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12 August 2022

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

Dear Sir,

PROFIT WARNING FOR YEAR ENDED 30 JUNE 2022

The Group wishes to advise that, based on preliminary accounts for the year ended 30 June 2022, subject to final audit adjustments, it is expected to incur a consolidated net loss in the region of \$\$8.5m as against a consolidated net loss of \$\$1.13m in the previous financial year. The Group's consolidated revenue for the year ended 30 June 2022 is \$\$92.56m as against \$\$90.98m in the previous year.

The adverse impact of the pandemic has been more pronounced on the Group's businesses in the year just ended. The seemingly never-ending pandemic, with sporadic spikes even at this point of time, now entering into its third year, has continued to constrain travels and people's movements resulting in business decisions being held back. In countries like China which upholds and is enforcing a Zero Covid national policy, sporadic total lockdowns are not infrequent. All these have disrupted and distorted the entire global logistic ecosystems and given rise to unprecedented general cost escalations, in particular, ocean freight by 4-5 times of that pre-Covid. Manpower costs have likewise increased.

The Ukraine war further compounded the situation. Since the war began energy costs have gone up by as much as 3-4 times pre-Covid. The effect has cascaded down increasing cost of living and business globally.

Our capital equipment businesses felt the crunch deeply. The unprecedented huge and rapid increase in ocean freight has virtually wiped off our margins on various revenue segments as these could not be readily passed on to customers. Apart from increased freight costs, shortage of parts and skilled labour globally as well as shipping vessels had given rise to suppliers delaying in delivery, thus affecting recognition of revenue.

In recent months, as the virus weakens, pandemic control measures have transited to endemic measures, easing travel restrictions and enabled freer people's movements.

As a result, the Group has begun to experience acceleration in business decisions and are finalising new orders for which it will make announcements.

The Group continues to maintain strong cash balances at \$\$20.29m (30 June 21:\$\$20.33m).

Yours faithfully Zicom Group Limited

G L Sim Chairman.