



## **ZICO HOLDINGS INC.**

Incorporated in Labuan, Malaysia

Company Registration No. LL07968

### **RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITALS OF THE SALE SUBSIDIARIES**

The board of directors (“**Board**”) of ZICO Holdings Inc. (“**Company**”, and together with its subsidiaries and associated companies, the “**Group**”) refers to the Company’s announcement dated 9 October 2019 titled “Proposed Disposal of the Entire Issued and Paid-Up Share Capitals of the Sale Subsidiaries” (“**Announcement**”).

*Unless otherwise defined, all capitalised terms used herein shall have the same meanings given to them in the Announcement.*

The Company would like to provide the Company’s responses to the queries raised by SGX-ST on 10 and 11 October 2019.

#### **SGX-ST Query 1: Who are the shareholders/beneficial owners of the Purchaser?**

##### Company’s response:

The Purchaser’s sole shareholder, Taiko S.A., as disclosed in paragraph 2.2 of the announcement is owned by a Mr. Ricardo Portabella.

For the sake of completeness, the Purchaser was introduced by NGL and negotiations on the Proposed Disposal were conducted through the Purchaser’s solicitors, Wilberforce TJC Law Corporation.

#### **SGX-ST Query 2: How is the PE Ratio agreed at 6?**

##### Company’s response:

The PE Ratio is agreed at, on a willing buyer and willing seller basis. The factors that have been taken into account are as set out in paragraph 2.4.5 of the Announcement in relation to the relevant factors for the Consideration.

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Historical profitability of the Sale Subsidiaries has also been on a declining trend since the acquisition of the Sale Subsidiaries in 2015 as tabulated below:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>6M2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>	6,882	7,780	8,718	8,997	4,440
<b>Profit before tax</b>	3,650	2,908	3,426	2,929	1,302
<b>Profit after tax</b>	3,256	2,566	3,012	2,609	1,123
<b>Net asset value</b>	893	2,140	2,528	1,024	1,136

**SGX-ST Query 3: How is the adjusted PE Ratio agreed at 6.5?**

Company's response:

Please refer to the Company's response in relation to SGX-ST Query 5 below.

**SGX-ST Query 4: How is the revised PE Ratio agreed at 7?**

Company's response:

Please refer to the Company's response in relation to SGX-ST Query 5 below.

**SGX-ST Query 5: Why would the disposal of the Relevant Shares have any bearing on the consideration amount to be paid for the Proposed Disposal? How are they linked?**

Company's response:

As stated in the Announcement, when the Company first acquired the Sale Subsidiaries, the purchase consideration was in the form of cash and shares, which constitute the Relevant Shares held by NGL and Inglepeak.

During earlier negotiations of the Proposed Disposal, the Company sought a valuation of a price earnings ratio of 7. However, the Purchaser would only agree to this, if the Company bought the Relevant Shares, to ensure that NGL's and IS's interests would be exclusively aligned with the Sale Subsidiaries.

As the Company is unable to purchase its own shares, the current structure was arrived at, whereby NGL, Inglepeak (which as highlighted in paragraph 2.2 of the Announcement, is wholly owned by NGL) and IS would sell the Relevant Shares, and the Purchaser would pay the Additional Consideration or Supplemental Consideration.

While the Company recognises that there is no certainty that the Relevant Shares would be disposed of, the Company remains of the view that even at the sale of a price earnings ratio of 6, it would be in the best interests of the Company. As IS is a key management in the Sale Subsidiaries, her Relevant Shares (which were allotted to her pursuant to the Company's Performance Share Plan) were included.



**SGX-ST Query 6: How was the 'Group's carrying value of net assets disposed of RM21.2 million' calculated?**

Company's response:

The Group's carrying value of net assets disposed of RM21.2 million is computed based on share of net asset value of the Sale Subsidiaries of RM1.1 million combined with revalued goodwill of RM22.9 million and offset by reversal of exchange translation reserve of RM2.9 million.

**SGX-ST Query 7: The disposal consideration is US\$3.9 million (potentially additional consideration of US\$648k). The Company paid approximately US\$6.6 million for the 2 subsidiaries in May 2015 i.e. close to two times the disposal consideration amount. No valuation was carried out in connection with the Proposed Disposal. Please elaborate what were the Board's consideration and how has it satisfied itself that the Proposed Disposal is in the best interest of the Company and its shareholders?**

Company's response:

Taking into account the cash receipts from dividends and other fees received from the Sale Subsidiaries by the Company since the Acquisition in 2015 together with the Consideration, the Company would receive more than it paid to the vendors during the Acquisition.

As stated in paragraph 2.4.5 of the Announcement, no valuation on the Sale Shares was carried out in connection with the Proposed Disposal by the parties of the SPA as it is not a regulatory requirement to do so. The Board of Directors in evaluating the Proposed Disposal has considered a few factors including the price-earnings ratios for other similar businesses or transactions and the increasing business challenges faced by the Sale Subsidiaries.

**SGX-ST Query 8: Who decides whether and when the Relevant Shares will be disposed of? Would that be by NGL, Inglepeak and IS? If so, if they decide not to dispose of the Relevant Shares, there will be no Additional Consideration or Supplemental Consideration to be paid to the Company?**

Company's response:

It is for NGL, Inglepeak and IS as the owners of the Relevant Shares to decide whether and when the Relevant Shares will be disposed of. If they decide not to dispose of the Relevant Shares, there will be no Additional Consideration or Supplemental Consideration to be paid to the Company.

**SGX-ST Query 9: Is there any time period that the Relevant Shares must be disposed of for it to be considered as Additional Consideration or Supplemental Consideration to be paid to the Company?**

Company's response:

The Relevant Shares must be disposed of by 31 December 2019, and the disposal must be at the share prices as stated in paragraphs 2.4.2 and 2.4.3 of the Announcement, for the Additional Consideration or



Supplemental Consideration to be paid to the Company. Please refer to paragraphs 2.4.2 and 2.4.3 of the Announcement.

**SGX-ST Query 10: If the Relevant Shares are disposed of at price below S\$0.15, there will be no consideration to be paid to the Company and NGL, Inglepeak and IS will keep the proceeds?**

Company's response:

If the Relevant Shares are disposed of at price below S\$0.15, there will be no Additional Consideration or Supplemental Consideration to be paid to the Company. The Company will still receive the balance 90% of the Consideration, i.e., US\$3,500,814.60 less Outstanding Monies. Please refer to paragraph 2.4.1(b) of the Announcement.

The Company wishes to emphasise that the Additional Consideration or Supplemental Consideration (if applicable) is paid by the Purchaser, which is Mune Investments Pte Ltd. There is no arrangement for NGL, Inglepeak, and IS to pay the proceeds from their disposal of the Relevant Shares to the Company, regardless of what share price the Relevant Shares are sold at.

#### **BY ORDER OF THE BOARD**

Chew Seng Kok

Managing Director

16 October 2019

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Asian Corporate Advisors Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

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