



01 August 2016

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

Dear Sir,

## **PROFIT WARNING FULL YEAR 2016**

The Group expects to report a consolidated net loss after tax for the year ended 30 June 2016 amounting to between S\$1.8m to S\$2.2m, based on draft consolidated accounts subject to final audit.

2. A higher than anticipated loss was incurred in the second half of the year due to:-

- a) The Group's consolidated revenue dropped to S\$116m from S\$127m and gross profit margin dropped by 5.4% as against the previous year.

These results have been impacted by a more rapidly deteriorating economic situation than anticipated, resulting in customers withholding or deferring spending and increased competitive pressures.

The Group's total overheads and operating expenses have been reduced by S\$9m during the year in line with the drop in revenue.

3. The Group continues to face challenging headwinds in the new financial year although certain sectors have begun to show improvements and the Group is planning to embark on certain corporate restructuring aimed for strategic growth viz:-

### **a) Segmental Conditions**

The marine offshore sector is expected to experience reduced demand and lower margin due to low oil prices. This is expected to be compensated by a better performance in the oil and gas sector in which we undertake engineering projects that are now better managed. The construction sector likewise is expected to experience challenging conditions arising from a consolidation in the industry. The precision engineering having suffered considerable setbacks the last 3 years due to cut backs in capital expenditure in the semi-conductor industry has begun to see a resurgence and is expected to experience a recovery.

### **b) Potential Listing of Technology Investments**

The Group's technology investments have been impacting the Group's results for the last 5 years, including the year just ended with gestation costs. Each of these investments has begun commercialisation which is expected to gain gradual traction in line with clinical or industry acceptance. Although the gestation costs are trending down, marketing and development costs are expected to increase so as to drive growth and scalability.

The Group has reviewed and has begun to embark on a corporate exercise to restructure our precision engineering and technology investments into a single vehicle suitable for a separate public listing to unlock values in these investments and to raise new funds to drive development and scale growth in a more focused direction. This exercise is expected to take 18 months.

## **4. Cash in Hand & Banks**

Notwithstanding the year's losses, the Group's operating cash flows remains positive. The Group's cash balances as at 30 June 2016 amounted to S\$21m (2015: S\$24m) and gearing ratio remains at 0%.

## 5. Confirmed Orders

Confirmed Orders in hand as at 30 June 2016 stood at S\$48m (2015: S\$86m).

Yours faithfully  
Zicom Group Limited



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G L Sim  
Chairman