial assets | 38,798 | — | — | 38,798 |
| <i>Financial liabilities:</i> | | | | |
| Trade payables | 5,424 | — | — | 5,424 |
| Other payables | 10,834 | — | — | 10,834 |
| Lease liabilities | 2,611 | 3,444 | 3,707 | 9,762 |
| Other interest-bearing liabilities | 16,122 | 3,987 | — | 20,109 |
| Total undiscounted financial liabilities | 34,991 | 7,431 | 3,707 | 46,129 |
| Total net undiscounted financial liabilities | 3,807 | (7,431) | (3,707) | (7,331) |
| 2020 | | | | |
| <i>Financial assets:</i> | | | | |
| Trade receivables | 7,686 | — | — | 7,686 |
| Other receivables | 204 | — | — | 204 |
| Cash and cash equivalents | 11,508 | — | — | 11,508 |
| Total undiscounted financial assets | 19,398 | — | — | 19,398 |
| <i>Financial liabilities:</i> | | | | |
| Trade payables | 5,861 | — | — | 5,861 |
| Other payables | 20,988 | — | — | 20,988 |
| Lease liabilities | 2,243 | 4,397 | 4,088 | 10,728 |
| Other interest-bearing liabilities | 33,714 | 2,229 | — | 35,943 |
| 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) |

Notes to the Consolidated Financial Statements

(In Singapore dollars)

24. Financial instruments (cont'd)

(f) Fair values

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

As at 30 June 2021, the Group had no financial instruments measured at fair value.

As at 30 June 2020, the Group had the following financial liabilities measured at fair value.

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

(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 cash equivalent, fixed 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. Considering the unobservable inputs, the Group has classified the fair value within Level 3 of the fair value hierarchy. The Group's own non-performance risk as at 30 June 2021 was assessed to be insignificant.

| | Consolidated | | | |
|-------------------------------|-----------------|---------|------------|---------|
| | Carrying Amount | | Fair Value | |
| | 2021 | 2020 | 2021 | 2020 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Financial liabilities: | | | | |
| Term loans | 3,850 | 2,133 | 3,599 | 1,969 |

25. 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 including the impact of COVID-19 pandemic on cash flows.

The Directors regularly reviews the Company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments. The Company 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 2021 and 30 June 2020.

Management monitors capital through the gearing ratio (net debt / total capital). The Group defines net debt 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 2021 and 30 June 2020 were as follows:

| | Consolidated | |
|--|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Lease liabilities (note 10) | 8,080 | 8,784 |
| Other interest-bearing liabilities (note 18) | 19,533 | 34,677 |
| | <u>27,613</u> | <u>43,461</u> |
| Less: cash and cash equivalents | (17,246) | (11,508) |
| Net debt | <u>10,367</u> | <u>31,953</u> |
| Equity attributable to holders of the Parent | <u>65,634</u> | <u>65,078</u> |
| Gearing ratio | <u>15.80%</u> | <u>49.10%</u> |

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(In Singapore dollars)

26. 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 | |
|--|---------------------|----------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| Minority shareholder of a subsidiary company | | |
| - Sales | 253 | 337 |
| Associates | | |
| - Sales | 6 | 9 |
| - Purchases | 115 | 773 |
| - Rental & utilities income | 19 | 68 |
| - Services received | 50 | 64 |
| Other related parties | | |
| - Sale of goods and services | 1,367 | 1,254 |
| - Sale of fixed assets | 8 | – |
| - Interest income | – | 3 |
| - Rental & utilities income | 121 | 198 |
| - Services rendered | 26 | 36 |
| - Interest expense | 50 | 95 |
| - Services received | – | 63 |

(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.

All non-trade amounts due from/(to) related parties as at 30 June 2021 are unsecured, interest-free and have no fixed terms of repayment.

As at 30 June 2020, except for non-trade balances due from related parties amounting S\$51,000 which were on 30 to 60 days terms, the remaining non-trade balances were 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 15 and 17.

(c) Compensation of key management personnel

| | Consolidated | |
|------------------------------|---------------------|-------------|
| | 2021 | 2020 |
| | S\$ | S\$ |
| Short-term employee benefits | 924,583 | 1,161,202 |
| Post-employment benefits | 39,168 | 36,090 |
| Share-based payments | 6,952 | 17,522 |
| Total compensation | 970,703 | 1,214,814 |

27. 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\$38,000 (2020: S\$48,000).

There have been no cancellations or modifications to the plan during the years 2021 and 2020.

(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.

(c) Movement during the year

| | 2021 | 2020 |
|----------------------------------|----------------------------|--------------|
| | No. of options (Thousands) | |
| Outstanding at beginning of year | 6,600 | 2,550 |
| Granted during the year | — | 6,000 |
| Expired during the year | (600) | (1,950) |
| Outstanding at end of year | <u>6,000</u> | <u>6,600</u> |
| Exercisable at end of year | <u>2,502</u> | <u>1,300</u> |

The outstanding balance of share options as at 30 June 2021 and 30 June 2020 is represented by:

| No. of options (Thousands) | Exercise price | Exercisable | Expiry Date |
|----------------------------|----------------|--------------------|-------------|
| 2021 | 2020 | (Australian Cents) | on or after |
| — | 600 | 18.0 | 1/12/2016 |
| 700 | 700 | 8.1 | 13/11/2019 |
| 221 | 221 | 8.1 | 13/11/2020 |
| 215 | 215 | 8.1 | 13/11/2021 |
| 214 | 214 | 8.1 | 13/11/2022 |
| 1,581 | 1,581 | 8.1 | 16/10/2020 |
| 1,535 | 1,535 | 8.1 | 16/10/2021 |
| 1,534 | 1,534 | 8.1 | 16/10/2022 |
| <u>6,000</u> | <u>6,600</u> | | |

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

(d) Weighted average fair value

The weighted average fair value of options granted in the previous financial year was A\$0.02.

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

(f) Option pricing model

The fair value of the equity-settled share options granted during the previous financial year under the ZESOP was 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 had 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.

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28. Commitments

(a) Commitments

As at year-end, the Group has issued letters of guarantee amounting to S\$23,235,000 (2020: S\$20,555,000).

(b) Capital commitment

The Group has no capital commitment as at 30 June 2021 and 30 June 2020.

29. Auditors' remuneration

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

| | Consolidated | |
|---|---------------------|----------------|
| | 2021 | 2020 |
| | S\$ | S\$ |
| <i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i> | | |
| - Audit and review of financial statements | 153,690 | 139,320 |
| <i>Amounts received or due and receivable by Ernst & Young (Thailand) for:</i> | | |
| - Fact-finding investigation | 47,469 | — |
| <i>Amounts received or due and receivable by Ernst & Young (Singapore) for:</i> | | |
| - Audit and review of financial statements | 248,170 | 235,000 |
| <i>Amounts received or due and receivable by other audit firms for:</i> | | |
| - Audit and review of financial statements | 28,789 | 27,464 |
| - Taxation services | 23,721 | 50,805 |
| | 501,839 | 452,589 |

Zicom Group Limited

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30. Parent Entity disclosures

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

| | 2021 S\$'000 | 2020 S\$'000 |
|---|-----------------|-----------------|
| Balance sheet | | |
| Non-current assets | 53,123 | 53,083 |
| Current assets | 1,214 | 1,319 |
| Total assets | 54,337 | 54,402 |
| Current liabilities | 165 | 104 |
| Net assets | 54,172 | 54,298 |
| Equity | | |
| Share capital (i) | 71,850 | 71,850 |
| Share capital - exercise of share options | 472 | 472 |
| Capital reserve | 688 | 688 |
| Foreign currency translation reserve | (452) | (515) |
| Share-based payments reserve | 85 | 73 |
| Accumulated losses | (18,471) | (18,270) |
| | 54,172 | 54,298 |
| Results | | |
| Loss for the year | (227) | (272) |
| Other comprehensive income | — | — |
| Total comprehensive loss | (227) | (272) |

- (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\$3,500,000 (2020: S\$4,252,000) 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 12.

(c) Contingent liabilities

The Parent Entity has no contingent liabilities as at 30 June 2021 and 30 June 2020.

31. Subsequent events

Subsequent to the financial year-end, the board of directors resolved to carry out an on-market share buy-back within the 10/12 limit provided for under Section 257A of the *Corporations Act 2001* to enhance shareholders value as part of capital management. The share buy-back exercise has commenced in September 2021 after the release of full year results and requisite notifications had been given to the regulatory authorities.

Except for the above, no matter or circumstances 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 2021.

Zicom Group Limited

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 2021 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 2021 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 2021.
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 12 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 2021

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 balance sheet as at 30 June 2021, 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 2021 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 |
|---|---|
| <p>In accordance with the requirements of Australian Accounting Standards and as described in note 11 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.</p> <p>Management's assessment of the recoverability of the Group's non-current assets involves significant judgments and assumptions about the progress and future results of the CGUs of the Group.</p> <p>Due to the significant carrying amount of the non-current assets, 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, as well as the sensitivity of the calculations to changes in the key assumptions, this was considered a Key Audit Matter.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • 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 of 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 used to determine the recoverable amount of the CGU. • We also assessed the fair values of land and buildings assets within Property, Plant and Equipment that are carried at fair value. • We assessed the cash flow forecasts approved by the Board and used in the impairment models 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 to changes in significant assumptions including discount rates, terminal growth rates, and revenue growth assumptions. • We assessed the adequacy of the related disclosures in note 11 of the financial report. |

Revenue recognition

| Why significant | How our audit addressed the key audit matter |
|--|--|
| <p>The group's business involves entering into contractual relationships with customers to provide a range of goods and services. A significant portion of the group's revenue is derived from long-term contracts.</p> <p>Revenue recognition from long term contracts involves a significant degree of judgement, with estimates being made to:</p> <ul style="list-style-type: none"> • Determine the transaction price under customer contracts; • Assess the total contract costs; • Determine the appropriate measurement method (input or output); and • Measure the Group's progress towards the satisfaction of the performance obligations under the customer contract. <p>On this basis we consider revenue recognition to be a Key Audit Matter.</p> <p>The Group's accounting policies and disclosures for revenue are detailed in Key Judgements note 3, accounting policy and note 5 Revenue and Contract assets.</p> | <p>We examined a sample of key contracts and enquired with the Group for each of these contracts to understand the specific terms and risks, which in turn allowed us to assess the recognition of revenue.</p> <p>We assessed the operating effectiveness of internal controls over recording of revenue recognised in financial report.</p> <p>The audit procedures we performed on a sample of contracts also included the following:</p> <ul style="list-style-type: none"> • Understood the status of the contracts through enquiries with the key executives. • Assessed the contract status through the examination of external evidence, such as approved variations and customer correspondence. • Analysed the Group's estimates for total contract costs and forecast costs to complete, including historical estimation accuracy. • Re-performed the percentage of completion attributed to the specific contract after assessing the underlying inputs to the calculation. • Assessed the Group's accounting policies and adequacy of related disclosures in the financial report. |

Singapore and related parties operations – reliance on the work of EY component teams

| Why significant | How our audit addressed the key audit matter |
|---|--|
| <p>As detailed in note 4 Geographical segments, the Group's operating activities take place in numerous countries. These decentralised operations consolidate with a parent company in Singapore where our component team performs audit procedures.</p> <p>In our role as group auditor, we obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities ("components") within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit.</p> <p>Given the financial significance of components to the Group result, our direction and supervision of our component audit team in Singapore was considered a Key Audit Matter.</p> | <p>In fulfilling our responsibilities as group auditor:</p> <ul style="list-style-type: none"> • We performed risk assessment and component scoping at a consolidated Group level and, based on this scoping, identified the components to be audited by Ernst & Young Singapore ("EY component auditor"). • We sent instructions to the EY component auditor detailing significant audit areas to be covered, including the relevant risks and the information to be reported to the Group audit team. The Group audit team approved the component materiality, having regard to the size and risk profile of the component relative to the Group. • The EY component team provided written confirmation to the Group audit team confirming the work performed and the results of that work as well as key documents supporting independence, significant findings and observations. • We, as the Group audit team, held meetings with the EY component teams to discuss the outcome and extent of their procedures. • We reviewed underlying working papers and documentation of the EY component auditor for selected areas of audit focus. • We ensured the trial balance and related supporting schedules audited by the EY component team agreed to the Group consolidation schedule and where relevant financial statement notes. |

| Why significant | How our audit addressed the key audit matter |
|-----------------|---|
| | <ul style="list-style-type: none"> We assessed the accounting policies of the components for consistency with the Group's accounting policies and tested the Group's accounting for intercompany transactions. |

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 2021 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.

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

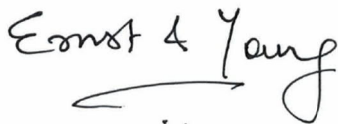
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Zicom Group Limited for the year ended 30 June 2021, 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



Madhu Nair
Partner
Brisbane
30 September 2021

Zicom Group Limited

Information on Shareholdings

As at 28 September 2021

Distribution of Equity Securities

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

| | | Ordinary Shares | Number of Holders |
|---------|---|-----------------|-------------------|
| 1 | — | 1,000 | 9,197 |
| 1,001 | — | 5,000 | 705,656 |
| 5,001 | — | 10,000 | 2,057,501 |
| 10,001 | — | 100,000 | 12,970,278 |
| 100,001 | | and over | 201,398,148 |
| | | | 217,140,780 |
| | | | 960 |

b) There were 194 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% |
| NP PARIBAS NOMS PTY LTD | 11,776,528 | 5.42% |
| MR MAKRAM HANNA & MRS RITA HANNA | 8,824,350 | 4.06% |
| JUAT LIM SIM | 6,487,767 | 2.99% |
| CITICORP NOMINEES PTY LIMITED | 4,449,710 | 2.05% |
| 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% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,083,589 | 0.96% |
| JUAT KHIANG SIM | 2,069,525 | 0.95% |
| KAILVA PTY LTD | 1,800,000 | 0.83% |
| HUNG SEAH TANG | 1,621,157 | 0.75% |
| ZHANG HONG JUN | 1,625,939 | 0.75% |
| MR AIDAN HANNA | 1,563,000 | 0.72% |
| KOK HWEE SIM | 1,488,180 | 0.69% |
| G M ELASTOMERICS PTY LTD | 1,426,073 | 0.66% |
| KOK YEW SIM | 1,350,253 | 0.62% |
| MISS SARAH HANNA | 1,129,452 | 0.52% |

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.

Zicom Group Limited

Corporate Directory

BOARD OF DIRECTORS

Giok Lak Sim (Executive Chairman)
Kok Yew Sim (Executive Director)
Lim Bee Chun, Jenny (Executive Director)
Yian Poh Lim
Renny Yeo Ah Kiang
Stewart James Douglas
Dean Tai Chi-Shang
Kok Hwee Sim (Alternate Director to G L Sim)

JOINT COMPANY SECRETARIES

Lim Bee Chun, Jenny
Igor Sushko

REGISTERED OFFICE

38 Goodman Place
Murarrie QLD 4172
Australia
Telephone: +61 7 3908 6088
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
Maybank Singapore Limited
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