



ZICO HOLDINGS INC.

Incorporated in Labuan, Malaysia

Company Registration No. LL07968

RESPONSE TO QUESTIONS FROM SHAREHOLDER PRIOR TO COMPANY'S ANNUAL GENERAL MEETING

The board of directors (the "**Board**") of ZICO Holdings Inc. (the "**Company**") and together with its subsidiaries and associated companies, the "**Group**") would like to respond to the following questions raised by a shareholder received, relating to the Annual General Meeting of the Company to be convened on 29 June 2020, as follows:-

QUESTIONS

For FY 2014, the Group reported revenues of RM 35.6 million, employee benefit expenses of RM 11.6 million and net profit after tax ("**NPAT**") of RM 10.7 million. For FY 2019, the Group reported revenues of RM 77.8 million, employee benefit expenses of RM 54.9 million and NPAT of negative RM 8.5 million.

- A) Given that profitability of the Group collapsed by 180% over 5 years, could the Board please justify the 373% increase in employee benefits over the same period of time.

Company's Response:

The Group's strategy has been to grow the revenue of the business. With revenue growth should come scale economies and synergies which over time result in increased profit. In a professional services revenue growth is closely tied with employee costs. Growth often requires adding capacity in new professional service areas before revenues can be generated and so salary and bonus numbers can grow faster than revenues. Detailed information may be found under "Employee benefit expense" in the income statement and the cited footnotes in the Company's 2019 and prior annual reports.

During the 2015 to 2018 period, the Group's revenues grew at a CAGR of 19.5% and employee salaries and bonus costs grew at a CAGR of 25.8%. The Group does not break out the split between salaries and bonuses. Due to the adverse business conditions in 2019, revenue decreased by 13.6% and employee salaries, wages and bonuses increased by 8.7%. Employment cost increased mainly due to a specific build-up in manpower for ZICO Trust (S) Ltd

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which has been granted a capital markets services license by the Monetary Authority of Singapore to conduct the regulated activity of providing custodial services.

- B) What was the total bonus given to employees in FY2019 and how much bonus and salary adjustments were given to Management and Executive Directors in FY2019. Please justify these given the losses experienced by the Group.

Company's Response:

Kindly refer to page 32 of the Company's Annual Report 2019 for the details of remuneration paid to the Directors for FY2019. There is nil bonus paid to the Executive Directors. Secondly, the remuneration figure paid to the 2 key management personnel is 4% lower than the prior year.

Management has already taken cost-cutting measures in FY2020 by reducing the remuneration of Executive Directors, Key Management Personnel and Senior Management as a mitigating measure against the financial crisis brought on by the COVID-19 pandemic.

- C) Given the expected significant negative impact on the regional economies of COVID-19 in financial years 2020 and 2021 and correspondingly on the business of the Group, does the Board continue to have trust and faith in the current Management team and Executive Directors to steer the Group back to profitability quickly? If so, can the Chairman please justify given the backdrop of extremely poor financial performance over the past 5 years by the same team. If not, please let shareholders know what the Board intends to do about the quality of Management and Executive Directors.

Company's Response:

The Board and its Remuneration and Nominating Committees review and evaluate the Executive Directors and Management team's performance on a regular basis. In evaluating Management's performance, the Board and Remuneration Committee take into consideration a number of factors, including annual results, positioning of the Group for future growth, sustainability, responses to unexpected events and the overall business environment in which the Group operates. At this time, the Board continues to have the confidence in the current Management team and Executive Directors. The Chairman concurs with the foregoing views.

BY ORDER OF THE BOARD

CHEW SENG KOK

29 June 2020



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This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this announcement.

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