



# **ZICOM GROUP LIMITED**

## **Appendix 4D**

**For the half-year ended**

**31 December 2015**

**ZICOM GROUP LIMITED**  
ABN 62 009 816 871  
**HALF-YEAR REPORT – 31 DECEMBER 2015**

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**Name of entity:** ZICOM GROUP LIMITED

**ABN:** 62 009 816 871

**Reporting Period:** Half-Year Ended 31 December 2015

**Previous corresponding period:** Half-Year Ended 31 December 2014

**Results for announcement to the market**

Revenues from ordinary activities	up	5.2% to	S\$67,586,000
Net Profit from ordinary activities after tax attributable to members	down	10.0% to	S\$2,616,000
Net Profit for the period attributable to members	down	10.0% to	S\$2,616,000

**Dividends**

	Amount per security	Unfranked amount per security
Interim dividend	Australian cents 0.25	Australian cents 0.25

Record date for determining entitlements to dividends 17 March 2016

Date the dividend is payable 31 March 2016

**Net tangible assets per security**

	December 31, 2015	June 30, 2015
Net tangible asset backing per ordinary share	Singapore cents 35.24	Singapore cents 34.45

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

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

This half yearly report is to be read in conjunction with the half year financial report and the most recent annual financial report.

**Signed**



**GL Sim**  
Chairman

**Date: 25 February 2016**



# **ZICOM GROUP LIMITED**

## **Half-Year Financial Report**

**For the period ended**

**31 December 2015**

**ZICOM GROUP LIMITED**  
ABN 62 009 816 871  
**HALF-YEAR REPORT – 31 DECEMBER 2015**

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## **Corporate Information**

This half-year report covers the consolidated entity comprising Zicom Group Limited and its subsidiaries (the Group). The Group's presentation currency is Singapore Dollars (S\$).

A description of the Group's operations and of its principal activities is included in the review of operations in the Report of the Directors on page 2.

### **Directors**

Giok Lak Sim	(Chairman and Managing Director)
Kok Hwee Sim	(Executive Director)
Kok Yew Sim	(Executive Director)
Frank Leong Yee Yew	(Independent)
Yian Poh Lim	(Independent)
Ian Robert Millard	(Independent)
Shaw Pao Sze	(Independent)

### **Joint Company Secretaries**

Jenny Lim Bee Chun  
Surendra Kumar

### **Registered Office**

38 Goodman Place  
Murarrie QLD 4172, Australia  
Telephone: +61 7 3908 6088  
Facsimile: +61 7 3390 6898  
Website: www.zicomgroup.com

### **Auditors**

Ernst & Young  
111 Eagle Street  
Brisbane, QLD 4000  
Australia

### **Solicitors**

Thomson Geer  
Level 16, Waterfront Place  
1 Eagle Street  
Brisbane, QLD 4000  
Australia

### **Share Registry**

Link Market Services Limited  
Level 15, 324 Queen Street  
Brisbane, QLD 4000  
Australia  
Facsimile: +61 2 9287 0303

### **Bankers**

Australia  
Westpac Banking Corporation

Singapore  
United Overseas Bank Limited  
Malayan Banking Berhad  
Oversea-Chinese Banking Corporation Limited  
DBS Bank Ltd  
Westpac Banking Corporation  
Australia & New Zealand Banking Group Limited

Thailand  
United Overseas Bank (Thai) Public Company Limited  
The Siam Commercial Bank

China  
Industrial and Commercial Bank of China Limited  
China Merchants Bank

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## Report of the Directors

Your directors present the consolidated financial report for the half-year ended 31 December 2015.

### Directors

The following persons held office as directors of Zicom Group Limited at the date of this report and for the whole of the period since 1 July 2015:

Giok Lak Sim	(Chairman and Managing Director)
Kok Hwee Sim	(Executive Director)
Kok Yew Sim	(Executive Director)
Frank Leong Yee Yew	(Independent)
Yian Poh Lim	(Independent)
Ian Robert Millard	(Independent)
Shaw Pao Sze	(Independent)

### Review of Operations

The Group's consolidated revenue for the half year is S\$67.59m as compared with S\$64.25m in the previous year corresponding period, an increase of 5.2%. The Group's half year net consolidated profit after tax attributable to members to 31 December 2015 is S\$2.62m as compared with S\$2.91m in the previous year corresponding period, a decrease of 10.0%. Overall gross profit margin is lower due to revenue mix.

The Group's cash and bank balances at S\$22.18m (30 June 2015: S\$24.13m) remain healthy.

The Group's businesses have faced strong economic headwinds caused by global economic slowdown, collapse of prices in the resource sector, in particular oil and mining, and uncertainties arising from divergent monetary policies of various major nations versus the United States. This has caused the Group to suffer from sectoral setbacks and drop in profit margin. Notwithstanding these factors, the Group has been able to maintain its level of revenue.

The Group's investments in technologies are approaching maturity, fit for commercialisation. Going forward we expect to see revenue generation and a shrinking gestation cost which has been expensed in this and previous years.

In prior years, the Group has announced its intention to unlock values when the opportunity arises. The maturity of the technologies will enhance the opportunity for the Group.

A comparison of the current half year results with those of the previous year corresponding period is as follows:-

Key Financials	Change (%)	6 months ended 31 Dec 15 (\$ million)	6 months ended 31 Dec 14 (\$ million)
Revenue	+5.2	67.59	64.25
Net profit after tax (NPAT)	-10.0	2.62	2.91

During the half year, the average exchange rate for the A\$ against the S\$ was A\$1.00 to S\$1.0085. As at 31 December 2015, the exchange rate was A\$1.00 to S\$1.0328 (30 June 2015: A\$1 to S\$1.0323).

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**Segmental Revenue**

The following is an analysis of the segmental results:-

Revenue by Business Segments	Change (%)	6 months ended 31 Dec 15 (S\$ million)	6 months ended 31 Dec 14 (S\$ million)
Offshore Marine, Oil & Gas Machinery	+ 14.62	37.55	32.76
Construction Equipment	- 8.79	20.76	22.76
Precision Engineering & Technologies	+ 8.34	8.18	7.55
Industrial & Mobile Hydraulics	- 5.98	1.10	1.17

**Offshore Marine, Oil & Gas Machinery**

Revenue for offshore marine, oil and gas machinery increased by 14.62% in the half year as compared with the previous year corresponding period.

The collapse of oil prices has affected the Group's orders from offshore marine as capital spending in the industry has been reduced considerably. During the half year project revenue from the gas processing plants which have been on track in execution and profitability has more than covered the shortfall in offshore marine.

Oil prices are expected to continue at their low level for the next 12 months and capital spending is not expected to increase during this period. However we are experiencing some resurgence in orders from customers engaged in rescue and salvage operations. At the same time, demand from our gas processing plant customers who continue to invest as part of long term infrastructural needs is still strong.

Notwithstanding the grim economic outlook in the offshore marine, oil and gas sector, barring unforeseen circumstances we are confident to remain profitable in this segment for this full year.

**Construction Equipment**

Revenue from sales and rental of construction equipment decreased by 8.79% in the half year as compared with the previous year corresponding period. Demand for sales of foundation equipment in Singapore and Malaysia had been subdued due to slow down in construction generally. The Singapore government is expected to announce an increase in infrastructure investment to pump-prime the economy in the coming budget to be announced end March 2016. This is expected to drive demand for equipment.

Sales of concrete mixers in Thailand slowed during this half year. In recent months orders have picked up due to execution of infrastructure projects planned in prior years. Although Australia has been impacted by the slowdown in the resource sector, demand for our concrete mixers has strengthened primarily due to our key customer's fleet renewal and readjustment programs to achieve better productivity. Our proven technical capability and strong after sales support in this sector place us in good stead. We expect mixer demand to be maintained in the year.

Overall we are confident that our construction segment would remain profitable for this full year.

**Precision Engineering and Technologies**

Revenue for precision engineering and technologies increased by 8.34% in the half year as compared with the previous year corresponding period.

Although revenue has marginally improved, this is not sufficient for this segment to be profitable. This segment has been strongly dependent on the semi-conductor and electronic sector which suffers from a slowdown due to lower demand for hand held devices caused by the global economic situation. It is a recognition of this factor that drives us to develop the medical device business. As with the nature of medical device, although definitive progress has been experienced, time to market is slow and takes time.

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Our reputation and capability established in product translation and manufacturing services for medtech products has been gaining recognition. This has placed us in a position to establish alliances with international medtech companies as well as incubators as their potential manufacturing partners in this region. Accreditation process is in progress. This takes time and in particular the slowdown in the global economic situation likewise impacts the pace.

We are hopeful to strengthen our situation within the next 12 months with the expectation that the global economy shall be stabilising, and our medical devices gain maturity and traction in commercialisation.

#### **Industrial & Mobile Hydraulics**

Revenue from this segment generally comprises supply of hydraulic system drives and hydraulic services in support of our general core business activities in hydraulic engineering. We do not anticipate significant variation in this sector.

#### **Foreign Exchange Exposure**

The Group generally prices its sales in foreign currencies on forward rates. During the half year, we hedged the rates to ensure our margins were maintained. The net exchange gain during the current half year is S\$29,000 as compared to a net exchange loss of S\$404,000 in the previous corresponding period.

Accounting Standard AASB 139 obliges us to fair value our outstanding foreign currency derivatives at the rates ruling on 31 December 2015. There were no outstanding derivatives as at 31 December 2015.

#### **Financial Position**

The group's financial position remains strong:-

Classification	Increase (+) Decrease (-) S\$ million	As at 31 Dec 15 S\$ million	As at 30 Jun 15 S\$ million
Net Assets	+ 1.88	91.32	89.44
Net Working Capital	+ 1.07	46.69	45.62
Cash in hand and at bank	- 1.95	22.18	24.13

#### **Gearing Ratios**

As at 31 December 2015, the Group's gearing ratio is 0% at the same ratio as for the year ended 30 June 2015. Gearing ratio has been arrived at by dividing our interest-bearing liabilities net of cash and cash equivalents over total capital and reserves.

#### **Return Per Share**

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

Classification	Decrease (-) Singapore Cents	6 months ended 31 Dec 15 Singapore Cents	6 months ended 31 Dec 14 Singapore Cents
Earnings per share	- 0.15	1.21	1.36

The weighted average shares used to compute earnings per share are 215,897,687 for this half year and 214,828,066 shares for the previous year corresponding period.

Classification	Increase (+) Singapore Cents	As at 31 Dec 15 Singapore Cents	As at 30 Jun 15 Singapore Cents
NTA per share	+ 0.79	35.24	34.45

#### **Capital Expenditure**

The Group incurred an amount of S\$0.7m in capital expenditure.



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**Confirmed Orders**

We have a total of S\$51.8m (31 Dec 2014: S\$100.1m) outstanding confirmed orders in hand as at 31 December 2015. A breakdown of these outstanding orders secured is as follows:-

	S\$ m
Offshore Marine, Oil & Gas Machinery	41.4
Construction Equipment	6.3
Precision Engineering & Technologies	4.0
Industrial & Mobile Hydraulics	0.1
Total	<u>51.8</u>

Of the above, S\$41.8m are scheduled for delivery in the second half of this financial year and S\$10.0m are scheduled to be delivered in the financial year 2017.

**Investments In Technologies**

Virtually all the technology investments are achieving maturity ready for commercialisation. Some have begun to generate revenue.

Our surgical robot is fast gaining international recognition and secured placings with various hospitals for evaluation prior to purchase. We have installed our robots in renowned hospitals in Singapore, USA, Germany, UK and Italy as well as in Australia. In March 2015, a live operation on our robot was featured in Europe's largest Annual Urology Conference and in March this year, we have been invited by the organisers to carry out a workshop. At this stage we are engaging a pool of worldwide renowned clinical partners as our key opinion leaders who validate and endorse our technology so that commercialisation of our robots in the respective countries can be launched and gain quick acceptance. Biobot Surgical Pte Ltd is expected to break-even in 2017.

Curiox Biosystems Pte Ltd's DropArray technology is fast gaining acceptance among pharmaceutical companies for its efficacy and substantial cost savings in drug development. We have achieved break-even and are positioned to be profitable in the coming year.

Orion Systems Integration Pte Ltd has suffered from the rapid changes in chip design and customers' requirements requiring our hardware and software to keep up with the new demands causing the machine to be held back from acceptance. At this stage we have fulfilled all the main requirements and a leading global chip assembler has agreed to install our machine into their production run to conduct sustainability, accuracy and reliable tests. Upon successful testing, we are confident of commencing sales of this machine to the industry as a machine that is at the forefront of our competitors.

In June 2015, the Group invested in a new medical technology company, HistoIndex Pte Ltd ("HistoIndex"), engaged in liver imaging and analysis. HistoIndex has entered into a joint venture with a Chinese partner, forming a subsidiary in China, with the Chinese partner taking 20% equity share by cash injection. The Chinese partner is a leading distributor of renowned European medical equipment in China. Plans are afoot to apply for CFDA approval so that our technology can be sold to Chinese hospitals.

**Prospects**

Prospects for the Group will be challenging. Although we remain confident of maintaining the same level of revenue in the coming year, order prospects and profit margin will be dependent on the global economic situation not deteriorating further. The maturity of our technology investments hopefully enhances the Group's growth prospects as a new wing into the global market with forefront innovations that at present face minimum competition and command respectable margins.

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**Dividends**

The Group continues to be confident of its future growth prospects. However in the face of a somewhat unprecedented global economic situation that presents great uncertainties, it has decided to exercise greater prudence in cash management. The Board therefore decides for this half year to pay an interim dividend of 0.25 Australian cents per share for this half year (2014: 0.35 Australian cents). This interim dividend which was approved after 31 December 2015 and not been provided for in the half-year report will be paid out of Conduit Foreign Income under the provision of the Australian Income Tax Act. Accordingly, withholding tax will not apply to non-Australian residents.

The Group intends to increase dividends as its profits strengthen and as values are unlocked in its investments.

The record date for the interim dividend will be 17 March 2016 and the payment date is 31 March 2016.

**Auditor Independence**

A copy of the auditor's signed independence declaration is attached to this report.

**Rounding of Amounts**

The Company is an entity to which the Class Order 98/100 applies and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest S\$1,000 unless otherwise stated.

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



GL Sim  
Chairman

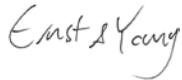
25 February 2016

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

As lead auditor for the review of Zicom Group Limited for the half-year ended 31 December 2015, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Tom du Preez  
Partner  
25 February 2016

**ZICOM GROUP LIMITED**

ABN 62 009 816 871

**HALF-YEAR REPORT – 31 DECEMBER 2015****Consolidated Statement of Comprehensive Income**

for the half-year ended 31 December 2015

	<b>Note</b>	<b>31-Dec-15</b> S\$'000	<b>31-Dec-14</b> S\$'000
<b>Revenue from continuing operations</b>	4	66,819	63,417
Other operating income	4	767	829
<b>Total consolidated revenue</b>		<b>67,586</b>	<b>64,246</b>
Cost of materials		(39,746)	(33,845)
Employee, contract labour and related costs		(15,260)	(16,784)
Depreciation and amortisation		(2,917)	(2,847)
Property related expenses		(1,155)	(1,445)
Other operating expenses		(5,206)	(6,411)
Finance costs		(242)	(211)
Share of results of associates		(84)	(230)
<b>Profit before taxation</b>		<b>2,976</b>	<b>2,473</b>
Tax (expense)/benefit	5	(502)	378
<b>Profit from continuing operations after taxation</b>		<b>2,474</b>	<b>2,851</b>
<b>Other comprehensive income</b>			
<b>Items that may be subsequently reclassified to profit and loss:</b>			
Share of other comprehensive income of associates		(32)	(19)
Foreign currency translation on consolidation		(108)	80
Effect of tax on other comprehensive income		–	–
		<b>(140)</b>	<b>61</b>
<b>Total comprehensive income</b>		<b>2,334</b>	<b>2,912</b>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Parent		2,616	2,912
Non-controlling interests		(142)	(61)
<b>Profit for the year</b>		<b>2,474</b>	<b>2,851</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Parent		2,476	2,973
Non-controlling interests		(142)	(61)
<b>Total comprehensive income</b>		<b>2,334</b>	<b>2,912</b>
<b>Earnings per share (cents)</b>			
Basic earnings per share	6	1.21	1.36
Diluted earnings per share	6	1.21	1.35

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

**ZICOM GROUP LIMITED**  
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**Consolidated Balance Sheet**

as at 31 December 2015

	<b>Note</b>	<b>31-Dec-15</b> S\$'000	<b>30-Jun-15</b> S\$'000
<b>Non-current assets</b>			
Property, plant and equipment		27,235	28,669
Intangible assets		14,801	15,197
Deferred tax assets		2,786	3,213
Investment in associates	10	6,512	5,015
Others		1	1
		<b>51,335</b>	<b>52,095</b>
<b>Current assets</b>			
Cash and bank balances	7	22,178	24,134
Inventories		23,034	26,411
Trade and other receivables		47,398	29,416
Convertible loan receivable from an associate	10	–	459
Prepayments		523	430
Tax recoverable		129	86
		<b>93,262</b>	<b>80,936</b>
<b>TOTAL ASSETS</b>		<b>144,597</b>	<b>133,031</b>
<b>Current liabilities</b>			
Payables		29,142	23,697
Interest-bearing liabilities	11	15,565	9,915
Provisions		1,379	1,454
Provision for taxation		487	252
		<b>46,573</b>	<b>35,318</b>
<b>NET CURRENT ASSETS</b>		<b>46,689</b>	<b>45,618</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	11	4,259	5,549
Deferred tax liabilities		2,089	2,371
Provisions		358	358
		<b>6,706</b>	<b>8,278</b>
<b>TOTAL LIABILITIES</b>		<b>53,279</b>	<b>43,596</b>
<b>NET ASSETS</b>		<b>91,318</b>	<b>89,435</b>
<b>Equity attributable to equity holders of the Parent</b>			
Share capital	12	38,314	37,862
Reserves		(1,779)	(1,136)
Retained earnings		54,427	52,211
		<b>90,962</b>	<b>88,937</b>
<b>Non-controlling interests</b>		<b>356</b>	<b>498</b>
<b>Total EQUITY</b>		<b>91,318</b>	<b>89,435</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>144,597</b>	<b>133,031</b>

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

**ZICOM GROUP LIMITED**  
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**Consolidated Statement of Changes in Equity**  
for the half-year ended 31 December 2015

Note	Attributable to equity holders of Parent						Non-controlling interests	Total equity
	Share capital	Share capital – exercise of share options	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 1.7.2015</b>	37,555	307	(1,752)	616	52,211	88,937	498	89,435
Profit for the period	–	–	–	–	2,616	2,616	(142)	2,474
Other comprehensive loss	–	–	(140)	–	–	(140)	–	(140)
Total comprehensive income for the period	–	–	(140)	–	2,616	2,476	(142)	2,334
Exercise of employee share options	12	287	165	–	(165)	287	–	287
Dividend paid on ordinary shares	8	–	–	–	(774)	(774)	–	(774)
Expiry of employee share options	–	–	–	(374)	374	–	–	–
Cost of share-based payments	–	–	–	36	–	36	–	36
<b>Balance at 31.12.2015</b>	37,842	472	(1,892)	113	54,427	90,962	356	91,318
<b>Balance at 1.7.2014</b>	37,346	247	(1,472)	769	51,703	88,593	864	89,457
Profit for the period	–	–	–	–	2,912	2,912	(61)	2,851
Other comprehensive income	–	–	61	–	–	61	–	61
Total comprehensive income for the period	–	–	61	–	2,912	2,973	(61)	2,912
Exercise of employee share options	90	51	–	(51)	–	90	–	90
Shares issued, net of expenses	12	102	–	–	–	102	–	102
Change of interest in subsidiary company	–	–	–	–	35	35	(35)	–
Dividend paid on ordinary shares	8	–	–	–	(1,090)	(1,090)	–	(1,090)
Expiry of employee share options	–	–	–	(12)	12	–	–	–
Cost of share-based payments	–	–	–	(36)	–	(36)	–	(36)
<b>Balance at 31.12.2014</b>	37,538	298	(1,411)	670	53,572	90,667	768	91,435

**ZICOM GROUP LIMITED**

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**HALF-YEAR REPORT – 31 DECEMBER 2015****Consolidated Statement of Cash Flows**

for the half-year ended 31 December 2015

	Note	31 Dec 2015 S\$'000	31 Dec 2014 S\$'000
<b>Cash flows from operating activities :</b>			
Operating profit before taxation		2,976	2,473
Adjustments for :			
Depreciation of property, plant and equipment		2,354	2,531
Amortisation of intangible assets		563	316
Property, plant and equipment written off	4	32	–
Provision for doubtful debts	4	–	95
Provision for inventory obsolescence	4	2	11
Inventories written off	4	–	5
Finance costs		242	211
Interest income	4	(63)	(113)
Gain on disposal of property, plant and equipment, net	4	(49)	(17)
Intangible assets written off	4	19	–
Trade and other payables written back		(6)	(7)
Cost of share-based payments		36	(36)
Provisions made, net		162	304
Share of results of associates		84	230
Currency realignment		(158)	135
<b>Operating profit before reinvestment in working capital</b>		<b>6,194</b>	<b>6,138</b>
Decrease/(increase) in stocks and work-in-progress		3,596	(6,069)
Increase in projects-in-progress		(16,263)	(2,669)
Increase in debtors		(1,832)	(3,671)
Increase in creditors		11,845	8,162
<b>Cash generated from operations</b>		<b>3,540</b>	<b>1,891</b>
Interest received		63	38
Interest paid		(218)	(200)
Income taxes paid		(114)	(27)
<b>Net cash provided by operating activities</b>		<b>3,271</b>	<b>1,702</b>
<b>Cash flows from investing activities :</b>			
Purchase of property, plant and equipment		(667)	(2,229)
Proceeds from disposal of property, plant and equipment		71	19
Increase in computer software		(3)	(40)
Increase in patented technology		(21)	(52)
Increase in development expenditure		(160)	(1,091)
Increase in amount due from associates		–	(275)
Investment in associates		(1,126)	–
<b>Net cash used in investing activities</b>		<b>(1,906)</b>	<b>(3,668)</b>

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**Consolidated Statement of Cash Flows (Cont'd)**

for the half-year ended 31 December 2015

	Note	31 Dec 2015 S\$'000	31 Dec 2014 S\$'000
<b>Cash flows from financing activities :</b>			
(Repayments of)/proceeds from bank borrowings		(1,796)	550
Dividends paid on ordinary shares	8	(774)	(1,090)
Proceeds from exercise of employee share options		287	90
Repayment of hire purchase creditors		(1,209)	(1,414)
<b>Net cash used in financing activities</b>		<u>(3,492)</u>	<u>(1,864)</u>
Net decrease in cash and cash equivalents		(2,127)	(3,830)
Effect of exchange rate changes on cash and cash equivalents		164	(101)
Cash and cash equivalents at beginning of period		<u>23,870</u>	<u>21,802</u>
<b>Cash and cash equivalents at end of period</b>	7	<u>21,907</u>	<u>17,871</u>

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



**ZICOM GROUP LIMITED**  
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## **Notes to the Consolidated Financial Statements**

### **Note 1 Corporate Information**

The financial report of Zicom Group Limited (“ZGL”) for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 25 February 2016. Zicom Group Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

### **Note 2 Summary of significant accounting policies**

This general purpose interim financial report for the half-year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by Zicom Group Limited during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies applied by the consolidated entity in this interim financial report are consistent with those applied by the consolidated entity in the annual financial report for the year ended 30 June 2015, except for the adoption of new and revised standards effective for annual financial period beginning on or after 1 July 2015. The adoption of these standards or amendments had no material impact on the financial position or performance of the Group.

The Group has not early adopted any other Standard, Interpretation or amendments that has been issued but is not yet effective.

### **Note 3 Segment information**

#### *Identification of reportable segments*

The group has identified its operating segments based on internal reports that are reviewed and used by the chief operating decision maker and the executive management team in assessing performance and in determining the allocation of resources. The operating segments are identified based on products and services as follows:

- Offshore Marine, Oil & Gas Machinery – manufacture and supply of deck machinery, gas metering stations, gas processing plants, offshore structures for underwater robots 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 of precision and automation equipment, medtech equipment and products, medtech translation and engineering services.
- Industrial & Mobile Hydraulics – supply of hydraulic drive systems, parts and services.

#### *Inter-segment sales*

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

#### *Unallocated revenue and expenses*

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

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**Note 3      Segment information (cont'd)**

**Segment results**

	Offshore marine, oil & gas machinery S\$'000	Construction equipment S\$'000	Precision engineering & technologies S\$'000	Industrial & mobile hydraulics S\$'000	Consolidated S\$'000
<b>Half-year ended 31 Dec 2015</b>					
<b>Revenue</b>					
Sales to external customers	37,550	20,733	7,563	973	66,819
Other revenue	1	28	613	-	642
Inter-segment sales	-	3	-	124	127
Total segment revenue	37,551	20,764	8,176	1,097	67,588
Inter-segment elimination					(127)
Unallocated revenue					62
Interest Income					63
<b>Total consolidated revenue</b>					<b>67,586</b>
<b>Results</b>					
Segment results	7,444	(111)	(3,224)	246	4,355
Unallocated revenue					62
Unallocated expenses					(1,178)
Share of results of associates					(84)
Profit before tax and finance costs					3,155
Finance costs					(242)
Interest income					63
<b>Profit before taxation</b>					<b>2,976</b>
Income tax expense					(502)
<b>Profit after taxation</b>					<b>2,474</b>

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**Note 3      Segment information (cont'd)**

**Segment results**

	<b>Offshore marine, oil &amp; gas machinery S\$'000</b>	<b>Construction equipment S\$'000</b>	<b>Precision engineering &amp; technologies S\$'000</b>	<b>Industrial &amp; mobile hydraulics S\$'000</b>	<b>Consolidated S\$'000</b>
<b>Half-year ended 31 Dec 2014</b>					
<b>Revenue</b>					
Sales to external customers	32,752	22,702	6,932	1,031	63,417
Other revenue	3	45	616	1	665
Inter-segment sales	-	12	2	136	150
Total segment revenue	32,755	22,759	7,550	1,168	64,232
Inter-segment elimination					(150)
Unallocated revenue					51
Interest Income					113
<b>Total consolidated revenue</b>					<b>64,246</b>
<b>Results</b>					
Segment results	5,726	414	(2,254)	379	4,265
Unallocated revenue					51
Unallocated expenses					(1,515)
Share of results of associate					(230)
Profit before tax and finance costs					2,571
Finance costs					(211)
Interest income					113
<b>Profit before taxation</b>					<b>2,473</b>
Income tax benefit					378
<b>Profit after taxation</b>					<b>2,851</b>

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**Note 4 Revenue, income and expenses from continuing operations**

	<b>Consolidated</b>	
	<b>31-Dec-15</b>	<b>31-Dec-14</b>
	S\$'000	S\$'000
<i>(i) Revenue</i>		
Sale of goods	28,184	31,125
Rendering of services	2,471	2,830
Rental income	1,232	2,391
Revenue recognised on projects	34,932	27,071
	66,819	63,417
<i>(ii) Other revenue</i>		
Interest income	63	113
Gain on disposal of property, plant and equipment	53	17
Sales of scrap	5	10
Services rendered	45	89
Government grants	583	587
Other revenue	18	13
	767	829
<i>(iii) Other expenses included the following</i>		
(Write back of)/provision for warranty, net	(43)	270
Foreign exchange (gain)/loss, net	(29)	404
Provision for doubtful debts	–	95
Provision for inventory obsolescence	2	11
Loss on disposal of property, plant and equipment	4	–
Property, plant and equipment written off	32	–
Intangible assets written off	19	–
Inventories written off	–	5

**Note 5 Income tax**

The major components of income tax expense/(benefit) for the half-year ended 31 December 2015 and 31 December 2014 are:

	<b>Consolidated</b>	
	<b>31-Dec-15</b>	<b>31-Dec-14</b>
	S\$'000	S\$'000
<i>Current income tax</i>		
Current income tax charge	699	1,175
Loss transferred under Group Relief Scheme	(697)	(934)
Adjustments in respect of previous years	304	4
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	220	(664)
Adjustments in respect of previous years	(24)	41
Tax expense/(benefit)	502	(378)

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**Note 6 Earnings per share**

Earnings per share are calculated by dividing the Group's net profit attributable to equity holders of the Parent by the weighted average number of shares on issue during the period.

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

	<b>31-Dec-15</b>	<b>31-Dec-14</b>
	S\$'000	S\$'000
Net profit attributable to equity holders of the Parent	2,616	2,912

	No. of ordinary shares (Thousands)	
(b) Weighted average number of shares for basic earnings per share	215,898	214,828
Effect of dilution:		
Share options	5	1,116
Adjusted weighted average number of shares	215,903	215,944

	Singapore cents	
(c) Earnings per share		
Basic	1.21	1.36
Diluted	1.21	1.35

**Note 7 Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31-Dec-15</b>	<b>30-Jun-15</b>
	S\$'000	S\$'000
Cash at bank and in hand	22,011	23,108
Short-term fixed deposits	167	1,026
	22,178	24,134

For the purpose of cash flow statements, cash and cash equivalents comprise the following:

Cash and short-term deposits	22,178	24,134
Bank overdrafts	(271)	(264)
	21,907	23,870

**Note 8 Dividends paid and proposed**

	<b>Consolidated</b>	
	<b>31-Dec-15</b>	<b>31-Dec-14</b>
	S\$'000	S\$'000
(a) Dividends paid or provided for		
Final unfranked dividend for 2015: 0.35 Australian cents	774	–
Final unfranked dividend for 2014: 0.45 Australian cents	–	1,090
(b) Dividends declared		
Interim unfranked dividend for the half-year ended 31 December 2015:		
0.25 Australian cents (2014: 0.35 Australian cents)	543	795

The interim dividend was approved by the Board of Directors on 25 February 2016. This has not been recognised as a liability in the financial statements for the half-year ended 31 December 2015. It will be accounted for in the second half of the financial year.

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**Note 9 Investment in subsidiaries**

On 30 October 2015, Foundation Associates Engineering Private Limited, a wholly owned subsidiary of Zicom Holdings Private Limited, incorporated a wholly-owned subsidiary, FAE Construction Pte Ltd, which is principally engaged in foundation works and marine construction, with an initial paid up capital of S\$200,000.

**Note 10 Investment in associates**

(a) Investment details

	<b>31-Dec-15</b>	<b>30-Jun-15</b>
	S\$'000	S\$'000
<b>Held through subsidiaries</b>		
Curiox Biosystems Pte Ltd	5,529	4,515
HistoIndex Pte Ltd	983	500
	<u>6,512</u>	<u>5,015</u>

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

<b>Curiox Biosystems Pte Ltd ("Curiox")</b>	<b>31-Dec-15</b>	<b>30-Jun-15</b>
Shareholdings held: 72.62% (30 Jun 15: 68.55%)	S\$'000	S\$'000
At beginning of period	4,515	1,804
Additional investment during the period	1,108	3,051
Share of losses after income tax	(67)	(316)
Share of other comprehensive income	(32)	(31)
Unrealised profits	5	7
At end of period	<u>5,529</u>	<u>4,515</u>

On 30 December 2015, Zicom Holdings Private Limited ("ZHPL") exercised 313,000 warrants to subscribe for 313,000 preference shares in Curiox for a total cash consideration of S\$626,000. This has resulted in an increase in the Group's interest in Curiox from 68.55% to 71.19%.

On 31 December 2015, 459,000 convertible loan stocks with cumulative interest at 5% per annum amounting to S\$482,000 have been fully converted into 241,000 preference shares, fully paid at S\$2 per share. This has resulted in an increase in the Group's interest in Curiox from 71.19% to 72.62%.

Although ZHPL holds the majority of voting rights in Curiox, it does not have the power and practical ability to direct the relevant activities of Curiox unilaterally and hence, Curiox remains an associate of the Group as at 31 December 2015.

<b>HistoIndex Pte Ltd ("HistoIndex")</b>	<b>31-Dec-15</b>	<b>30-Jun-15</b>
Shareholdings held: 7.9% (30 Jun 15: 4.1%)	S\$'000	S\$'000
At beginning of period	500	–
Additional investment during the period	500	500
Share of losses after income tax	(17)	–
At end of period	<u>983</u>	<u>500</u>

On 23 October 2015, Zicom MedTacc Private Limited, a wholly-owned subsidiary of ZHPL and an appointed Sector Specific Accelerator by Spring Singapore, injected an additional \$500,000 in HistoIndex, increasing the Group's interest in HistoIndex from 4.1% to 7.9%.

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**Note 10 Investment in associates (cont'd)**

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

**Note 11 Interest-bearing liabilities**

	<b>Consolidated</b>	
	<b>31-Dec-15</b>	<b>30-Jun-15</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<i>Current</i>		
Bank overdrafts	271	264
Bills payable	10,126	3,487
Factory loans	258	317
Term loans	4,044	4,332
Lease liabilities	866	1,515
	<u>15,565</u>	<u>9,915</u>
<i>Non-Current</i>		
Factory loans	166	303
Term loans	3,327	4,639
Lease liabilities	766	607
	<u>4,259</u>	<u>5,549</u>

**Note 12 Share capital**

(a)	Share capital	<b>31-Dec-15</b>	<b>30-Jun-15</b>	<b>31-Dec-15</b>	<b>30-Jun-15</b>
		<b>Shares</b>	<b>Shares</b>	<b>S\$'000</b>	<b>S\$'000</b>
		<b>(Thousands)</b>	<b>(Thousands)</b>		
	Ordinary fully paid shares	217,141	215,522	38,314	37,862

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

(b) Movements in ordinary share capital

	<b>Company</b>	<b>Group</b>
	<b>Number of</b>	<b>S\$'000</b>
	<b>ordinary shares</b>	
	<b>(Thousands)</b>	
At 1 July 2014	214,547	37,593
Issue of shares under Zicom Employee Share and Option Plan (i)	555	167
Issue of shares in lieu of cash performance bonus (ii)	420	102
	<u>215,522</u>	<u>37,862</u>
At 30 June 2015	215,522	37,862
Issue of shares under Zicom Employee Share and Option Plan (i)	1,619	452
At 31 December 2015	<u>217,141</u>	<u>38,314</u>

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## **Note 12 Contributed equity (cont'd)**

(b) Movements in ordinary share capital (cont'd)

i. *Issue of shares under Zicom Employee Share and Option Plan ("ZESOP")*

On 1 October 2014, 7 November 2014 and 17 March 2015, the Company issued and allotted a total of 250,000 and 305,000 ordinary shares fully paid at A\$0.18 and A\$0.17 per share respectively, under the ZESOP. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

On 26 August 2015, 30 September 2015 and 9 November 2015, the Company issued and allotted a total of 1,190,000 and 429,000 ordinary shares fully paid at A\$0.18 and A\$0.17 per share respectively, under the ZESOP. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

ii. *Issue of shares in lieu of cash performance bonus*

Pursuant to the shareholders' meeting held on 3 November 2014, 419,317 shares were allotted to Mr Giok Lak Sim fully paid at A\$0.22 per share as part payment of his performance bonus for the year ended 30 June 2014. Such shares ranked *pari passu* with the existing ordinary shares of the Company.

## **Note 13 Fair value measurements of financial instruments**

(a) Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

There were no transfers between Levels during the reporting period.

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

As at 31 December 2015, the Group held the following financial assets measured at fair value:

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000
<b>Financial assets measured at fair value</b>			
Quoted equity instrument – available-for-sale	1	–	–

As at 30 June 2015, the Group held the following financial assets measured at fair value:

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000
<b>Financial assets measured at fair value</b>			
Quoted equity instrument – available-for-sale	1	–	–



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**Note 13 Fair value measurements of financial instruments (cont'd)**

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

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

- (d) 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 finance lease liabilities and bank loans bearing interest at fixed rates, which are not carried at fair value on the balance sheet, is presented in the following table. The fair value is estimated using discounted cash flow analysis using discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The Group's own non-performance risk as at 31 December 2015 was assessed to be insignificant.

	<b>31-Dec-15</b>		<b>30-Jun-15</b>	
	Carrying amount	Fair value	Carrying amount	Fair value
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Financial liabilities:</b>				
Obligations under finance leases	766	740	607	591
Interest-bearing liabilities	<u>599</u>	<u>563</u>	<u>991</u>	<u>907</u>

**Note 14 Share-based payment plans**

On 1 December 2015, 600,000 share options were granted to 2 executive directors of the Group with a vesting period of one year. The exercise price of the options of A\$0.18 approximated the market price of the shares on the date of grant. The options will be made available through the Zicom Employee Share and Option Plan which was approved by shareholders on 23 November 2006. The fair value of the options granted is estimated at the date of grant using a Trinomial model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is five years. There is no cash settlement of the options. The table below lists the inputs to the model used to estimate the fair value of the options granted during the half-year ended 31 December 2015:

Expected volatility	34.94%
Risk-free interest rate	2.00%
Expected life (years)	3.70
Stock price at grant date (A\$)	0.17

The weighted average fair value of the options granted during the half-year was A\$0.04. (30 June 2015: A\$0.06)

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**Note 15      Related party transactions**

a)      Sales and purchase of goods and services

The following table provides the total amount of transactions which have been entered into with related parties during the half-year ended 31 December 2015 and 2014.

	<b>31-Dec-15</b> S\$'000	<b>31-Dec-14</b> S\$'000
Minority shareholder of a subsidiary company		
- Sales	132	387
- Purchases	19	157
	<hr/>	<hr/>
Associates		
- Sales	187	6
- Interest income	31	75
- Rental & utilities income	33	65
- Secretarial fees	12	12
	<hr/>	<hr/>
Other related parties		
- Sales	–	462
- Purchases	–	41
- Interest income	1	–
	<hr/>	<hr/>

b)      Amounts due from/(to) related parties

The following table provides the balances with related parties as at 31 December 2015 and 30 June 2015.

	<b>31-Dec-15</b> S\$'000	<b>30-Jun-15</b> S\$'000
Amount due from related parties		
- Minority shareholder of a subsidiary company	66	9
- Associates		
- Loans	–	459
- Trade and other receivables	43	727
- Other related parties	1	35
	<hr/>	<hr/>
Amount due to related parties		
- Minority shareholder of a subsidiary company	82	651
- Other related parties	50	49
	<hr/>	<hr/>

**Note 16      Subsequent events**

Other than the proposal of dividends as disclosed in Note 8, no event has arisen subsequent to 31 December 2015 to the date of this report which may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the future.

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## **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 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



G L Sim  
Chairman

Brisbane  
Date: 25 February 2016

To the members of Zicom Group Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Zicom Group Limited which comprises the consolidated balance sheet as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of consolidated entity comprising the company and the entities it controlled at the half-year end from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Zicom Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

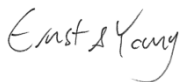
### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Zicom Group Limited is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*



Ernst & Young



Tom du Preez  
Partner  
Brisbane  
25 February 2016