Zicom Group Limited ABN 62 009 816 871
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7 February 2012

Attn: Ms Frances Finucan
ASX Compliance Pty Limited
Level 5
Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

Dear Frances

Zicom Group Limited (the "Company")

We refer to your letter dated 2 February 2012 regarding the Company's compliance with its continuous disclosure obligations under Listing Rule 3.1. We respond to your further questions as follows:

1. **Does the Company consider that the Profit Downgrade is material to the Company?**

   The Company believes that the full year profit downgrade is material.

2. **If the answer to question 1 is "no" please provide a detailed explanation of the basis on which the Company does not consider the Profit Downgrade to be material.**

   Not applicable.

3. **If the answer to question 1 is "yes", when did the Company first become aware of the Profit Downgrade?**

   The Company became aware of the possibility of a material full year profit downgrade upon completion of the draft half year consolidated accounts on 31 January 2012. That information was released as soon as the Company became aware of it. The final half year result is still not yet finalised and is under review.

   The Company considers that it has released information on a timely basis for the following reasons.

   Background, scope and nature of operations

   Zicom Group Limited's principal activities comprise the manufacturing of deck machinery, offshore structures, fluid metering stations, turn-key gas processing plants, foundation equipment and concrete mixers, precision engineered machinery and services to offshore marine, oil and gas, construction, electronics, biomedical and agricultural industries.

   The Company operates in 5 countries - Singapore, Australia, China, Thailand and Malaysia ï through 17 subsidiaries.

Much of its business is project work and accounted for on a project by project basis. As a result:

- Much of the group revenue, costs and earnings is an aggregation of the earnings on a project by project basis
- There can routinely be material variances to budgeted results (up and down) on individual projects due to ordinary operational and business factors
- Project duration can be many months and during the project, the Company recognises profits and losses on a percentage of completion basis
- Earnings are 'lumpy' because new orders can have a material impact on earnings. Further, because it is not unusual to receive unexpected new orders, expected earnings can improve quickly and shortfalls made up over a given reporting period
- For management accounting purposes, consolidated revenue and earnings that include earnings on projects in progress, at a group level, are recognised on a quarterly basis for the accounting reasons set out below.

Performance during the half year ended 31 December 2011

During the half year, the Company experienced some softness in demand for deck machinery (which is the Company's main revenue driver) and challenging business conditions. New orders (or lack of them) have a material effect on the full year results.

However, there were also signs that business conditions were improving.

This fluid business environment was disclosed in the Company's 2011 Annual Report (released on 10 October 2011) and in the Chairman's AGM address on 11 November 2011.

Orders for the other sectors of the Company's business remained strong.

Despite the fluidity in the demand for deck machinery, the Company's managers were reporting that their business units had reasonable prospects of achieving full year results comparable to the prior corresponding period based on the existing work on hand and the inflow of expected new orders (particularly in those sectors other than deck machinery which continued to hold up well). The revenue achieved for the half year to 31 December 2011 amounted to S$65m as compared with S$71m achieved in the corresponding period, a drop of 8.45%

Accordingly, based on the nature of the Company's earnings, the factors described above and past experience, the Company had grounds to believe that the full year earnings would be comparable to the prior corresponding period.

It was not until the half year accounts were prepared that the Company became aware of the actual half year performance and formed the view that potential new orders were unlikely to make up for the half year result and produce a full year result comparable to the previous year.

The half year result was also negatively affected by an increase in the losses of S$330,000 on its start-up investments due to protracted gestation and provision for losses of about S$1m on its first oil and gas processing plant, plus potential late delivery penalties. An initial projected profit had been foreseen at the outset. The project loss reflected the Company's initial difficulties in integrating its engineering expertise, which the Company believes is now under control and is unlikely to be suffered by future projects.

Preparation of half year results

The time it took to prepare consolidated group accounts for the half-year was not unreasonable. The preparation of group accounts is time-consuming for the following reasons:

- Revenue recognition

  Most of the Company's work is done on a project basis. Under the Company's accounting policies, revenue is recognised on each project on a work in progress basis. This requires, for each project, an assessment of work completed to date, a detailed cost reconciliation that includes costs to be accrued and contingency factors to be provided for before a determination of the profit or loss attributable to the project can be reasonably made.

- Scope of operations and corporate structure

  The Company has numerous projects and, when combined with the number of countries in which the Company operates and the number of subsidiaries involved, means the exercise of preparing accounts is time intensive.

- Availability of staff

  The usual Christmas/ New Year period was compounded this year by an early Chinese New Year which fell on 23 January 2012 and virtually started on the week for our employees beginning Friday 20 January 2012 and ended for most of our accounting staff around 26 January 2012.

4. If the Company first became aware of the Profit Downgrade prior to the release of the Announcement, please identify an earlier announcement from the Company which disclosed the Profit Downgrade.

Not applicable.

5. If there was no earlier announcement and the Company became aware of the Profit Downgrade prior to the Announcement, why was the information not released to the market at an earlier time? Please comment specifically on the application of the listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.

Not applicable.

6. Please confirm that the Company is in compliance with the Listing Rules and in particular Listing Rule 3.1.

The Company believes that it is compliant with Listing Rule 3.1.

Yours faithfully
Zicom Group Limited

GL Sim
Chairman

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2 February 2012

Mr Surendra Kumar and Ms Jenny Lim
Joint Company Secretaries
Zicom Group Limited
38 Goodman Place
Murarrie QLD 4172

By email: skumar@cescoaustralia.com and jennylim@zicomgroup.com

Dear Mr Kumar and Ms Lim

Zicom Group Limited (the "Company")

ASX Limited ("ASX") refers to the following.

1. The increase in the Company's share price from a closing price of 27.5 cents on Monday, 30 January 2012 to an intraday high of 33 cents on Tuesday, 31 January 2012, together with an increase in the volume of securities traded from 66,527 shares on 30 January 2012 to a total of 774,006 shares on 31 January 2012.

2. ASX's price query letter dated 31 January 2012 ("ASX Query") and the Company's response to the ASX Query dated 31 January 2012 ("Query Response").

3. The Company's announcement entitled, *"Profit Warning 2012"* released to the market at 10:06 am AEDT on Wednesday, 1 February 2012 ("Announcement"). The Announcement advised that the Company expected its half year profits after tax to drop by 60-70% compared to the previous corresponding period and that its full year's profits after tax are expected to drop by 55-65% compared with the previous year ("Profit Downgrade").

4. The decrease in the Company's share price from a closing price of 31 cents on Tuesday, 31 January 2012 to an intraday low of 19.5 cents together with an increase in the volume of securities, today Thursday, 2 February 2012, at the time of writing.

As you are aware, listing rule 3.1 requires an entity, once it becomes *aware* of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

I would like to draw your attention to the definition of "aware" in Chapter 19 of the listing rules. This definition states that:

> *"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."*

Furthermore, paragraph 17 of Guidance Note 8 states:

> *"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."*

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

> *"3.1A.1 A reasonable person would not expect the information to be disclosed.*
>
> *3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
>
> *3.1A.3 One or more of the following applies.*
>
> - *It would be a breach of a law to disclose the information.*
> - *The information concerns an incomplete proposal or negotiation.*
> - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
> - *The information is generated for the internal management purposes of the entity.*
> - *The information is a trade secret."*

Finally, I would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 33 to 39 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

> *"'Confidential' in this context has the sense of 'secret'…"* and *"Loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".*

Having regard to the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, ASX asks that you answer each of the following questions in a format suitable for release to the market, in accordance with listing rule 18.7A.

1. Does the Company consider that the Profit Downgrade is material to the Company?

2. If the answer to question 1 is "no", please provide a detailed explanation of the basis on which the Company does not consider the Profit Downgrade to be material.

3. If the answer to question 1 is "yes", when did the Company first become aware of the Profit Downgrade?

4. If the Company first became aware of the Profit Downgrade prior to the release of the Announcement, please identify an earlier announcement from the Company which disclosed the Profit Downgrade.

5. If there was no earlier announcement and the Company became aware of the Profit Downgrade prior to the Announcement, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.

6. Please confirm that the Company is in compliance with the listing rules and in particular, listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter. If the information requested by this letter is information required to be given to ASX under listing rule 3.1, your obligation is to disclose the information immediately.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell ASX each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the expiry of the trading halt at the commencement of trading on Thursday, 9 February 2012, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

Your response should be sent by email to frances.finucan@asx.com.au. It should not be sent to the Market Announcements Office. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible, and in any event, not later than 9:30 am AEDT (8:30am Brisbane time) on Tuesday, 7 February 2012.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's' response to the market if it considers it necessary for an informed market. Accordingly, it would be appreciated if you would prepare your response in a format suitable for release to the market and separately address each of the questions asked.

If you have any concerns about release of your response, or any queries in relation to this matter, please contact me immediately.

Yours sincerely

[sent electronically without signature]

Frances Finucan
Senior Adviser, Listings (Brisbane)