



ZICO HOLDINGS INC.

Incorporated in Labuan, Malaysia

Company Registration No. LL07968

RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON 16 OCTOBER 2019 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" ("**Disposal Announcement**") and its announcement dated 16 October 2019 titled "Response to Queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on the Proposed Disposal of the Entire Issued and Entire Issued and Paid-Up Share Capitals of the Sale Subsidiaries".

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

SGX-ST Query 11: Based on Rule 1006(b) computation, 91.39% of the Group's net profits are attributable to the Sale Subsidiaries. Why is the Company disposing its core revenue/profit contributor? Following the proposed disposal, what will remain in the Group?

Company's response:

The Sale Subsidiaries' contribution to the Group's profits for the 6 months ended 30 June 2019 of 91.39% was unusually high due to cyclical fluctuations and the fact that the other businesses of the Group suffered a decline in the first 6 months of 2019. As shown in the table below, the Sale Subsidiaries' contributions were much less in 2015 to 2018, with a median contribution of 41%.

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Sale Subsidiaries	FY2015	FY2016	FY2017	FY2018
	RM'000	RM'000	RM'000	RM'000
Revenue (A)	6,882	7,780	8,718	8,997
Profit before tax (B)	3,650	2,908	3,426	2,929
Profit after tax	3,256	2,566	3,012	2,609
Net asset value	893	2,140	2,528	1,024
Group Revenue (C)	52,777	66,737	81,875	90,092
Group profit before tax (D)	8,940	4,159	8,307	8,532
Percentage Contribution of Sale Subsidiaries over Group Figures				
Revenue (A) over (C)	13%	12%	11%	10%
Profit before tax (B) over (D)	41%	70%	41%	34%

The reason for the Company's disposal of the Sale Subsidiaries is that NGL, being the Chief Executive Officer, has expressed her intention to resign from the Sale Subsidiaries upon the expiry of her service agreement in May 2020. As almost all her clients and staff have been with her for many years, there is a concern over client and staff retention once she resigns. In light of this, the Company believes that the Proposed Disposal would also be good for the Sale Subsidiaries' clients and employees, as they would be afforded continuity.

The Company's Management intends to reposition the Group to address the challenges of managing services such as those provided by the Sale Subsidiaries, which has been impacted by an increasingly competitive and tougher compliance business environment, thereby resulting in the Sale Subsidiaries margins being compressed and their profitability being reduced. As shown by the table above, the profit after tax of the Sale Subsidiaries has decreased over time since the Company acquired them. This is shown in the table set out in the Company's response to SGX-ST's query 2 on 10 October 2019, reproduced below:

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

The Company believes that the trend will continue and their reduced profitability will be accelerated with NGL's exit when her service agreement expires in May 2020.

With the disposal of the Sale Subsidiaries, the Group will still have the contributions from other businesses including capital markets, corporate secretarial, trust and custodian services, asset management,



immigration, and also fees from the provision and management of shared services. These existing services will continue and may likely be expanded in the near future.

The Management's strategy going forward is to ensure that the remaining businesses are more resilient and sustainably profitable. The Company will also be taking steps to strengthen the cash flow position with the disposal of the Sale Subsidiaries. The restructuring and streamlining of central management support services to reduce costs will be accelerated. The Group will also be selectively expanding existing services in collaboration with leading international firms such as Fragomen. The Group is also exploring expansion into service areas such as fund management, private equity, wealth management and mergers & acquisitions in collaboration with leading international firms, who are interested to expand via the Company's multi-disciplinary platform and regional presence in ASEAN.

BY ORDER OF THE BOARD

Chew Seng Kok

Managing Director

21 October 2019

*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.*

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

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