



## ZICO HOLDINGS INC.

Incorporated in Labuan, Malaysia

Company Registration No. LL07968

## PROPOSED DISPOSAL OF 50% OF EQUITY INTEREST IN FRAGOMEN ZICO INC ("JV Co")

### 1. INTRODUCTION

- 1.1 The board of directors ("**Board**") of ZICO Holdings Inc. ("**Company**" or "**Vendor**") wishes to announce that the Company ("**Vendor**") has on 19 October 2022 entered into a conditional share purchase agreement ("**SPA**") with Fragomen Global Immigration Services, LLC ("**Purchaser**"). The Vendor and the Purchaser shall be collectively referred to as the "**Parties**", and each a "**Party**".
- 1.2 Pursuant to the SPA, the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from the Vendor the Sale Shares (as defined in Paragraph 2.3 below) on the terms and subject to the conditions of the SPA ("**Proposed Disposal**").
- 1.3 The JV Co is a directly held, 50% joint venture entity of the Company. The JV Co was incorporated on 30 July 2018 and in turn wholly-owns its only subsidiary, Fragomen Malaysia Sdn. Bhd ("**Fragomen Malaysia**") after a restructuring, where the Purchaser and the Company transferred their proportionate shareholdings in Fragomen Malaysia to the JV Co. This restructuring took place after the Company had firstly acquired 50% equity interest of Fragomen Malaysia from the Purchaser on 31 July 2018. Kindly refer to our announcements dated 22 January 2018, 29 June 2018, 30 July 2018 and 31 July 2018 in respect of the joint venture, the JV Co and Fragomen Malaysia.
- 1.4 Upon completion of the Proposed Disposal ("**Completion**"), the Company will no longer hold any equity interest in the JV Co.

### 2. THE PROPOSED DISPOSAL

#### 2.1 Information on the JV Co

Details of the JV Co as at the date of the SPA are as follows:

|                           |                                                                                                                                                                |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Name of JV Co</b>      | Fragomen ZICO Inc                                                                                                                                              |
| <b>Principal activity</b> | The Company is principally in the business of undertaking inbound and outbound immigration work in Malaysia, the Philippines, Indonesia, Vietnam, and Thailand |

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|                                                               |                                                                                                                                                              |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Principal place of business / Country of incorporation</b> | Labuan, Malaysia                                                                                                                                             |
| <b>Issued and paid-up share capital</b>                       | US\$ 125,000 consisting of 200 ordinary shares                                                                                                               |
| <b>JV Co's Shareholders</b>                                   | (i) Fragomen Global Immigration Services, LLC (100 ordinary shares, 50% equity interest); and<br>(ii) The Company (100 ordinary shares, 50% equity interest) |
| <b>JV Co's Directors</b>                                      | (i) Ng Hock Heng;<br>(ii) Hanim binti Hamzah;<br>(iii) Robert John Walsh; and<br>(iv) Mark Buchanan                                                          |
| <b>JV Co's Subsidiaries</b>                                   | Fragomen Malaysia (a Malaysian incorporated entity, wholly owned by the JV Co)                                                                               |

The JV Co was incorporated on 30 July 2018 and is a company limited by shares and the Parties and the JV Co are bound by the shareholders' agreement dated 6 September 2018 governing and regulating their relationship as shareholders of the JV Co ("**SHA**").

Under Clause 14.3(a) of the SHA, a party may terminate the SHA, by giving 180 days' notice to the other party. The Purchaser shall have the first right to acquire the Sale Shares. In the event that the Purchaser declines to acquire the Sale Shares, the Vendor may acquire the shares in the JV Co held by the Purchaser.

The Purchaser first gave notice to terminate the SHA on 26 August 2022 and the Company has agreed to shorten the Purchaser's notice period and crystallise the sale and purchase of the Sale Shares by way of executing the SPA.

## 2.2 Information on the Purchaser

The Purchaser is a company incorporated under the laws of Delaware, United States of America as a limited liability company. It provides immigration and related services and advice.

The managing partners of the Purchaser are (i) Mark Buchanan and (ii) Magdalene Tenant and the members are Fragomen Global LLP holding 94% of the equity of the Purchaser and David Crawford, Saju James, Murtaza Khan and Magdalene Tennant collectively holding the remaining 6% of the equity of the Purchaser.

The Purchaser is not an interested person as defined in the SGX-ST Listing Manual Section B: Rules of Catalist (**"Catalist Rules"**). The Proposed Disposal is not an interested person transaction as defined in the Catalist Rules.

The Purchaser, its directors, shareholders and ultimate beneficial owners are not related to the Company, any Director, or substantial shareholder of the Company, other than through their interest in the JV Co.

### 2.3 **Sale Shares**

The Vendor agrees to sell and the Purchaser agrees to purchase 100 ordinary shares in the capital of the JV Co, representing 50% of the total issued share capital of the JV Co (**"Sale Shares"**) free from all liens, charges, pledges, equities, mortgages, and any encumbrances whatsoever and with all rights and advantages attaching thereto or accruing thereon as at the Completion Date (as defined in paragraph 2.6), for the Purchase Consideration (as defined in paragraph 2.4) on and subject to the terms and conditions of the SPA. The Sale Shares represent all of the Vendor's equity interest in the JV Co.

### 2.4 **Purchase Consideration**

2.4.1 Pursuant to the SPA, the consideration for the Sale Shares shall be USD\$2,022,873 (**"Purchase Consideration"**), to be fully paid in a single tranche on the Completion Date.

2.4.2 The Purchase Consideration was arrived at pursuant to the agreed formula between the Vendor and the Purchaser as enshrined in the SHA and on a willing-buyer and willing-seller basis. The Purchase Consideration is determined in accordance with clause 14.3(b) of the SHA which reads: *"The purchase price for purchasing the other Party's shares will be determined as follows:  $1.03 \times 12$  months total trailing billing revenue  $\times$  50% whereby trailing billing revenue is the total billing revenue for the JV Co and all of the JV Co's subsidiaries"*. This formula for the purchase price in the SHA was mutually agreed as it was the same formula agreed on for the calculation of the purchase price at which the Company acquired Fragomen Malaysia.

2.4.3 There is no open market value for the Sale Shares as they are not publicly traded. The Board of Directors in evaluating the Proposed Disposal has considered a few factors including the fact that there is a termination clause in the SHA (clause 14.3(a), giving the Company 180 days' notice to terminate) which the Company is contractually required to honour, and the reasons stated in Paragraph 4 below.

### 2.5 **Conditions Precedent**

The sale and purchase of the Sale Shares are subject to the waiver or fulfillment on or prior to sixty (60) days from the date of the SPA, or such other date as the Parties may agree in writing to extend or waive of the following conditions (**"Condition Period"**) (**"Conditions Precedent"**):

- (a) The Vendor procuring the approval of its shareholders to sell the Sale Shares to the Purchaser at an extraordinary general meeting to be held, and the passing of the resolution of the shareholders of the Vendor for the execution of this Agreement;
- (b) The JV Co and/or its wholly owned subsidiary, as the case may be, declaring and paying to the Vendor its portion of dividend entitlement for the financial year ending 2021, by 14

October 2022; and

- (c) The JV Co and/or its wholly owned subsidiary, as the case may be, declaring and paying to the Vendor its portion of dividend entitlement for the financial period ending 30 September 2022 by 21 October 2022 or such later time as the Vendor may exclusively determine.

The day where all the Conditions Precedent has been fulfilled shall be referred to as the "**Fulfilment Date of Conditions Precedent**". The SPA will not be able to be completed if the Conditions Precedent are not waived or fulfilled within the Condition Period.

## 2.6 **Completion**

Subject to the terms and conditions of the SPA, Completion and payment of the Purchase Consideration shall take place on the date falling 10 days or such date as the Parties may agree in writing, after the Fulfilment Date of Conditions Precedent ("**Completion Date**").

## 2.7 **Material conditions**

There are no other material conditions including a put, call or other option attached to the Proposed Disposal.

## 3. **SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal and the Vendor's nominee directors in the JV Co shall resign as directors from the JV Co effective from Completion. Accordingly, no service contract is proposed to be entered into by the Company in connection with the Proposed Disposal.

## 4. **RATIONALE FOR THE PROPOSED DISPOSAL**

The Proposed Disposal has been initiated by the Purchaser by way of issuing a termination notice evoking their entitlement to terminate under the SHA and the Vendor is contractually required under clause 14.3(a) of the SHA to effect a sale of the Sale Shares to the Purchaser as described in paragraph 2.1 above. No valuation was conducted for the Proposed Disposal as it is a disposal of shares and not assets, and Catalist Rules 1014(2) and (5) therefore do not apply, and a valuation will also not change the purchase consideration of the Proposed Disposal which is a contractual computation under the SHA.

The Proposed Disposal is also in-line with the Company and its subsidiaries' ("**Group**") decision further focus and to pivot towards supporting the growing wealth management industry in Asia, leveraging on the Group's trust and asset management services in addition to the usual incorporation and nominee services.

In view of the above, the Board is of the view that the Proposed Disposal is in the interests of the Company by avoiding any breaches to the SHA and that the Proposed Disposal will benefit the Company's shareholders.

## 5. USE OF PROCEEDS

The estimated net proceeds from the Proposed Disposal attributable to the Company is USD\$2,022,873 (“**Net Proceeds**”). The Board intends to utilize the Net Proceeds for general working capital.

Pending deployment, the Net Proceeds may be deposited with banks, or used for any other purposes on a short-term basis, as the Board may deem appropriate in the interests of the Group.

## 6. OTHER FINANCIAL INFORMATION

The key financials for the financial year ended 31 December 2021 and for the six months period ended 30 June 2022 of the JV Co are as set out below:

### Profit and loss

The net profit before tax of the JV Co is RM6,189,653 for the financial year ended 31 December 2021 (audited) and RM3,748,585 for the financial period ended 30 June 2022 (unaudited) respectively.

### Financial position

The net tangible assets of the JV Co is RM5,360,399 as at 31 December 2021 (audited) and RM5,151,633 as at 30 June 2022 (unaudited) respectively.

The Vendor’s carrying book value of 50% of the JV Co as at 31 December 2021 and 30 June 2022 is RM12,308,611 and RM12,607,482 respectively.

Therefore, the loss on disposal of the JV Co being the excess of the proceeds over the carrying book value of the JV Co as at 31 December 2021 and 30 June 2022 is RM2,831,454 and RM3,130,325 accordingly.

## 7. RELATIVE FIGURES FOR THE PROPOSED DISPOSAL UNDER RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Disposal, computed on the bases set out in Rule 1006 of the Catalist Rules are set out below. The computations are based on (a) the latest announced consolidated financial statements for 30 June 2022 of the Group; and (b) unaudited financial statements as at 30 June 2022 of the JV Co.

| Rule 1006 | Bases                                                                        | Relative Figures (%)  |
|-----------|------------------------------------------------------------------------------|-----------------------|
| (a)       | Net asset value of the JV Co, compared with the Group’s net asset value      | 2.31 <sup>(1)</sup>   |
| (b)       | Net profits attributable to the JV Co, compared with the Group’s net profits | 279.14 <sup>(2)</sup> |

| Rule 1006 | Bases                                                                                                                                                           | Relative Figures (%) |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| (c)       | Aggregate value of the consideration given compared with the market capitalisation of the Company                                                               | 10.97 <sup>(3)</sup> |
| (d)       | Number of equity securities issued by the Company as consideration for the Proposed Disposal, compared with the number of equity securities previously in issue | Not applicable       |
| (e)       | Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Company's proved and probable reserves         | Not applicable       |

**Notes:**

- (1) Computed based on 50% of the JV Co net assets value of approximately RM2.576 million as at 30 June 2022, compared to the Group's unaudited net assets value of approximately RM111.48 million as at 30 June 2022.
- (2) Computed based on 50% of the JV Co unaudited profit before tax of approximately RM1.496 million for 6M2022, compared to the Group's unaudited profit before tax of approximately RM0.536 million for 6M2022.
- (3) Computed based on the Purchase Consideration (approximately RM9.477million) and the market capitalisation of the Company of approximately RM83,016 million, which is determined by multiplying the issued share capital of the Company of 349,461,791 shares with the volume weighted average price of S\$0.075 per share of such shares transacted on 19 October 2022 (as there were no trades subsequent to 19 October 2022 up to the full market day immediately preceding the date of the SPA). The exchange rates used as extracted from the website of the Monetary Authority of Singapore are S\$1 : RM3.3234 and USD1 : RM4.7218.

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 50%. Accordingly, the Proposed Disposal constitutes a "major transaction" under Rule 1014 of the Catalist Rules and requires the approval of the shareholders of the Company.

## 8. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

### 8.1 Bases and assumptions

The financial effects of the Proposed Disposal are prepared based on the Group's latest audited consolidated financial statements for the financial year ended 31 December 2021 ("FY2021"). The financial effects of the Proposed Disposal set out below are purely for illustrative purposes and do not reflect the actual future actual financial results or positions of the Group after the completion of the Proposed Disposal.

### 8.2 Effect on net tangible assets ("NTA")

Assuming that the Proposed Disposal had been completed on 31 December 2021, the effect on the NTA of the Group as at 31 December 2021 would have been:

|              | Before the Proposed Disposal | After the Proposed Disposal |
|--------------|------------------------------|-----------------------------|
| NTA (RM'000) | 74,868                       | 72,111                      |

|                         | Before the Proposed Disposal | After the Proposed Disposal |
|-------------------------|------------------------------|-----------------------------|
| Number of shares ('000) | 349,462                      | 349,462                     |
| NTA per share (RM Sen)  | 21.42                        | 20.63                       |

### 8.3 Effect on earnings per shares ("EPS")

Assuming that the Proposed Disposal had been completed on 1 January 2021, the effect on the EPS of the Group for FY2021 would have been:

|                                    | Before the Proposed Disposal | After the Proposed Disposal |
|------------------------------------|------------------------------|-----------------------------|
| (Loss) / Profit after tax (RM'000) | 882                          | (4,195)                     |
| Number of shares ('000)            | 349,462                      | 349,462                     |
| EPS (RM Sen)                       | 0.25                         | (1.20)                      |

### 8.4 Share capital

The Proposed Disposal will not have any impact on the issued and paid-up share capital of the Company.

## 9. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDER IN THE PROPOSED DISPOSAL

None of the Directors or the controlling shareholder of the Company has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

## 10. CAUTION IN TRADING

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of the Conditions Precedent set out above, and there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Disposal. Shareholders are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax, or other professional advisors.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this announcement (save for information relating to the Purchaser, which is confirmed after making reasonable enquiries), that to the best of their knowledge and belief, this

announcement constitutes full and true disclosure of all material facts about the Proposed Disposal and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

**12. CIRCULAR TO SHAREHOLDERS**

The Company will be seeking specific approval from shareholders of the Company at an extraordinary general meeting to be convened ("**EGM**") for the Proposed Disposal. A circular and notice of EGM will be dispatched and disseminated by the Company to shareholders in due course.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SPA will be available for inspection at the registered office of the Company's Singapore branch at 77 Robinson Road, #06-03, Singapore 048544 during normal business hours on any weekday (public holidays excepted) for 3 months from the date of this announcement.

**14. FURTHER ANNOUNCEMENTS**

The Company will make further announcements to update its shareholders when there are material updates to the matters set out above as may be necessary or appropriate.

**BY ORDER OF THE BOARD**

Chew Seng Kok

Managing Director

19 October 2022

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*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST 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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