



CREATING OPPORTUNITIES ACROSS ASEAN

2018 ANNUAL REPORT



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CORPORATE PROFILE

ZICO Holdings Inc. ("ZICO" and together with its subsidiaries and associated companies, the "Group") is an integrated provider of multidisciplinary professional services. ZICO was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited on 11 November 2014.

ZICO is widely regarded as the Go-To Professional Services Provider of 'cradle-to-grave' business lifecycle solutions in the ASEAN region. Through its multidisciplinary services, regional capabilities and local insights, ZICO creates a unique brand offering that enables its clients to capitalise on opportunities across Southeast Asia.

The Group's clients include governments and government-linked companies, law firms, private and public listed companies, multinational corporations and high-net-worth individuals. The Group offers its client a collective expertise derived from its legal professionals and consultants, led by a management team of Executive Directors who have, in total,

more than seven decades of experience in the professional services industry.

The Group has business operations in Indonesia, Lao PDR, Malaysia, Myanmar, Singapore, Thailand and the Philippines. The Group augments its existing regional presence with that of the ZICO Law network to extend its reach across all ten countries in Southeast Asia.

These ten countries include those where ZICO has business operations in as well as Brunei, Cambodia, and Vietnam where ZICO does not presently have business operations.

The Group currently operates in the following key business segments:

- (i) advisory and transactional services; and
- (ii) management, support services and licensing services

AN INTEGRATED PROVIDER OF MULTIDISCIPLINARY SERVICES IN ASEAN

"We are innovative entrepreneurs riding on disruptions in legal services."



OUR BUSINESS SEGMENTS



ADVISORY & TRANSACTIONAL SERVICES

LEGAL SERVICES[^]

- Offer legal services in Myanmar, Thailand and Laos PDR through our subsidiary law firms

SHARIAH ADVISORY

- Advise on Sukuk issuances, Islamic funds, as well as on other Islamic capital market products and instruments
- Approved Shariah advisor and provider of Shariah review and Shariah audit services

TRUST SERVICES

- Carry out trust company business in the Labuan International Banking and Financial Centre
- Provide trust services in Singapore

CORPORATE SERVICES

- Incorporation and corporate secretarial services in Malaysia and Singapore

ADVISORY SERVICES

- Strategic advice on business and governmental issues in the ASEAN region

INVESTOR SERVICES

- Provide a comprehensive suite of share registrar services

IP SERVICES

- Provision of intellectual property services

ASSET MANAGEMENT

- Wealth planning and multi-asset management services in Singapore

CORPORATE FINANCE

- Corporate finance advisory services and activities as a Catalyst full sponsor and accredited issue manager in Singapore
- Corporate finance advisory services in Malaysia

INSOURCING

- Provides insourcing and consultancy services for legal, human capital, and corporate communication

IMMIGRATION SERVICES[^]

- Provides a broad range of immigration services to help with client's employee mobility needs
- Develops clients' corporate immigration policies and programs

MANAGEMENT, SUPPORT SERVICES AND LICENSING SERVICES

REGIONAL MANAGEMENT SERVICES

- Strategic advisory
- Market intelligence
- Business relations
- Public sector relations
- Risk management

BUSINESS SUPPORT SERVICES

- Accounting, Finance and Budgeting
- Information Technology
- Human Resource
- Knowledge Management and Training
- Business Development and Corporate Communications

LICENSING SERVICES

Licensing of the "ZICO", "ZICOLaw" and "ZICOLaw Trusted Business Advisor" trademarks

Business Agreements

ZICOLAW NETWORK

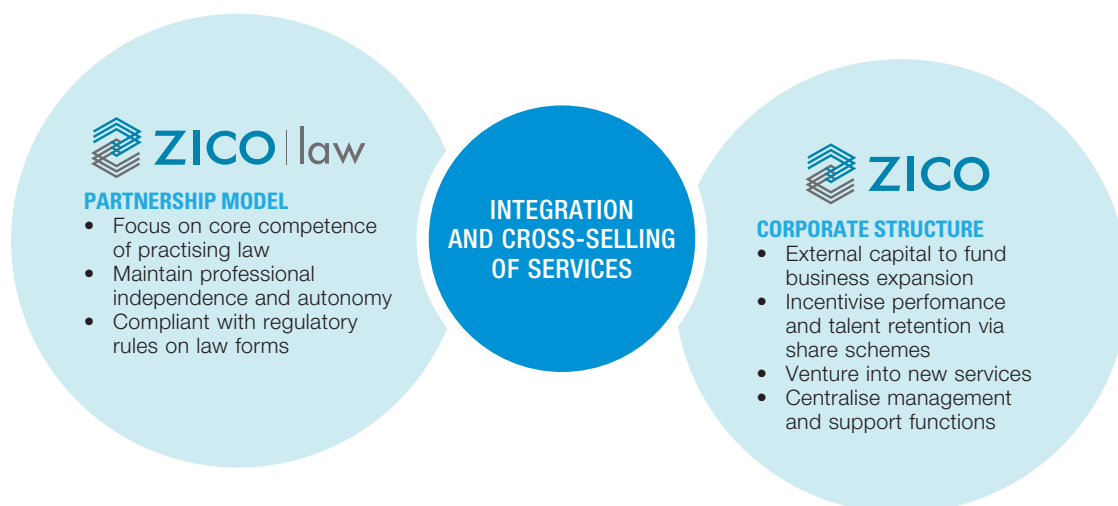
- Roosdiono & Partners
- SokSiphana&associates
- Zaid Ibrahim & Co.
- Gala and Tomik Advocates
- Effendi & Co.
- ZICO Insights Law LLC
- ZICOLaw (Thailand) Limited
- ZICOLaw (Vietnam) Ltd
- ZICO R.A.R.
- Insights Philippines Legal Advisors

Cross-promotion of complimentary services

[^] We provide legal services only to the extent permitted in the relevant jurisdictions. In other jurisdictions, we cooperate with and support independent and autonomous law firms which are members of the ZICOLaw network, in compliance with local professional regulations.

[#] Acquired 50% of Fragomen (Malaysia) Sdn. Bhd. on 31 July 2018.

INNOVATIVE BUSINESS MODEL

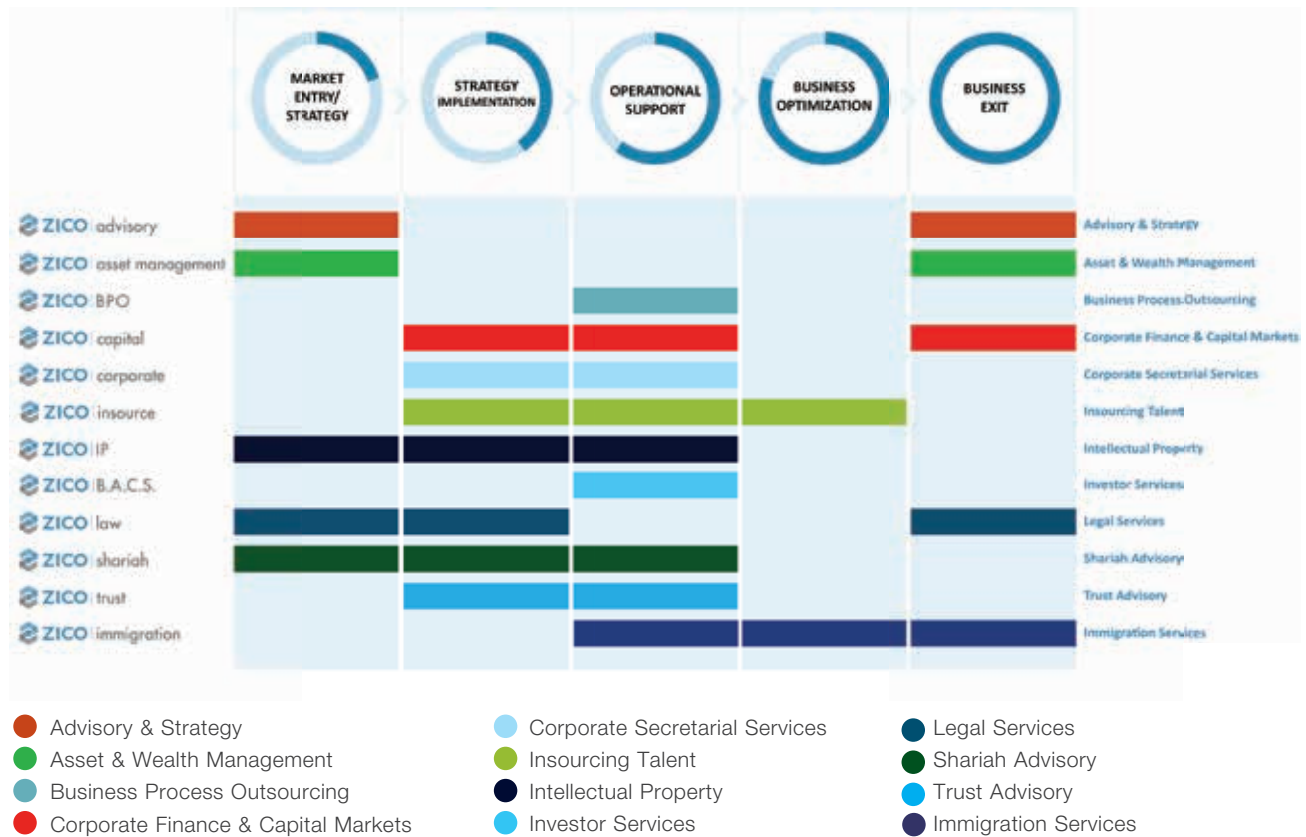


MULTIDISCIPLINARY PRACTICES ASEAN INTEGRATED SERVICES PLATFORM



* Except for Laos, Myanmar and Thailand, these members of ZICO Law network are legally separate from our Group

OUR SERVICES ACROSS COVERING THE ENTIRE BUSINESS LIFE CYCLE



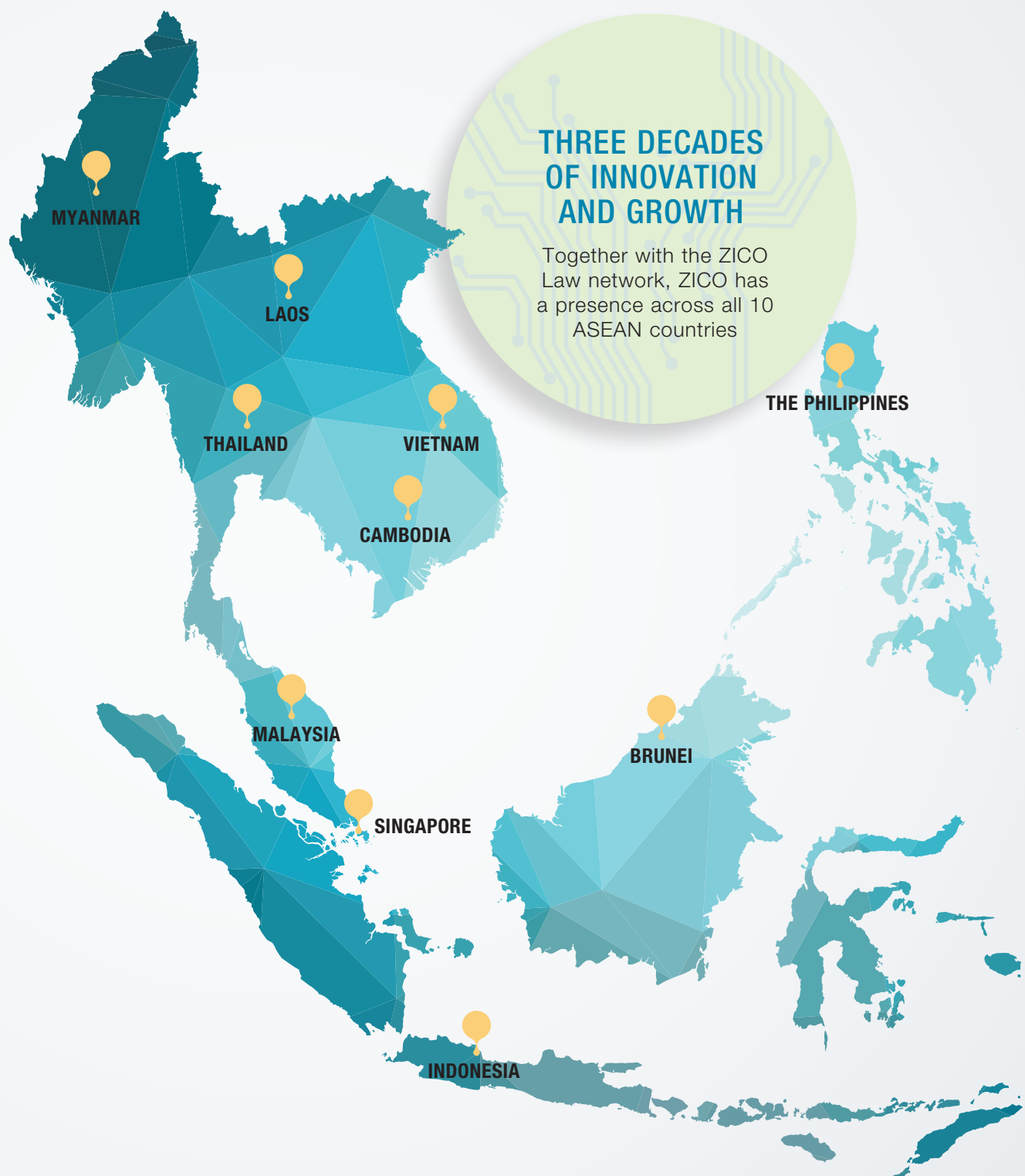
**“GLOBAL FIRST”
FINANCIAL TIMES
JUNE 2015**



**“FT INNOVATIVE
LAW AWARDS”
2014-2015**



OUR PRESENCE



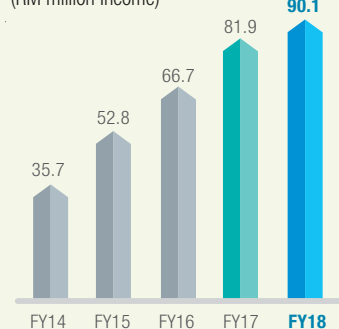
KEY CORPORATE MILESTONES IN PERSPECTIVE



FINANCIAL HIGHLIGHTS

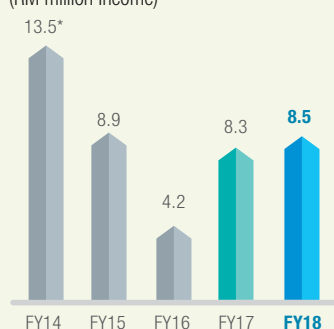
REVENUE

(RM million Income)



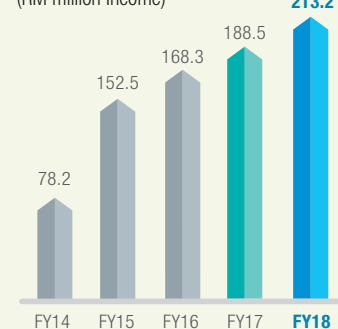
PROFIT BEFORE INCOME TAX

(RM million Income)



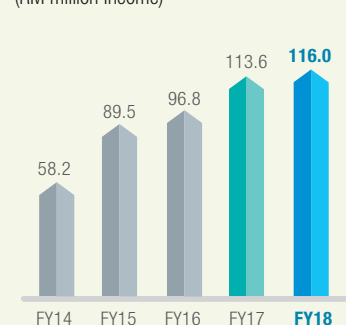
TOTAL ASSETS

(RM million Income)



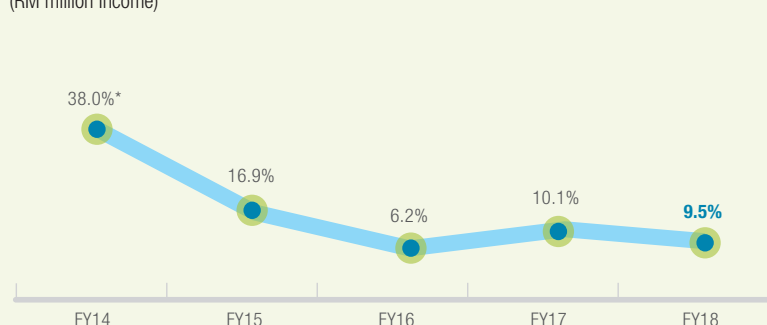
TOTAL EQUITY

(RM million Income)

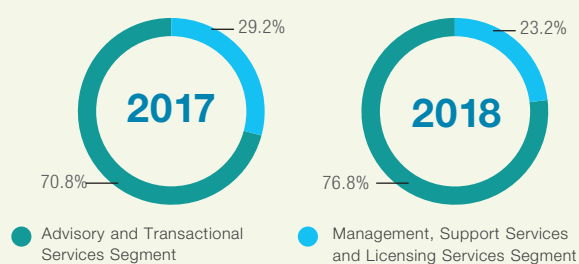


PROFIT BEFORE INCOME TAX MARGIN

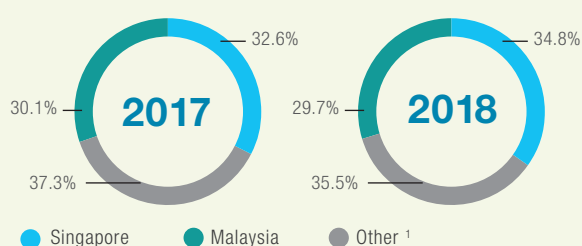
(RM million Income)



REVENUE BREAKDOWN BUSINESS SEGMENT (%)



GEOGRAPHICAL SEGMENT (%) (excluding inter-segment revenue)



¹ Others comprise Indonesia, Hong Kong, Thailand, United Kingdom, United States of America, and United Arab Emirates.

REVENUE AND PROFITABILITY

	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue (RM millions)	35.7	52.8	66.7	81.9	90.1
Profit before income tax (RM millions)	13.5*	8.9	4.2	8.3	8.5

FINANCIAL POSITION

	FY2014	FY2015	FY2016	FY2017	FY2018
Current ratio	3.6	1.3	1.4	1.4	1.3
Total assets (RM millions)	78.2	152.5	168.3	188.5	213.2
Total equity (RM millions)	58.2	89.5	96.8	113.6	116.0

KEY FINANCIAL RATIOS

	FY2014	FY2015	FY2016	FY2017	FY2018
Return on assets	13.7%	4.8%	3.0%	3.7%	2.7%
Return on equity	18.4%	8.1%	5.2%	6.1%	5.0%
Debt to equity	0.0	0.4	0.4	0.4	0.5

* Includes one-off listing expenses of RM4.8 million

CHAIRMAN'S MESSAGE

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, it is with great pleasure that I present to you ZICO's Annual Report for the financial year ended 31 December 2018 ("FY2018"). This report marks the end of our fourth year as a publicly-listed company following our listing on the Singapore Exchange Catalist Board in November 2014.

The last four years have underscored the relevance and significance of our corporate mission – to offer a suite of professional services across all ten ASEAN countries. The region's relative stability stands in contrast to the political conflicts across the world, a U.S.-China trade frictions and the uncertainties surrounding Brexit.

ASEAN, by contrast, offers a more benign climate. Since its formation in 1967, ASEAN's economy has grown 100-fold.¹ The region's economy is expected to grow at an average annual rate of 5.2% between 2018 to 2022.² The confluence of demographics, digitalisation and lower tariff rates in this region of 650 million people³ bodes well for ZICO. More and more, companies need to buy and sell goods and services across ASEAN and not rely on domestic markets alone. In turn, this means increased demand for professional services. And in a field of many players, ZICO stands out with our range of services and our unparalleled physical presence in ASEAN.

Beyond geographical range, we have been adding depth to our service offerings. Earlier, we secured capital market services licenses and added trust services and asset management services in Singapore and Malaysia. The most significant addition in the year under review was in the area of immigration services. We acquired 50% of the shareholdings in Fragomen (Malaysia) Sdn. Bhd. and entered into a joint venture with Fragomen Global Immigration Services, LLC., the global leader in specialised immigration services. Beyond the financial contribution, the underlying message of this partnership is that our pan-ASEAN network, reputation and unique value proposition are attracting larger global players involved in specialised professional services.

PERFORMANCE REVIEW

For the year under review, revenue grew 10% to RM 90.1 million, marking a record high since our IPO. The top-line was mainly driven by the Advisory and Transactional Services ("ATS") segment, still the main contributor, which grew 19.3% to RM69.1 million compared to a year ago. Our new immigration services segment contributed five months of turnover.

For FY2018, we recorded profit before tax of RM8.5 million compared to RM8.3 million for FY2017. The flat bottom-line was due to higher employee benefits as we continue to grow our capabilities. Net profit after tax declined to RM5.8 million compared to RM6.9 million in FY2017, due to higher income tax.

ENHANCING VALUE, CREATING OPPORTUNITIES

Our ATS division achieved several major milestones in Singapore and Malaysia during the year under review.

In Singapore, ZICO Capital Pte. Ltd., Singapore ("ZICAP SG") became the sponsor and issue manager of Sim Leisure Group, which completed its listing on the SGX-Catalist board in March 2019. This is the third IPO in Singapore to be successfully completed by ZICAP SG. ZICAP SG is led by Chief Executive Officer Mr. Alex Tan and Managing Director Ms. Karen Soh-Tham. With over 40 years' experience in banking, corporate finance and capital markets between them, I am confident that they will continue to deliver growth for ZICAP SG.

Our asset management arm, ZICO Asset Management Pte Ltd ("ZAM"), was granted a capital markets services licence by the Monetary Authority of Singapore ("MAS") in August 2018 to carry out fund management activities. ZAM is headed by Mr Simon Lim Khoo Siong as Chief Executive Officer and Ms. Elaine Long as Vice President. They have over 20 years of banking and asset management experience between the two of them and well-established track records.

Finally, ZICO Trust (S) Ltd. ("ZICO Trust"), an indirect subsidiary of the Company, received approval from MAS to act as a trustee for collective investment schemes. ZICO Trust conducts trust advisory, trustee services, family office administration and fund services in Singapore.



Our partnership with the Fragomen Group was finalised in FY2018 via the Group's acquisition of a 50% equity interest in Fragomen (Malaysia) Sdn. Bhd. This joint venture immigration services business has not just contributed to financial performance but has also enhanced our profile as a provider of multidisciplinary professional services.

In the second quarter of FY2018, the ATS division also acquired 49% stake in ZICOLaw Thailand Ltd., a member of the ZICOLaw Network, which has since contributed to the Group's top line growth. This is in line with our strategy to expand our suite of services.

OUTLOOK

We expect global economic uncertainties to continue into FY2019. It is our belief that ASEAN is not only a safe economic refuge but also a platform for economic opportunity. We intend to deepen our penetration into all ten ASEAN countries and tap further cross-border opportunities, particularly for our ATS segment.

Our quest to become the Go-To ASEAN Professional Services Firm has only just begun. We have laid the foundations and we will continue to build upon them to take the next step towards our goal. We are even more determined to fulfil our corporate destiny across this region that is growing in economic size and business sophistication.

WORDS OF APPRECIATION

To our loyal shareholders and business partners and clients who have supported us through the years as we embarked on our quest across ASEAN, I wish to extend my sincere appreciation.

My thanks also to our dedicated and committed staff and management team for their tireless efforts, and to my fellow Board members, whose wealth of experience, wisdom, and knowledge have continued to steer the Group's strategies and initiatives in the right direction.

DATO' T. JASUDASEN

Independent Chairman

- 1 UOB ASEAN Snapshot Report, May 2018
- 2 Economic Outlook for Southeast Asia, China and India 2018 – report by OECD Development Centre
- 3 International Monetary Fund estimate, October 2018



MANAGING DIRECTOR'S MESSAGE

DEAR VALUED SHAREHOLDERS,

The financial year ended 31 December 2018 ("FY2018") has been an exciting chapter for ZICO even as we crossed major milestones in our quest to become the Go-To Integrated Provider of Professional Services in the ASEAN region. The highlights include another strong growth in revenue performance, new developments in our Advisory and Transactional Services ("ATS") segment and a significant joint-venture with New York-based Fragomen Immigration Services, LLC. ("Fragomen"), which has opened up new opportunities and provided an additional revenue stream in the area of immigration services.

Beyond these highlights, I believe there are two strong undercurrents which augur well for us despite economic and political uncertainties around the world. First, our foundations in the area of professional services are more robust than ever before. We are present in all 10 ASEAN countries, a region of economic growth which is experiencing high cross-border business activity. Second, our footprint and leadership in the area of services has attracted – and will attract – major global services providers. We now have an unparalleled suite of services with a physical presence in all 10 countries in the ASEAN region.

FINANCIAL PERFORMANCE

Allow me to first review our latest financial performance. The headline number is that we exceeded last year's record revenue performance by 10.0% to achieve a new high for our top line – RM90.1 million. This performance proves that our multi-disciplinary platform across the region is a successful business model which can grow even further. That said, it is not easy to replicate. Fine-tuning this "machine" chugging across 10 countries to extract efficiencies and cross selling of services has been the main focus of my team for the past few years.

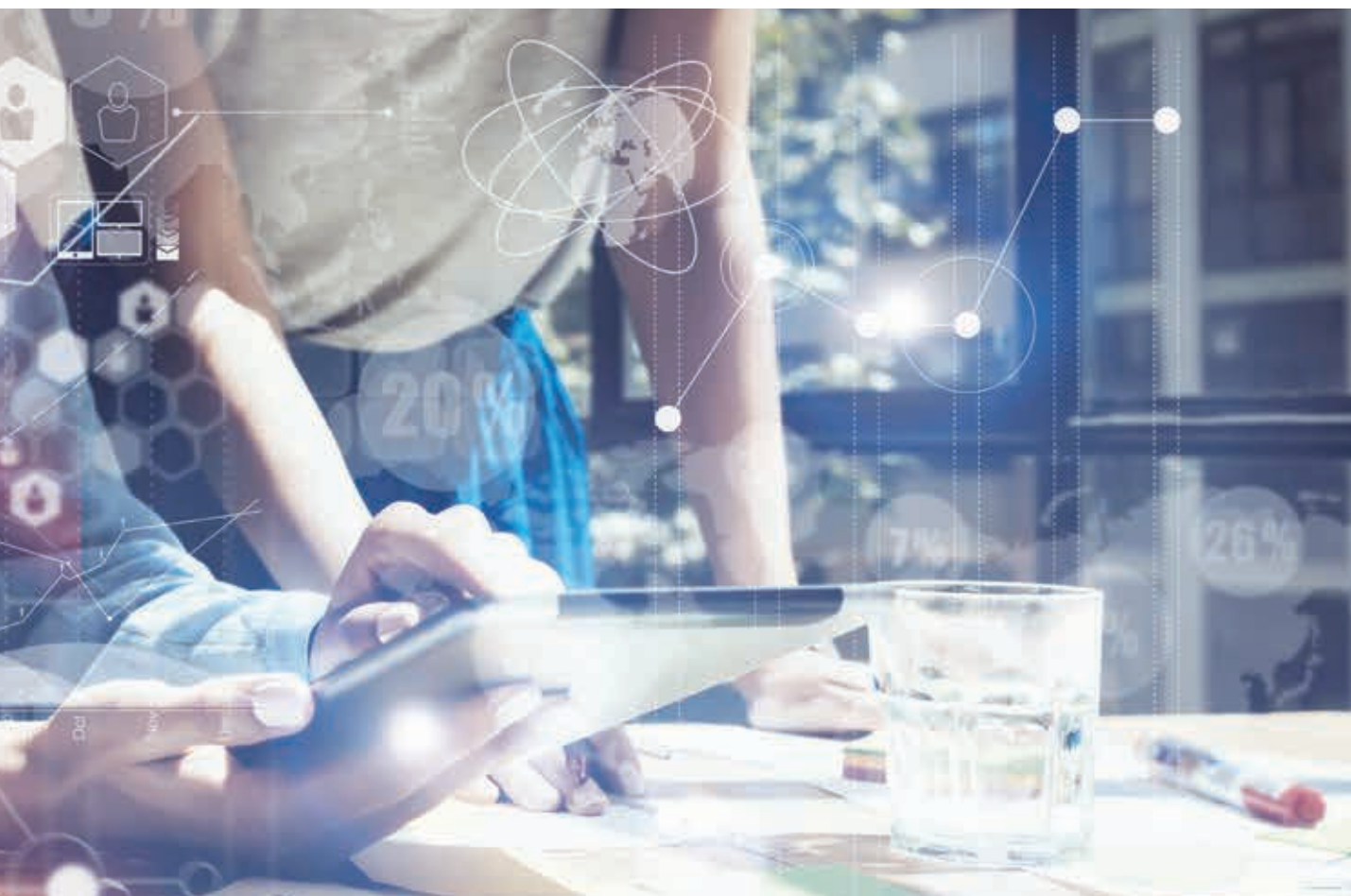
The main driver of our growth remains the ATS segment, in particular in Singapore and Malaysia. Even as this region of 650 million people grows in business sophistication, the relative maturity of ATS services in these two countries will mean that the segmental and geographical contribution we have seen in the last two to three years will likely continue for a while. Revenue for the ATS segment grew 19.3% to RM69.2 million in FY2018, propelled by contributions from our advisory services on corporate finance, trust business, asset management business in Singapore and additional revenue from the acquisition of ZICOLaw Thailand Limited.

Within the ATS segment, ZICO Capital Pte. Ltd., Singapore ("ZICAP SG") completed the listing of SIM Leisure on the Singapore Exchange Catalist Board in March 2019, subsequent to the financial year under review. This is the third IPO to be executed successfully by ZICAP SG, led by Chief Executive Officer Mr. Alex Tan and Managing Director Ms. Karen Soh-Tham.



As shareholders will recall, we added our second capital markets services license in Malaysia in late 2017. Hence, FY2018 represented the first full year of operations of ZICO Capital Sdn. Bhd. ("ZICAP MY").

A major milestone under our ATS segment was the partnership which has allowed us to add immigration services to our suite of services. During the year under review, we formed a 50-50 joint venture in Malaysia, by acquiring half of Fragomen (Malaysia) Sdn. Bhd. and partnering with Fragomen, a global leader in this specialised service. The partnership has already yielded early fruits in the form of five months of financial contribution recognised in FY2018. We will recognise the full 12 months from FY2019. I wish to stress that this is not just another addition of capabilities that has the potential to be marketed across our footprint. It is our first partnership with a leading services player, and underscores ZICO's leadership in ASEAN in the field of services and the value of our regional footprint. This could well lead to more of such partnerships in the future.



The acquisition of a 49% equity interest in ZICOLaw Thailand Limited in June 2018 builds upon the services of our two subsidiaries engaged in legal services (in Myanmar and Laos), namely ZICOLaw Myanmar Limited and ZICOLaw Laos Sole Co. Ltd. This is in line with ZICO's strategy to expand our suite of services into the CLMV region, i.e. Cambodia, Laos, Myanmar, and Vietnam. ZICO intends to leverage on its acquisition of ZICOLaw Thailand Limited to play a pivotal role to spearhead our strategic expansion into the region. Elsewhere within ASEAN, the ZICO Group currently relies on business agreements with the other independently owned and managed law firms that constitute the ZICOLaw Network.

In August 2018, ZICO Asset Management Pte. Ltd. ("ZAM") was granted a capital markets services licence by the Monetary Authority of Singapore ("MAS") to carry out fund management activities. This followed ZAM's registration as a fund management company with the MAS in February 2017. We believe this will significantly improve our prospects in the fund management business going forward.

We are pleased that ZICO Trust (S) Ltd. ("ZICO TRUST") in Singapore has received approval from MAS to act as a trustee for collective investment schemes. This adds to the growing list of ZICO TRUST's services and will bring in an additional revenue stream. ZICO TRUST offers a diverse range of personal and corporate trust services to both onshore and offshore clients.

Our Management, Support Services and Licensing Services division reported a revenue of RM20.9 million during the year under review, 12.6% lower than last year due to a change in invoicing arrangements.

Despite higher revenue, the ZICO Group recorded a profit before tax of RM8.5 million for FY2018, slightly higher compared to RM8.3 million for FY2017. A major reason was the higher employee benefits expense of RM51.5 million, up 14.6% from RM45.0 million over the comparative periods due to the increase in headcount for the ATS teams arising from acquisition of new business and expansion of existing businesses.

MANAGING DIRECTOR'S MESSAGE

During FY2018, we also adopted a new accounting standard, which resulted in a non-cash charge of RM2.2 million. Our Net Profit After Tax for FY2018 declined by 15.8% compared to RM6.9 million in FY2017 due to higher income tax expense provision in respect of the prior year.

Earnings per share on a fully diluted basis declined to 1.07 RM cents in FY2018 from 1.90 RM cents in FY2017. Net asset value per share as at 31 December 2018 increased to 38.29 RM cents compared to 37.17 RM cents a year ago. Cash and cash equivalents amounted to RM16.0 million as at 31 December 2018.

SHARE PLACEMENT

On 26 March 2019, ZICO announced that it has successfully placed out an aggregate of 20 million new ordinary shares, at S\$0.15 per share, which raised gross proceeds of S\$3 million. Mr. James Khong Poh Wah, an existing shareholder of ZICO and Mr. Yeo Keng Joon, chairman of Bharat Luxindo Agrifeeds, subscribed to 6,666,667 million and 13,333,333 million of the new shares, respectively. The proceeds will allow us to support the working capital requirements of our operations as we continue to expand across ASEAN. Following the placement, ZICO's issued share capital base has enlarged to 322,575,772 shares from 302,575,772 shares previously.

DIVIDEND

Unchanged from last year, we are not declaring any dividend for FY2018 as we continue to reinvest retained profits to build up our value proposition across ASEAN.

OUTLOOK

The combined forces of demographics, growth in cross-border commerce and digital transformation are propelling ASEAN to be a very sizeable economy. A population of 650 million in a region of relative stability is poised to make ASEAN an economic giant. Four years after IPO, we have crossed several milestones that combine to constitute a major first step in our quest to lead the region in professional services. The next step is to deepen our presence in each country and to forge more strategic partnerships with global players.

WELCOME AND APPRECIATION

During the year, we have enlarged the ZICO family through new business activities in several countries and a significant new partnership with Fragomen. We welcome the new leaders of these business units as well as their staff and existing customers.

I also wish to convey my sincere appreciation to all ZICO staff who have worked tirelessly over the past year. I am indebted to the counsel and support of my fellow members of the Board of Directors, and remain grateful for the loyalty of our valued clients, business partners and shareholders.

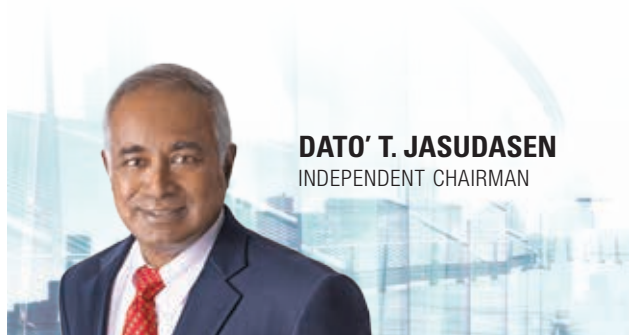
It has been a rewarding and significant year. We could not have come so far without each and every one of you.

Thank you.

CHEW SENG KOK

Managing Director

BOARD OF DIRECTORS



DATO' T. JASUDASEN
INDEPENDENT CHAIRMAN

DATO' T. JASUDASEN, our Independent Chairman, was appointed to the Board on 16 February 2015 and was last re-elected on 20 April 2018.

He retired from full-time diplomacy in September 2014 after 37 years of government service. He currently serves as Singapore's Non-Resident Ambassador to Ethiopia and Representative to the African Union. In addition, he is an honorary Steward and a member of the Management Committee of the Singapore Turf Club, which is a non-profit organisation. He is also a member of the advisory Board of Nanyang Business School's Centre for African Studies.

Dato' T. Jasudasen was previously the High Commissioner to the United Kingdom from 2011 to 2014, High Commissioner to Malaysia from 2006 to 2011, Ambassador to Myanmar from 2004 to 2006 and the Ambassador to France from 1997 to 2004. He has worked in all ten ASEAN countries and with international organisations including the United Nations.

The Singapore government awarded Dato' T. Jasudasen a Gold Medal PPA(E) in 2011 and a Silver Public Administration Medal PPA(P) in 1990, and a long service medal (PBS) in 2002. He has two French government awards including the Legion D'Honneur. He also received a Dato'ship from HRH the Sultan of Pahang, Malaysia.

He graduated with an Honours degree in Law from the University of Singapore and studied Public Administration at the Ecole Nationale d'Administration in France.



CHEW SENG KOK
MANAGING DIRECTOR

MR CHEW SENG KOK, our Managing Director, was appointed to the Board on 9 December 2010 and was last re-elected on 20 April 2018. He is primarily responsible for the business development and overall strategy and management of the Group.

Mr Chew graduated with an LLB (Honours) in 1984 and obtained an LLM (First Class Honours) from Victoria University of Wellington, New Zealand, in 1989. Mr Chew started practice in Malaysia in 1985 and was previously practising with Chapman Tripp in Wellington, New Zealand, and Baker & McKenzie in Singapore. In 1991, he joined Zaid Ibrahim & Co. where he rose up the ranks to become its managing partner in 2004. He assumed the role of regional managing partner of the ZICOLaw network in 2011. In November 2014, Mr Chew left his managing role in Zaid Ibrahim & Co. and ZICOLaw to take up a full time role as the Managing Director of ZICO.

Mr Chew is very active in supporting the public and private sectors in Malaysia and in promoting trade and investments in the ASEAN region. He is a director of the ASEAN Business Club, an association of the chief executives of the region's leading business enterprises which provides a forum for its members to network and collaborate. Mr Chew was given an award by the New Zealand government in August 2015 in recognition of his significant contribution.

BOARD OF DIRECTORS



LIEW FOONG YUEN
EXECUTIVE DIRECTOR

MR LIEW FOONG YUEN, our Executive Director, was appointed to the Board on 7 August 2014 and was last re-elected on 20 April 2018. He is primarily responsible for the overall management of the Advisory and Transactional Services Segment of the Group.

Mr Liew has been part of the ZICO family for over 20 years, beginning in 1997 when he joined Zaid Ibrahim & Co., the precursor to the ZICO LAW network. He became a partner in 2002 and subsequently set-up and oversaw the ZICO LAW office in Singapore as resident partner, kicking off the network's regional expansion in 2003. He was part of the management team that restructured the businesses of the network into ZICO Holdings Inc., and on its successful listing on the SGX-ST in 2014.

Mr Liew graduated with a Bachelor of Laws (Honours) from the University of Warwick in 1992 and is a lawyer by training, having qualified to practise in England and Wales, and in Malaysia. He received a Chevening Scholarship to pursue and obtain his Masters of Business Administration (Finance) from City University, London in 2003.



DATUK NG HOCK HENG
EXECUTIVE DIRECTOR

DATUK NG HOCK HENG, our Executive Director, was appointed to the Board on 9 December 2010 and was last re-elected on 27 April 2017. He is primarily responsible for the overall management of the Management, Support Services and Licensing Services segment of the Group.

Datuk Ng started his career in KPMG (Australia) as a tax consultant before joining Deloitte Touche Tohmatsu (Australia & Hong Kong) as a senior tax consultant in 1993. In 1995, Datuk Ng joined Zaid Ibrahim & Co. and became a partner

in 1999. Datuk Ng is an independent non-executive director of Ecofirst Consolidated Bhd., a public listed company listed on the Main Board of Bursa Malaysia. On 5 November 2017, he was conferred the honorific title "Datuk" by the TYT Yang di-Pertua Negeri of Malacca, Malaysia.

Datuk Ng graduated with a Bachelor of Economics (double major in Banking & Accountancy) in 1990, a Bachelor of Laws and a Masters of Laws (Distinctions) from Monash University in 1992 and 1995 respectively. He is also an associate of Certified Practising Accountants, Australia. Datuk Ng was an Advocate and Solicitor of the High Court of Malaya and was a Registered Foreign Lawyer of the Law Society of New South Wales, Australia.



STEPHEN ARTHUR MALOY
NON-EXECUTIVE
NON-INDEPENDENT DIRECTOR

MR STEPHEN ARTHUR MALOY, our Non-Executive Non-Independent Director, was appointed to the Board on 7 August 2014 and was last re-elected on 27 April 2017.

He is currently a senior advisor at ZICO Law and was a senior advisor at Jincheng, Tongda & Neal. Before this, Mr Maloy was General Electric ("GE")'s General Counsel for the Asia-Pacific Region and served in that role from 1983 to 2012, residing in Singapore, Kuala Lumpur, Hong Kong and Shanghai during the period.

Mr Maloy also served as Vice Chairman of GE China Limited and was responsible for the establishment of GE Pacific Pte. Ltd. ("GE Pacific") in Singapore, the holding company for most GE investments in Asia, and continued to serve as an executive director in GE Pacific, Ltd. until 2012. He currently serves as Chairman of Magritek, Ltd, a manufacturer of benchtop magnetic resonance equipment based in New Zealand and Germany.

Mr Maloy graduated with an A.B. (cum laude) in Economics and History from Colgate University in 1973 and obtained a Juris Doctor Degree from Cornell University in 1976. He is a council member of the Hong Kong International Arbitration Centre.



CHEW LIONG KIM
INDEPENDENT DIRECTOR

MR CHEW LIONG KIM, our Independent Director, was appointed to the Board on 7 August 2014 and was last re-elected on 22 April 2016. He is currently the executive chairman of CLK Advisors, Malaysia, which provides business advisory and business analytics services in the ASEAN region. He is also currently the senior advisor at Roland Berger Strategy Consultants, Southeast Asia.

Mr Chew was a commission member of the Malaysian Communications and Multimedia Commission between 2013 and 2015, and served as Chairman of the audit committee.

Mr Chew was the managing director of Maybank Investment Bank Bhd's strategic advisory division and the managing director of Bina Fikir Sdn. Bhd. from November 2008 to October 2010. He was also executive chairman of HRM Business Consulting Sdn. Bhd. and executive director and chief executive officer of Dataprep Holdings Berhad from 2003 to 2008. Mr Chew was the former worldwide partner of Arthur Andersen from 1990 to 2002.

Mr Chew graduated with a Bachelor of Commerce from the University of Auckland in 1980. He is a Fellow of the Chartered Accountants of Australia and New Zealand. Mr Chew is also a Public Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Chartered Secretaries and Administrators.



JOHN LIM YEW KONG
INDEPENDENT DIRECTOR

MR JOHN LIM YEW KONG, our Independent Director, was appointed to the Board on 7 August 2014 and was last re-elected on 27 April 2017. He is also a lead independent director and chairman of the audit and risk committee of Global Invacom Group Limited and an independent director and chairman of the audit and risk management committee of Karin Technology Holdings Limited, both of which are listed on the Mainboard of the SGX-ST.

Mr Lim was a director of Axia Equity Pte. Ltd., a business advisory company from February 2006 to January 2012 and was the managing director of Enterprise Asean Fund Pte. Ltd. from April 2005 to August 2006. From September 1999 to March 2005, he was also the associate director of ASC Equity Pte Ltd and the executive director of ASC Capital Pte Ltd. Mr Lim spent four years with Arthur Andersen & Co., London before joining Dowell Schlumberger in the United Kingdom, from 1988 to 1991 as an internal auditor before assuming the position of United Kingdom controller, Aberdeen.

Mr Lim graduated with a Bachelor of Science in Economics from the London School of Economics and Political Science in 1984 and is also a Chartered Accountant from the Institute of Chartered Accountants in England and Wales.

KEY MANAGEMENT

PAUL SUBRAMANIAM

Chief Risk Officer

Mr Paul Subramaniam, our Chief Risk Officer, is responsible for the overall risk management and mitigation measures for the Group. He also assists the Regional Director of Knowledge Management and the Regional Director of Training in designing and implementing knowledge management and training initiatives for the Group and the clients of the Group, including the ZICO LAW network. He joined Zaid Ibrahim & Co. in 1998 as the head of litigation and was the knowledge management and training partner of Zaid Ibrahim & Co from 2008 until assuming the post of Chief Risk Officer of the Group.

Mr Subramaniam graduated with a Bachelor of Science in Applied Mathematics and a Bachelor of Laws from Monash University, Australia in 1983 and 1985 respectively. He has been a member of the Malaysian Bar since 1986 and is the author of a number of legal reference books and articles.

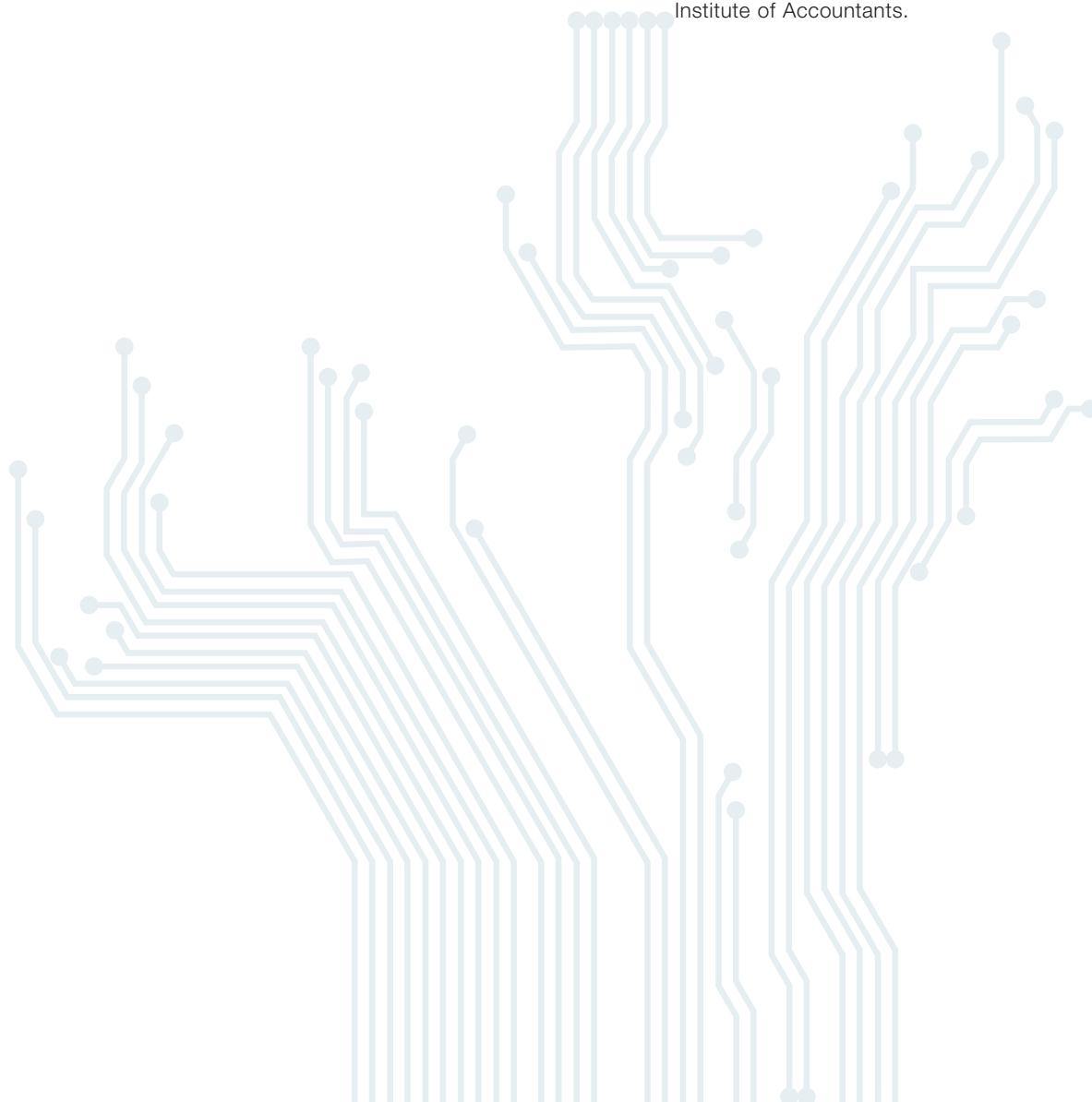
ADELINE CHEAH

Chief Financial Officer

Ms Adeline Cheah is our Chief Financial Officer and is responsible for all finance-related functions of the Group. She joined the Group on 1 January 2014.

Ms Cheah started her career in KPMG Peat Marwick as an auditor in 1992 and joined Pengkalen Holdings Bhd in 1996 as a treasury accountant. In 1997, Ms Cheah joined Asteria Group as its group financial controller, and in 2006, she joined SEG International Bhd as its financial controller. She subsequently joined Zaid Ibrahim & Co. in 2008 as the financial controller and was designated as the chief financial officer in 2009 before joining ZICO Consultancy Sdn. Bhd. in January 2014 as the Group's Chief Financial Officer.

Ms Cheah graduated with a Bachelor of Business from the Curtin University of Technology, Perth, Western Australia in 1992 and is also a Certified Practising Accountant of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' T. Jasudasan
(Independent Chairman)

Chew Seng Kok
(Managing Director)

Liew Foong Yuen
(Executive Director)

Datuk Ng Hock Heng
(Executive Director)

Stephen Arthur Maloy
(Non-Executive
Non-Independent Director)

Chew Liong Kim
(Independent Director)

John Lim Yew Kong
(Independent Director)

AUDIT AND RISK COMMITTEE

John Lim Yew Kong (Chairman)
Chew Liong Kim
Stephen Arthur Maloy
Dato' T. Jasudasan

NOMINATING COMMITTEE

Dato' T. Jasudasan (Chairman)
John Lim Yew Kong
Stephen Arthur Maloy
Chew Liong Kim

REMUNERATION COMMITTEE

Chew Liong Kim (Chairman)
Stephen Arthur Maloy
John Lim Yew Kong
Dato' T. Jasudasan

COMPANY SECRETARY

ZICO Secretarial Limited

REGISTERED OFFICE

Unit Level 13(A), Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 Federal Territory of Labuan
Malaysia

SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

SPONSOR

Asian Corporate Advisors Pte. Ltd.
160 Robinson Road
#21-05 SBF Center
Singapore 068914

AUDITOR

PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936
Partner-in-charge:
Mohamad Saiful Bin Saroni
(a member of the Institute of
Singapore Chartered Accountants)
(Date of appointment:
15 December 2015)

PRINCIPAL BANKER

Malayan Banking Berhad
2 Battery Road
#16-01 Maybank Tower
Singapore 049907

RHB Bank Berhad
90 Cecil Street
#12-00 RHB Bank Building
Singapore 069531

CORPORATE COMMUNICATIONS

ZICO Holdings Inc.
Nancy Tan
8 Robinson Road
#03-00 ASO Building
Singapore 048544
Tel: (65) 6438 7929
Fax: (65) 6438 7926
Email: nancy.tan@zicoholdings.com

INVESTOR RELATIONS

WeR1 Consultants Pte. Ltd.
(a Member of the Crisis &
Litigation Communicators Alliance)
Lai Kwok Kin
Ryan Del Agua
3 Phillip Street #12-01
Royal Group Building
Singapore 048693
Tel: (65) 6737 4844
Fax: (65) 6737 4944
Email: laikkin@wer1.net and
ryandelagua@wer1.net

CORPORATE GOVERNANCE REPORT

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 AND CATALIST RULES

The Board of Directors (the “**Board**”) of ZICO Holdings Inc. (the “**Company**” and together with its subsidiaries and associated companies, the “**Group**”) are committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This report outlines the Company’s corporate governance practices that were in place during the financial year ended 2018 (“**FY2018**”), with specific reference made to the principles of the Code of Corporate Governance 2012 (the “**Code**”) and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in January 2015 (the “**Guide**”).

Guideline	Code and/or Guide Description	Company’s Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2018.

CORPORATE GOVERNANCE REPORT

BOARD MATTERS																													
The Board's Conduct of Affairs																													
1.1	What is the role of the Board?	As at the date of this annual report, the Board has 7 members and comprises the following: <table> <tr> <th colspan="3">Table 1.1 – Composition of the Board</th></tr> <tr> <th>Name of Director</th><th>Designation</th><th>Date appointed</th></tr> <tr> <td>Dato' T. Jasudasen</td><td>Independent Chairman</td><td>16 February 2015</td></tr> <tr> <td>Mr Chew Seng Kok</td><td>Managing Director</td><td>9 December 2010</td></tr> <tr> <td>Mr Liew Foong Yuen</td><td>Executive Director</td><td>7 August 2014</td></tr> <tr> <td>Datuk Ng Hock Heng</td><td>Executive Director</td><td>9 December 2010</td></tr> <tr> <td>Mr Stephen Arthur Maloy</td><td>Non-Executive Non-Independent Director</td><td>7 August 2014</td></tr> <tr> <td>Mr Chew Liong Kim</td><td>Independent Director</td><td>7 August 2014</td></tr> <tr> <td>Mr John Lim Yew Kong</td><td>Independent Director</td><td>7 August 2014</td></tr> </table> The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principle functions include: • To chart broad policies and strategies of the Company; • To approve annual budgets and financial plans; • To review and approve acquisitions and disposals; • To approve material borrowings and fund raising exercises; • To review performance and succession planning of the key management personnel; • To advise and counsel key management personnel; • To monitor and manage potential conflicts of interest between the key management personnel, the Board, and the shareholders; • To establish a framework of prudent and effective controls which enables risks to be assessed and managed; • To identify the key stakeholder groups, with the recognition that their perceptions affect the Company's reputation; • To set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and • To consider sustainability issues, e.g., environmental and social factors, as part of its strategic formulation. All directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.	Table 1.1 – Composition of the Board			Name of Director	Designation	Date appointed	Dato' T. Jasudasen	Independent Chairman	16 February 2015	Mr Chew Seng Kok	Managing Director	9 December 2010	Mr Liew Foong Yuen	Executive Director	7 August 2014	Datuk Ng Hock Heng	Executive Director	9 December 2010	Mr Stephen Arthur Maloy	Non-Executive Non-Independent Director	7 August 2014	Mr Chew Liong Kim	Independent Director	7 August 2014	Mr John Lim Yew Kong	Independent Director	7 August 2014
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Mr John Lim Yew Kong	Independent Director	7 August 2014																											

CORPORATE GOVERNANCE REPORT

1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	The Board has delegated certain responsibilities to the Audit and Risk Committee (the “ARC”), the Remuneration Committee (the “RC”), and the Nominating Committee (the “NC”) (collectively, the “Board Committees”). The compositions of the Board Committees are as follows: <table><tr><th colspan="4">Table 1.3 – Composition of the Board Committees</th></tr><tr><th></th><th>ARC</th><th>NC</th><th>RC</th></tr><tr><td>Chairman</td><td>John Lim Yew Kong</td><td>Dato’ T. Jasudasen</td><td>Chew Liong Kim</td></tr><tr><td>Member</td><td>Chew Liong Kim</td><td>John Lim Yew Kong</td><td>Stephen Arthur Maloy</td></tr><tr><td>Member</td><td>Stephen Arthur Maloy</td><td>Stephen Arthur Maloy</td><td>John Lim Yew Kong</td></tr><tr><td>Member</td><td>Dato’ T. Jasudasen</td><td>Chew Liong Kim</td><td>Dato’ T. Jasudasen</td></tr></table>	Table 1.3 – Composition of the Board Committees					ARC	NC	RC	Chairman	John Lim Yew Kong	Dato’ T. Jasudasen	Chew Liong Kim	Member	Chew Liong Kim	John Lim Yew Kong	Stephen Arthur Maloy	Member	Stephen Arthur Maloy	Stephen Arthur Maloy	John Lim Yew Kong	Member	Dato’ T. Jasudasen	Chew Liong Kim	Dato’ T. Jasudasen																															
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Member	Dato’ T. Jasudasen	Chew Liong Kim	Dato’ T. Jasudasen																																																						
1.4	Have the Board and Board Committees met in the last financial year?	The Board meets on a quarterly basis, and as and when circumstances require. During FY2018, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below. <table><tr><th colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2018</th></tr><tr><th></th><th>Board</th><th>ARC</th><th>NC</th><th>RC</th></tr><tr><td>Number of Meetings Held</td><td>4</td><td>5</td><td>1</td><td>2</td></tr><tr><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr><tr><td>Dato’ T. Jasudasen¹</td><td>4</td><td>5</td><td>1</td><td>2</td></tr><tr><td>Chew Seng Kok</td><td>4</td><td>5*</td><td>1*</td><td>2*</td></tr><tr><td>Liew Foong Yuen</td><td>4</td><td>5*</td><td>1*</td><td>2*</td></tr><tr><td>Datuk Ng Hock Heng</td><td>4</td><td>5*</td><td>1*</td><td>2*</td></tr><tr><td>Stephen Arthur Maloy</td><td>4</td><td>5</td><td>1</td><td>2</td></tr><tr><td>Chew Liong Kim²</td><td>4</td><td>5</td><td>1*</td><td>2</td></tr><tr><td>John Lim Yew Kong</td><td>5</td><td>5</td><td>1</td><td>2</td></tr></table> * By invitation 1 Appointed as ARC member on 29 November 2017 2 Appointed as NC member on 28 November 2017 The Company’s Articles of Association (the “Articles”) allow for meetings to be held through telephone and/or video-conference.	Table 1.4 – Board and Board Committee Meetings in FY2018						Board	ARC	NC	RC	Number of Meetings Held	4	5	1	2	Name of Director	Number of Meetings Attended				Dato’ T. Jasudasen ¹	4	5	1	2	Chew Seng Kok	4	5*	1*	2*	Liew Foong Yuen	4	5*	1*	2*	Datuk Ng Hock Heng	4	5*	1*	2*	Stephen Arthur Maloy	4	5	1	2	Chew Liong Kim ²	4	5	1*	2	John Lim Yew Kong	5	5	1	2
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John Lim Yew Kong	5	5	1	2																																																					

CORPORATE GOVERNANCE REPORT

1.5	What are the types of material transactions which require approval from the Board?	Matters that require the Board's approval include, amongst others, the following: • acquisitions and disposals of assets; • material borrowings and fund raising exercises; • share issuance and proposal of dividends; • budgets, quarterly and full-year financial results announcements, annual report and audited financial statements; and • interested person transactions.
1.6 1.7	(a) Are new Directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational offices and facilities and meet with key management personnel. Upon appointment of each director, the Company would provide a formal letter to the Director, setting out the Director's duties and obligations. The Directors are provided with updates and/or briefings from time to time by professional advisers, external and internal auditors, the management of the Company ("Management"), Continuing Sponsor, Chief Risk Officer, and Head of Legal in areas such as corporate governance practices, risk management matters, changes and updates in financial reporting standards and regulatory requirements and directors' duties and responsibilities. The Company also encourages, and where appropriate, will arrange for training courses to supplement and keep directors updated on areas such as accounting, legal, regulatory and industry-specific knowledge. The Company is responsible for funding the training of directors. All newly appointed Directors are encouraged to attend the "Listed Company Director Essentials: Understanding the Regulatory Environment in Singapore – What Every Director Ought to Know" course conducted by the Singapore Institute of Directors.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Guideline 2.1 of the Code is met as the Independent Directors make up one-third of the Board. None of subsections (a) to (d) of Guideline 2.2 apply.

CORPORATE GOVERNANCE REPORT

2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year? (a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	The NC had reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors had also confirmed their independence in accordance with the Code. The Board has determined, taking into account the views of the NC, that each of the Independent Director is independent in character and judgment. There are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors' judgments. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	There is no Independent Director who has served beyond nine years since the date of his first appointment.
2.5	Has the Board examined its size and decided on what size is appropriate to facilitate its effective decision-making?	The Board has reviewed its size and is of the opinion that its current size is appropriate to facilitate effective decision-making.

CORPORATE GOVERNANCE REPORT

2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.																											
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows: <table><tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr><tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr><tr><td>Core Competencies</td><td></td><td></td></tr><tr><td>– Accounting or finance</td><td>4</td><td>57%</td></tr><tr><td>– Business management</td><td>7</td><td>100%</td></tr><tr><td>– Legal or corporate governance</td><td>4</td><td>57%</td></tr><tr><td>– Relevant industry knowledge or experience</td><td>7</td><td>100%</td></tr><tr><td>– Strategic planning experience</td><td>7</td><td>100%</td></tr><tr><td>– Customer based experience or knowledge</td><td>7</td><td>100%</td></tr></table>	Table 2.6 – Balance and Diversity of the Board				Number of Directors	Proportion of Board	Core Competencies			– Accounting or finance	4	57%	– Business management	7	100%	– Legal or corporate governance	4	57%	– Relevant industry knowledge or experience	7	100%	– Strategic planning experience	7	100%	– Customer based experience or knowledge	7	100%
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– Customer based experience or knowledge	7	100%																											
(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: - by assessing the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and - evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.																												
2.7	Do Non-Executive Directors challenge and help develop strategies, review Management's performance in meeting goals and objectives, and monitor the reporting of performance?	The Non-Executive Directors constructively challenge and assist in the development of business strategies, review the Management's performance against set targets, and monitor the reporting of the performance.																											

CORPORATE GOVERNANCE REPORT

2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors have met several times in FY2018 prior to each of the Company's quarterly ARC and Board of Directors' meetings in the absence of key management personnel.
Chairman and Managing Director		
3.1 3.2	Are the duties between Chairman and Managing Director segregated?	The roles of the Chairman and Managing Director are separate to ensure a clear division of their responsibilities, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the Managing Director. The Chairman oversees the business of the Board. He leads the Board discussions, ensures that Board meetings are convened when necessary, and facilitates the effective contribution of the Non-Executive Directors in particular. He sets the Board's meeting agenda in consultation with the Managing Director and ensures the quality, quantity, and timeliness of the flow of information between the Board and key management personnel to facilitate efficient decision-making. The Chairman also assumes the lead role in promoting a culture of openness and debate at Board meetings and high standards of corporate governance. He also ensures effective communication with shareholders. The Managing Director takes a leading role in developing the businesses of the Group and manages the day-to-day operations with the assistance of key management personnel. He also oversees the execution of the business and corporate strategy decisions made by the Board.
3.4	Have the Independent Directors met in the absence of other Directors?	The Independent Directors have met several times in FY2018, prior to each of the Company's quarterly ARC and Board of Directors' meetings, in the absence of other Directors.
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: (a) To establish criteria of new appointees to the Board; (b) To review and recommend the re-appointment of Directors having regard to the Director's contribution and performance; (c) To determine on an annual basis whether a Director is independent; (d) To review and recommend to the Board the succession plans for the Directors, Chairman and the Managing Director; and (e) To review and recommend to the Board the training and professional development programs for the Board.

CORPORATE GOVERNANCE REPORT

4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has not capped the maximum number of listed company board representations each Director may hold.
	(b) If a maximum has not been determined, what are the reasons?	The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions, after taking into account his or her other listed company board directorships and other principal commitments. The NC also believes that it is for each Director to assess his or her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The NC does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: • Expected and/or competing time commitments of Directors; • Geographical location of Directors; • Size and composition of the Board; and • Nature and scope of the Group's operations and size.
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed and is satisfied that each Director has adequately discharged their duties and has contributed effectively and demonstrated commitment to their respective roles including their commitment of time for the Board and Board Committee meetings, attention given to the Company's affairs and any other duties in FY2018.
4.5	Are there alternate Directors?	The Company does not have any alternate directors.

CORPORATE GOVERNANCE REPORT

4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Table 4.6(a) – Process for the Selection and Appointment of New Directors <table border="1"> <tr> <td data-bbox="654 548 726 750">1.</td><td data-bbox="726 548 949 750">Determination of selection criteria</td><td data-bbox="949 548 1425 750"> - The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge/gender to complement and strengthen the Board and increase its diversity. </td></tr> <tr> <td data-bbox="654 750 726 952">2.</td><td data-bbox="726 750 949 952">Search for suitable candidates</td><td data-bbox="949 750 1425 952"> - The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary. </td></tr> <tr> <td data-bbox="654 952 726 1064">3.</td><td data-bbox="726 952 949 1064">Assessment of shortlisted candidates</td><td data-bbox="949 952 1425 1064"> - The NC would meet and interview the shortlisted candidates to assess their suitability. </td></tr> <tr> <td data-bbox="654 1064 726 1176">4.</td><td data-bbox="726 1064 949 1176">Appointment of director</td><td data-bbox="949 1064 1425 1176"> - The NC would recommend the selected candidate to the Board for consideration and approval. </td></tr> </table> Table 4.6(b) – Process for Re-electing Incumbent Directors <table border="1"> <tr> <td data-bbox="654 1265 726 1467">1.</td><td data-bbox="726 1265 949 1467">Assessment of director</td><td data-bbox="949 1265 1425 1467"> - The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and - The NC would also consider the current needs of the Board. </td></tr> <tr> <td data-bbox="654 1467 726 1668">2.</td><td data-bbox="726 1467 949 1668">Re-appointment of director</td><td data-bbox="949 1467 1425 1668"> - Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval. </td></tr> </table> The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Articles, at least one-third of the Board (including the Managing Director and Executive Directors) is to retire from office by rotation and be subject to re-election at the Annual General Meeting ("AGM") of the Company. Additional Directors appointed by the Board after the AGM but during the financial year, shall only hold office until the next AGM and thereafter be eligible for re-election at the AGM, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.	1.	Determination of selection criteria	The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge/gender to complement and strengthen the Board and increase its diversity.	2.	Search for suitable candidates	The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.	3.	Assessment of shortlisted candidates	The NC would meet and interview the shortlisted candidates to assess their suitability.	4.	Appointment of director	The NC would recommend the selected candidate to the Board for consideration and approval.	1.	Assessment of director	- The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and - The NC would also consider the current needs of the Board.	2.	Re-appointment of director	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.
1.	Determination of selection criteria	The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge/gender to complement and strengthen the Board and increase its diversity.																		
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4.	Appointment of director	The NC would recommend the selected candidate to the Board for consideration and approval.																		
1.	Assessment of director	- The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and - The NC would also consider the current needs of the Board.																		
2.	Re-appointment of director	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.																		

CORPORATE GOVERNANCE REPORT

		The Directors who are retiring at the forthcoming AGM pursuant to the respective Articles and are to be nominated for re-election are as follows: <table border="1"> <thead> <tr> <th>Name of Director</th><th>Designation</th><th>Articles</th></tr> </thead> <tbody> <tr> <td>Datuk Ng Hock Heng</td><td>Executive Director</td><td>97</td></tr> <tr> <td>Chew Liong Kim</td><td>Independent Director</td><td>97</td></tr> <tr> <td>Stephen Arthur Maloy</td><td>Non-Executive Non-Independent Director</td><td>97</td></tr> </tbody> </table> Mr Chew Liong Kim, upon re-election as a Director, will remain as an Independent Director and the Chairman of the RC, and a member of the ARC and the NC. The Board considers Mr Chew Liong Kim to be independent for the purposes of Rule 704(7) of the SGX-ST Listing Manual Section B: Rules of Catalist (the "Catalist Rules"). Please refer to pages 44 to 50 of this annual report for information pursuant to Rule 720(5) of the Catalist Rules on the Directors who are retiring at the forthcoming AGM pursuant to the respective Articles and are to be nominated for re-election.	Name of Director	Designation	Articles	Datuk Ng Hock Heng	Executive Director	97	Chew Liong Kim	Independent Director	97	Stephen Arthur Maloy	Non-Executive Non-Independent Director	97
Name of Director	Designation	Articles												
Datuk Ng Hock Heng	Executive Director	97												
Chew Liong Kim	Independent Director	97												
Stephen Arthur Maloy	Non-Executive Non-Independent Director	97												
4.7	Please provide Directors' key information.	The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out on pages 13 to 15 of this annual report.												
Board Performance														
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?	The performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board and its Board Committees, are set out below. <u>Board's and Board Committees' performance criteria</u> The performance criteria for the evaluation of the Board and Board Committees are as follows: • size and composition; • independence; • effectiveness in its monitoring role and attainment of the strategic and long-term objectives; • information and accountability; • the Board's performance in relation to discharging its principal functions; and • the Board's committee performance in relation to discharging their responsibilities set out in their respective terms of reference.												

CORPORATE GOVERNANCE REPORT

		<u>Individual Director's performance criteria</u> Individual director's performance is evaluated annually and informally by the NC and the Chairman. In assessing the individual director's performance, the NC takes into consideration the following performance criteria: • interactive skills (whether the director works well with other directors and participates actively); • knowledge (the director's industry and business knowledge, functional expertise, whether the director provides valuable inputs, the director's ability to analyse, communicate and contribute to the productivity of meetings, and understanding of finance and accounts, are taken into consideration); • director's duties (the director's Board Committee work contribution, whether the director takes his role as director seriously and works to further improve his own performance, whether he listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into account); • availability (the director's attendance at Board and Board Committee meetings, whether the director is available when needed, and his informal contribution via email, telephone, written notes, etc. are considered); and • overall contribution, bearing in mind that each director was appointed for his strength in certain areas which taken together provides the Board with the required mix of skills and competencies.
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The NC assesses the performance and effectiveness of the Board as a whole and the Board Committees as well as the contribution of individual Directors to the effectiveness of the entire Board. The evaluation exercise is carried out annually by way of a Board Performance Evaluation checklist, which is circulated to the Board members for completion and thereafter the NC to review and determine the actions required to ensure continuous improvement of the corporate governance of the Company and effectiveness of the Board as a whole and the Board Committees. The performance of each Director is evaluated annually using agreed criteria, aligned as far as possible with appropriate corporate objectives. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

	(b) Has the Board met its performance objectives?	The NC is satisfied that the Board as a whole and Board Committees had met the performance evaluation criteria and objectives in FY2018 and each Director has contributed effectively and demonstrated commitment to their respective role including commitment of time for the Board and Board Committee meetings, and any other duties.																								
Access to Information																										
6.1 10.3	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Table 6 – Types of Information Provided by Key Management Personnel to Independent Directors <table> <tr> <th></th><th>Information</th><th>Frequency</th></tr> <tr> <td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Quarterly, and as and when relevant</td></tr> <tr> <td>2.</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Quarterly</td></tr> <tr> <td>3.</td><td>Quarterly and full year financial results</td><td>Quarterly</td></tr> <tr> <td>4.</td><td>Reports on on-going or planned corporate actions</td><td>As and when relevant</td></tr> <tr> <td>5.</td><td>Enterprise risk framework and internal auditors' ("IA") report(s)</td><td>Quarterly</td></tr> <tr> <td>6.</td><td>Research report(s)</td><td>As and when requested</td></tr> <tr> <td>7.</td><td>Shareholding statistics</td><td>As and when requested</td></tr> </table> Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.		Information	Frequency	1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Quarterly, and as and when relevant	2.	Updates to the Group's operations and the markets in which the Group operates in	Quarterly	3.	Quarterly and full year financial results	Quarterly	4.	Reports on on-going or planned corporate actions	As and when relevant	5.	Enterprise risk framework and internal auditors' ("IA") report(s)	Quarterly	6.	Research report(s)	As and when requested	7.	Shareholding statistics	As and when requested
	Information	Frequency																								
1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Quarterly, and as and when relevant																								
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6.	Research report(s)	As and when requested																								
7.	Shareholding statistics	As and when requested																								

CORPORATE GOVERNANCE REPORT

6.3	What is the role of the Company Secretary?	The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows: • Ensuring that Board procedures are observed and that the Company's memorandum and the Articles, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Labuan Companies Act 1990, the Catalist Rules and the Monetary Authority of Singapore, are complied with; • Assisting the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; • Assisting the Chairman to ensure good information flows within the Board and the Board Committees and key management personnel; • Designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; • Attending and preparing minutes for all Board meetings; • Coordinating and liaising between the Board, the Board Committees and key management personnel; and • Assisting the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings. The Board has separate and independent access to the Company Secretary.
6.5	Independent professional advice	The Board has a procedure for directors, in the furtherance of their duties, to take independent professional advice and at the Company's expense.

REMUNERATION MATTERS

Developing Remuneration Policies

7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: (a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel; (b) Review and recommend to the Board the service contracts of Executive Directors and key management personnel and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses; and (c) Review and recommend on the compensation arrangements for the loss or termination of office, or dismissal or removal of the Executive Directors and key management personnel.
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CORPORATE GOVERNANCE REPORT

7.3	Were remuneration consultants engaged in the last financial year?	In FY2018, the Company did not engage any remuneration consultants.
Disclosure on Remuneration		
8.3 9	What is the Company's remuneration policy?	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link on total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market. The Company's Executive Directors namely, Mr Chew Seng Kok, Mr Liew Foong Yuen, and Datuk Ng Hock Heng and the key management personnel, namely Ms Adeline Cheah and Mr Paul Subramaniam (each an "Appointee" and collectively, "Appointees") have entered into service agreements with the Company in which terms of their employment are stipulated. The initial term of employment is for a period of three (3) years from the date of admission of the Company to the Official List of the Catalist of the SGX-ST (the "Initial Term") on 11 November 2014. At the end of the Initial Term their employment was renewed and to continue until 31 December 2020. Thereafter their employment shall be automatically renewed on a 3-year basis on such terms and conditions as the parties may agree. Under the service agreements, all the Appointees are entitled to an annual wage supplement ("AWS") equivalent to one (1) month of the Appointee's last drawn monthly salary, payable on the last business day of the financial year in which it is accrued, and an incentive bonus, if any, to be determined and approved by the RC from time to time. Please refer to the section on "Service Agreements" in the Company's Offer Document dated 30 October 2014 for further details. The Non-Executive Directors' remunerations are appropriate to their level of contribution, after taking into account their contribution, effort and time spent, and responsibilities. They are not over-compensated, such that their independence is compromised. The Non-Executive Directors are granted share awards under the ZICO Holdings Performance Share Plan ("PSP") (see section below). The Company has contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

CORPORATE GOVERNANCE REPORT

9.1

9.2

Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/ fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

The breakdown for the remuneration of the Directors in FY2018 was as follows:

Name	Salary (%) ⁽¹⁾	AWS (%) ⁽¹⁾	Bonus (%)	Directors Fees (%)	Total (%)
Above S\$500,000					
Chew Seng Kok	86	7	–	7	100
S\$250,001 to S\$500,000					
Liew Foong Yuen	84	7	–	9	100
Datuk Ng Hock Heng	84	7	–	9	100
Below S\$250,000					
Dato' T. Jasudasen	–	–	–	100	100
John Lim Yew Kong	–	–	–	100	100
Chew Liong Kim	–	–	–	100	100
Stephen Arthur Maloy	–	–	–	100	100

(1) The salary and AWS amounts shown are inclusive of Malaysia Employees Provident Fund.

No stock options were granted to the Directors in FY2018.

The Company has on 21 May 2018 granted share awards ("**FY2018 Awards**") pursuant to the PSP set out on pages 56 to 57 of this annual report. The Directors have been granted an aggregate of 800,000 shares under the FY2018 Awards, details as follows:

Name	Designation	Shares
Dato' T. Jasudasen	Independent Chairman	100,000
Datuk Ng Hock Heng	Executive Director	200,000
Liew Foong Yuen	Executive Director	200,000
John Lim Yew Kong	Independent Director	100,000
Chew Liong Kim	Independent Director	100,000
Stephen Arthur Maloy	Non-Executive Non-Independent Director	100,000
Total		800,000

One-third of the Awards shall be vested in each year on the anniversary of the Awards over a vesting period of 3 years.

A total of 333,332 shares, representing one-third of the share awards granted on 21 March 2016 ("**FY2016 Awards**"), were vested in the Directors on 21 March 2018, being the second anniversary of the date of grant of the FY2016 awards.

CORPORATE GOVERNANCE REPORT

		A total of 233,332 shares, representing one-third of the share awards granted on 21 April 2017 (“FY2017 Awards”), were vested in the Directors on 21 April 2018, being the first anniversary of the date of grant of the FY2017 Awards. Please refer to details set out on pages 56 to 57 of this annual report. There were no termination, retirement and post-employment benefits granted to Directors and key management personnel in FY2018. After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment.																				
9.3	(a) Has the Company disclosed each key management personnel’s remuneration, in bands of S\$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The Company only has 2 top key management personnel as at the end of FY2018. The breakdown for the remuneration of the Company’s key management personnel (who are not Directors or the Managing Director) in FY2018 was as follows: <table><tr><th>Name</th><th>Salary (%)⁽¹⁾</th><th>AWS & Bonus (%)⁽¹⁾</th><th>Total (%)</th></tr><tr><td colspan="4">S\$250,001 to S\$500,000</td></tr><tr><td>Paul Subramaniam</td><td>83</td><td>17</td><td>100</td></tr><tr><td colspan="4">Below S\$250,000</td></tr><tr><td>Adeline Cheah Li Meng</td><td>82</td><td>18</td><td>100</td></tr></table> (1) The salary, AWS and bonus amounts shown are inclusive of Malaysia Employees Provident Fund. No stock options were granted to the key management personnel in FY2018. The total remuneration paid to the top 2 key management personnel in FY2018 was S\$515,519.	Name	Salary (%) ⁽¹⁾	AWS & Bonus (%) ⁽¹⁾	Total (%)	S\$250,001 to S\$500,000				Paul Subramaniam	83	17	100	Below S\$250,000				Adeline Cheah Li Meng	82	18	100
Name	Salary (%) ⁽¹⁾	AWS & Bonus (%) ⁽¹⁾	Total (%)																			
S\$250,001 to S\$500,000																						
Paul Subramaniam	83	17	100																			
Below S\$250,000																						
Adeline Cheah Li Meng	82	18	100																			
9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	There was no employee of the Group who was an immediate family member of a Director or the CEO and whose remuneration exceeded S\$50,000 in FY2018.																				

CORPORATE GOVERNANCE REPORT

9.5	Please provide details of the employee share scheme(s).	Information on the Company's Employee Share Option Scheme ("ESOS") and PSP are set out on pages 53 to 57 of this annual report.															
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group in FY2018. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary and AWS. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives. The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders: <table border="1"> <tr> <th colspan="3">Table 9.6(b)</th></tr> <tr> <th>Performance Conditions</th><th>Short-term Incentives (such as performance bonus)</th><th>Long-term incentives (such as ESOS and PSP)</th></tr> <tr> <td colspan="3">Executive Directors</td></tr> <tr> <td>Qualitative</td><td> 1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors </td><td> 1. Cross selling or internal process improvements – measures mutual support and synergies across business units 2. Mentoring – measures ability to support the development of future leaders 3. Professional development and reputation – incentivises the constant upgrading of skills critical to the success of the Group 4. External/internal client 5. Satisfaction – measures overall ability to serve key accounts </td></tr> <tr> <td>Quantitative</td><td>1. Growth of pre-tax profit</td><td>None</td></tr> </table>	Table 9.6(b)			Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term incentives (such as ESOS and PSP)	Executive Directors			Qualitative	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors	1. Cross selling or internal process improvements – measures mutual support and synergies across business units 2. Mentoring – measures ability to support the development of future leaders 3. Professional development and reputation – incentivises the constant upgrading of skills critical to the success of the Group 4. External/internal client 5. Satisfaction – measures overall ability to serve key accounts	Quantitative	1. Growth of pre-tax profit	None
Table 9.6(b)																	
Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term incentives (such as ESOS and PSP)															
Executive Directors																	
Qualitative	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors	1. Cross selling or internal process improvements – measures mutual support and synergies across business units 2. Mentoring – measures ability to support the development of future leaders 3. Professional development and reputation – incentivises the constant upgrading of skills critical to the success of the Group 4. External/internal client 5. Satisfaction – measures overall ability to serve key accounts															
Quantitative	1. Growth of pre-tax profit	None															

CORPORATE GOVERNANCE REPORT

		Key Management Personnel		
		Qualitative	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors	1. Cross selling or internal process improvements – measures mutual support and synergies across business units 2. Mentoring – measures ability to support the development of future leaders 3. Professional development and reputation – incentivises the constant upgrading of skills critical to the success of the Group 4. External/internal client 5. Satisfaction – measures overall ability to serve key accounts
		Quantitative	None	None
	(c) Were all of these performance conditions met? If not, what were the reasons?	The RC had reviewed the performance of the Directors and key management personnel and is satisfied that these performance conditions were met in FY2018.		

ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.1 11.2	Risk governance	The Board determines the Company’s levels of risk tolerance and risk policies, oversees Management in the design, implementation and monitoring of risk management and internal control systems. The Board reviews at least annually the adequacy and effectiveness of the Company’s risk management and internal control systems, including financial, operational, compliance and information technology control, either internally or with the assistance of competent third parties.

CORPORATE GOVERNANCE REPORT

11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board with the concurrence of the ARC is of the view that the Company's internal controls (addressing financial, operational, compliance and information technology controls) and risk management systems were adequate and effective in FY2018. The bases for the Board's view are as follows: • Assurance had been received from the Managing Director and Chief Financial Officer ("CFO") (refer to Section 11.3(b) below); • Internal controls established and maintained by the Group, work performed by the IA and external auditor ("EA"), and reviews performed by the key management personnel and the Board; • Report received from the IA on the audit findings and significant matters highlighted to the ARC and key management personnel were appropriately addressed; • Key management personnel regularly evaluates, monitors and reports to the ARC on material risks; and • Discussion held between the ARC and EA in the absence of the key management personnel to review and address any potential concerns on 28 February 2018. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the Managing Director and CFO in respect of FY2018. The Board has relied on the independent auditors' report as set out in this annual report as assurance that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances. The Board has additionally relied on IA reports issued to the Company since FY2015 as assurances that the Company's risk management and internal control systems are effective.

CORPORATE GOVERNANCE REPORT

Audit and Risk Committee		
12.1 12.4	What is the role of the ARC?	The ARC is guided by the following key terms of reference: • review the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance before submission to the Board for approval; • review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties); • review the effectiveness and adequacy of the Group's internal audit function, at least on an annual basis; • review the scope and results of the external audit, and the independence and objectivity of the external auditors; • make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors; • review the system of internal controls and management of financial risks with the internal and external auditors; • review the co-operation given by the management to the external auditors and the internal auditors, where applicable; • review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time; • review and approve interested person transactions and review procedures thereof; • review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests; • review the risk management framework, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET; • investigate any matters within its terms of reference; • review the policy and arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and • undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

CORPORATE GOVERNANCE REPORT

12.2	Qualification of ARC	The Board considers the members of the ARC to be appropriately qualified to discharge their responsibilities.															
12.5	Has the ARC met with the auditors in the absence of key management personnel?	The ARC meets with the EA and the IA at least once a year without the presence of the Management to review any matter that might be raised.															
12.6	Has the ARC reviewed the independence of the EA?	The ARC had reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.															
	(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.	<table><tr><th colspan="3">Table 12.6(a) – Fees Paid/Payable to the EA for FY2018</th></tr><tr><th></th><th>S\$</th><th>% of total</th></tr><tr><td>Audit fees</td><td>253,236</td><td>100.0</td></tr><tr><td>Non-audit fees</td><td>–</td><td>–</td></tr><tr><td>Total</td><td>253,236</td><td>100.0</td></tr></table>	Table 12.6(a) – Fees Paid/Payable to the EA for FY2018				S\$	% of total	Audit fees	253,236	100.0	Non-audit fees	–	–	Total	253,236	100.0
	Table 12.6(a) – Fees Paid/Payable to the EA for FY2018																
	S\$	% of total															
Audit fees	253,236	100.0															
Non-audit fees	–	–															
Total	253,236	100.0															
	(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the ARC's view on the independence of the EA.	There were no non-audit services rendered during FY 2018.															
12.7	Does the Company have a whistle-blowing policy?	Yes. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the Chief Risk Officer, Mr Paul Subramaniam. The contact information of the Chief Risk Officer is set out in the Company's corporate website at www.zicoholdings.com .															
12.8	What are the ARC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	In FY2018, all members of ARC received regular updates on changes and amendments to accounting standards to enable the members of ARC to keep abreast of such changes, and issues which have a direct impact on financial statements.															

CORPORATE GOVERNANCE REPORT

Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to Nexia TS Risk Advisory Pte. Ltd. that reports directly to the ARC Chairman and administratively to the Managing Director. The ARC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The ARC is satisfied that Nexia TS Risk Advisory Pte Ltd is adequately qualified (given, <i>inter alia</i> , its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively. The ARC considers Nexia TS Risk Advisory Pte Ltd to be independent, effective and adequately resourced.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders via the following: • a dedicated external investor relations team by from WeR1 Consultants Pte. Ltd. whose contact details can be found in the Company's corporate website at www.zicoholdings.com; • investor/analyst briefings; and • investor roadshows.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The investor/analyst briefings and investor roadshows were coordinated by a dedicated investor relations team, WeR1 Consultants Pte. Ltd.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.zicoholdings.com . The Company also has a dedicated external investor relations team from WeR1 Consultants Pte. Ltd. to facilitate communication with shareholders.
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. The form, frequency and amount of dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to, <i>inter alia</i> , the Group's level of cash and retained earnings, actual and projected financial performance, projected levels of capital expenditure and expansion plans, working capital requirements and general financing condition, and any restrictions on payment of dividends imposed by the Group's financing arrangements.
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended any dividends for FY2018, as key management personnel is of the view that it can better use the cash to invest in new business opportunities to grow the Group at this juncture.

CORPORATE GOVERNANCE REPORT

CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Group believes in encouraging shareholder participation at general meetings. All shareholders of the Group receive the annual report, circulars and notices of all shareholders' meetings. The notices are advertised in the newspapers and made available on both SGXNET and in the Company's corporate website. If any shareholder is unable to attend, the Articles allow the shareholder to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance, at least 48 hours prior to the meeting. Attendance by proxies is allowed as stipulated in the Articles. The Company's Articles allow for absentia voting. However, as the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided not to implement voting in absentia by mail, email or fax until issues on security and integrity are satisfactorily resolved. All Directors, Management, Company Secretary, EA and Continuing Sponsor attend the general meetings. The Company requires all Directors (including the respective Chairman of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. The procedures of general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Directors on their views on matters relating to the Company. The Company will conduct poll voting for all resolutions to be passed at all general meeting of shareholders and the detailed results will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings will be made available to shareholders upon their request after the general meeting. The Company has separate resolutions at general meetings on each substantially separate issue.
COMPLIANCE WITH APPLICABLE CATALIST RULES		
<u>Catalist Rule</u>	<u>Rule Description</u>	<u>Company's Compliance or Explanation</u>
712, 715 or 716	Appointment of auditors	The Company confirms its compliance to the Catalist Rules 712 and 715. The Board and the ARC are satisfied that the appointment of the different auditors for the Company's subsidiaries and associates would not compromise the standard and effectiveness of the audit of the Company. Hence, the company further confirms its compliance to Catalist Rule 716.

CORPORATE GOVERNANCE REPORT

1204(8)	Material contracts	There were no material contracts entered into by the Group involving the interest of any Director, or controlling shareholder, which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board, with the concurrence of the ARC, are of the opinion that the internal controls are effective and adequate to address the financial, operational and compliance and information technology risks in FY2018 based on the following: • internal controls and the risk management system established by the Company; • works performed by the IA and EA; • assurance from the Managing Director and CFO; and • reviews done by the various Board Committees and key management personnel.
1204(17)	Interested persons transaction ("IPT")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported in a timely manner to the ARC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. Pursuant to an appointment letter dated 14 October 2014, Mr Stephen Arthur Maloy (the Non-Executive Non-Independent Director of the Company) shall provide to the Group and its clients with general advisory and strategic business guidance with effect from 1 July 2014 to 30 June 2017, on a fixed retainer basis of S\$24,950 per quarter. This retainer arrangement is continued on the same terms with effect from 1 October 2017 to 30 September 2019. The Directors are of the view that the consultancy and business advisory services provided by Mr Stephen Arthur Maloy are carried out on normal commercial terms and are not prejudicial to the interests of the Group and its shareholders. The Company does not have a general mandate for IPTs. There were no IPTs with value of more than S\$100,000 transacted in FY2018.
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full-year financial statements respectively, and ending on the date of the announcement of the relevant results.

CORPORATE GOVERNANCE REPORT

1204(21)	Non-sponsor fees	With effect from 2 March 2018, the Company had appointed Asian Corporate Advisors Pte. Ltd. as its Continuing Sponsor in place of Stamford Corporate Services Pte. Ltd. In FY2018, no non-sponsor fees were paid to Asian Corporate Advisors Pte. Ltd.																								
1204(22)	Use of IPO proceeds	The Company refers to the net proceeds amounting to S\$12.52 million (excluding listing expenses of approximately S\$1.88 million raised from the IPO on the Catalist Board of the SGX-ST on 11 November 2014). The following table sets out the breakdown of the use of proceeds from the IPO as at 28 February 2019: <table><tr><th>Purpose</th><th>Amount allocated (\$'000)</th><th>Amount utilised as at 28 February 2019 (\$'000)</th><th>Balance (\$'000)</th></tr><tr><td>Expansion of business operations including potential acquisitions</td><td>8,000</td><td>8,000</td><td>–</td></tr><tr><td>Capital expenditure on information technology infrastructure</td><td>1,000</td><td>1,000</td><td>–</td></tr><tr><td>General working capital⁽¹⁾</td><td>3,521</td><td>3,521⁽¹⁾</td><td>–</td></tr><tr><td>Listing expenses</td><td>1,879</td><td>1,879</td><td>–</td></tr><tr><td>Total</td><td>14,400</td><td>14,400</td><td>–</td></tr></table> <i>Note:</i> (1) The amount of working capital was used for payment of salaries and wages. The use of proceeds from the IPO are consistent with the prospectus dated 30 October 2014. As announced on 13 August 2018, the proceeds from the IPO have been fully utilised.	Purpose	Amount allocated (\$'000)	Amount utilised as at 28 February 2019 (\$'000)	Balance (\$'000)	Expansion of business operations including potential acquisitions	8,000	8,000	–	Capital expenditure on information technology infrastructure	1,000	1,000	–	General working capital ⁽¹⁾	3,521	3,521 ⁽¹⁾	–	Listing expenses	1,879	1,879	–	Total	14,400	14,400	–
Purpose	Amount allocated (\$'000)	Amount utilised as at 28 February 2019 (\$'000)	Balance (\$'000)																							
Expansion of business operations including potential acquisitions	8,000	8,000	–																							
Capital expenditure on information technology infrastructure	1,000	1,000	–																							
General working capital ⁽¹⁾	3,521	3,521 ⁽¹⁾	–																							
Listing expenses	1,879	1,879	–																							
Total	14,400	14,400	–																							

CORPORATE GOVERNANCE REPORT

1204(22)	Use of Placement proceeds	The Company refers to the net proceeds amounting to S\$4 million raised from the placement exercise announced on 24 March 2017 and completed on 12 April 2017 (“Placement”). The following table sets out the breakdown of the use of proceeds from the Placement as at 28 February 2019: <table><tr><th>Purpose</th><th>Amount allocated (S\$'000)</th><th>Amount utilised as at 28 February 2019 (S\$'000)</th><th>Balance (S\$'000)</th></tr><tr><td>Business expansion</td><td>1,000</td><td>1,000</td><td>–</td></tr><tr><td>Capital expenditure and maintenance on information technology infrastructure</td><td>1,600</td><td>1,600</td><td>–</td></tr><tr><td>Working capital requirements of the Group, mainly to support the working capital requirements of new services and offices</td><td>1,400</td><td>1,400⁽¹⁾</td><td>–</td></tr><tr><td>Total</td><td>4,000</td><td>4,000</td><td>–</td></tr></table> <i>Note:</i> (1) The amount of working capital was used for payment of salaries and wages, rental of office premises and operational expenses. The use of proceeds from the Placement is consistent with the announcement dated 24 March 2017. As announced on 13 August 2018, the proceeds from the Placement have been fully utilised.	Purpose	Amount allocated (S\$'000)	Amount utilised as at 28 February 2019 (S\$'000)	Balance (S\$'000)	Business expansion	1,000	1,000	–	Capital expenditure and maintenance on information technology infrastructure	1,600	1,600	–	Working capital requirements of the Group, mainly to support the working capital requirements of new services and offices	1,400	1,400 ⁽¹⁾	–	Total	4,000	4,000	–
Purpose	Amount allocated (S\$'000)	Amount utilised as at 28 February 2019 (S\$'000)	Balance (S\$'000)																			
Business expansion	1,000	1,000	–																			
Capital expenditure and maintenance on information technology infrastructure	1,600	1,600	–																			
Working capital requirements of the Group, mainly to support the working capital requirements of new services and offices	1,400	1,400 ⁽¹⁾	–																			
Total	4,000	4,000	–																			

CORPORATE GOVERNANCE REPORT

Information pursuant to Appendix 7F of the Catalist Rules on the Directors who are retiring at the forthcoming AGM pursuant to the respective Articles and are to be nominated for re-election:

DETAILS REQUIRED UNDER APPENDIX 7F OF THE CATALIST RULES	
<u>Datuk Ng Hock Heng</u>	
Date of initial appointment	9 December 2010
Date of last re-appointment (if applicable)	27 April 2017
Age	51
Country of principal residence	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Datuk Ng Hock Heng to have contributed effectively and demonstrated commitment to his role including commitment of time for the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive. If re-elected, Datuk Ng Hock Heng will continue to be primarily responsible for the overall management of the Management, Support Services and Licensing Segment of the Group.
Job title (e.g., Lead ID, AC Chairman, AC Member etc.)	Executive Director
Professional qualifications	• Bachelor of Economics (double major in Banking & Accountancy) in 1990, Monash University • Bachelor of Laws, Monash University • Masters of Laws (Distinctions), Monash University • Associate of Certified Practising Accountants, Australia
Working experience and occupation(s) during the past 10 years	• ZICO Holdings Inc., 2014 to date, Executive Director • ZICO Holdings Inc., 2010 to 2014, Director • Ecofirst Consolidated Bhd, 2015 to date, Independent Non-Executive Director • Zaid Ibrahim & Co., 1994 to 2014, Partner
Shareholding interest in the listed issuer and its subsidiaries	As at 5 April 2019, Datuk Ng Hock Heng holds 10,320,000 ordinary shares amounting to 3.41% of the ordinary shares in the Company and outstanding share options under the ZICO Holdings Employee Share Option Scheme as shown on page 52 of this annual report.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil

CORPORATE GOVERNANCE REPORT

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Present Principal Commitments* including directorships * "Principal Commitments" has the same meaning as defined in the Code, and includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations.	• ZICO Holdings Inc., 2010 to 2014, Director • ZICO Holdings Inc., 2014 to date, Executive Director • Ecofirst Consolidated Bhd, 2015 to date, Independent Non-Executive Director
Past Principal Commitments for the last 5 years, including directorships	Nil
<u>Chew Liong Kim</u>	
Date of initial appointment	7 August 2014
Date of last re-appointment (if applicable)	22 April 2016
Age	63
Country of principal residence	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company has accepted the NC's recommendation, who has reviewed and confirmed the independence of Mr Chew Liong Kim as an Independent Director in accordance with the Code. Mr Chew Liong Kim has also confirmed his independence in accordance with the Code. The Board has determined, taking into account the views of the NC, that Mr Chew Liong Kim is independent in character and judgment. There are no relationships or circumstances which are likely to affect, or could appear to affect, his judgments.
Whether appointment is executive, and if so, the area of responsibility	Non-executive
Job title (e.g., Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of the Remuneration Committee, member of the Audit and Risk Committee, and member of the Nominating Committee
Professional qualifications	• Bachelor of Commerce, University of Auckland • Fellow of the Chartered Accountants of Australia and New Zealand • Public Accountant of the Malaysian Institute of Accountants • Member of the Malaysian Institute of Chartered Secretaries and Administrators

CORPORATE GOVERNANCE REPORT

Working experience and occupation(s) during the past 10 years	• ZICO Holdings Inc., 2014 to date, Independent Director • CLK Advisors, 2011 to date, Executive Chairman • Roland Berger Strategy Consultants, Southeast Asia, 2011 to date, Senior Advisor • Commission member of the Malaysian Communications and Multimedia Commission, and Chairman of the audit committee, 2013 to 2015 • Maybank Investment Bank Bhd, 2008 to 2010 Managing Director of Strategic Advisory Division
Shareholding interest in the listed issuer and its subsidiaries	As at 5 April 2019, Mr Chew Liong Kim holds 2,004,754 ordinary shares amounting to 0.66% of the ordinary shares in the Company.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Present Principal Commitments* including directorships * "Principal Commitments" has the same meaning as defined in the Code, and includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations.	• CLK Advisors, 2011 to date, Executive Chairman • Roland Berger Strategy Consultants, Southeast Asia, 2011 to date, Senior Advisor
Past Principal Commitments for the last 5 years, including directorships	Commission member of the Malaysian Communications and Multimedia Commission, and Chairman of the audit committee, 2013 to 2015
<u>Stephen Arthur Maloy</u>	
Date of initial appointment	7 August 2014
Date of last re-appointment (if applicable)	27 April 2017
Age	67
Country of principal residence	Hong Kong Special Administrative Region of the People's Republic of China

CORPORATE GOVERNANCE REPORT

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Stephen Arthur Maloy to have contributed effectively and demonstrated commitment to his role including commitment of time for the Board and Board Committee meetings.
Whether appointment is executive, and if so, the area of responsibility	Non-executive
Job title (e.g., Lead ID, AC Chairman, AC Member etc.)	Non-executive non-independent director, member of the Audit and Risk Committee, member of the Nominating Committee, member of the Remuneration Committee
Professional qualifications	- A.B. (cum laude) in Economics and History, Colgate University - Juris Doctor Degree, Cornell University
Working experience and occupation(s) during the past 10 years	- ZICO Holdings Inc., 2014 to date, Non-Executive Non-Independent Director - ZICO Law, 2012 to date, Senior Advisor - Jincheng, Tongda & Neal, 2012 to 2018, Senior Advisor - Magritek Ltd, 2017 to date, Chairman - Magritek Ltd, 2013 to 2017, Non-Executive Director - GE Pacific, Ltd., 1990 to 2012, Executive Director - GE China Limited, 1998 to 2012, Vice Chairman - General Electric, 1983 to 2012, General Counsel for the Asia-Pacific Region
Shareholding interest in the listed issuer and its subsidiaries	As at 5 April 2019, Mr Stephen Arthur Maloy holds 1,075,733 ordinary shares amounting to 0.36% of the ordinary shares in the Company. He also has deemed interest of 0.47% in the ordinary shares of the Company, by virtue of 1,428,600 shares held by First Eagle Sdn Bhd. First Eagle Sdn Bhd is a company incorporated in Malaysia. Mdm Ong Lei Ping, Mr Stephen Arthur Maloy's wife holds 90% and Mr Stephen Arthur Maloy's brother-in-law holds 10% of the shareholding interests in First Eagle Sdn Bhd.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil

CORPORATE GOVERNANCE REPORT

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Present Principal Commitments* including directorships * "Principal Commitments" has the same meaning as defined in the Code, and includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations.	• ZICO Holdings Inc., 2014 to date, Non-Executive Non-Independent Director • ZICO Law, 2012 to date, Senior Advisor • Magritek Ltd, 2017 to date, Chairman
Past Principal Commitments for the last 5 years, including directorships	• Jincheng, Tongda & Neal, 2012 to 2018, Senior Advisor • Magritek Ltd, 2013 to 2017, Non-Executive Director

GENERAL STATUTORY DISCLOSURES			
	DATUK NG HOCK HENG	CHEW LIONG KIM	STEPHEN ARTHUR MALOY
Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
Whether there is any unsatisfied judgment against him?	No	No	No

CORPORATE GOVERNANCE REPORT

	DATUK NG HOCK HENG	CHEW LIONG KIM	STEPHEN ARTHUR MALOY
Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

CORPORATE GOVERNANCE REPORT

	DATUK NG HOCK HENG	CHEW LIONG KIM	STEPHEN ARTHUR MALOY
Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
DISCLOSURE APPLICABLE TO THE APPOINTMENT OF DIRECTOR ONLY			
	Datuk Ng Hock Heng	Chew Liong Kim	Stephen Arthur Maloy
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable, as this is a re-election of a director	Not applicable, as this is a re-election of a director	Not applicable, as this is a re-election of a director
If yes, please provide details of prior experience.			
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.			

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 64 to 168 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Chew Seng Kok
Datuk Ng Hock Heng
Liew Foong Yuen
Stephen Arthur Maloy
Chew Liong Kim
John Lim Yew Kong
Dato' T. Jasudasen

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" and "Share awards" in this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	<u>At 31.12.2018</u>	<u>At 1.1.2018</u>	<u>At 31.12.2018</u>	<u>At 1.1.2018</u>
ZICO Holdings Inc.				
(No. of ordinary shares)				
Chew Seng Kok	104,247,800	103,787,800	5,293,737	6,000,000
Datuk Ng Hock Heng	10,260,000	10,150,000	–	–
Liew Foong Yuen	6,350,000	6,240,000	–	–
Stephen Arthur Maloy	1,042,399	925,733	1,428,600	1,428,600
Chew Liong Kim	1,971,420	1,904,754	–	–
John Lim Yew Kong	99,999	33,333	–	–
Dato' T. Jasudasan	59,999	13,333	–	–

- (b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the ZICO Holdings Employee Share Option Scheme ("ESOS") as set out below and under "Share options" below.

	No. of unissued ordinary shares under option	
	<u>At 31.12.2018</u>	<u>At 1.1.2018</u>
ZICO Holdings Inc.		
Datuk Ng Hock Heng	200,000	200,000
Liew Foong Yuen	200,000	200,000

- (c) Certain directors holding office at the end of the financial year had interests in share awards of the Company granted pursuant to the ZICO Holdings Performance Share Plan ("PSP") as set out below and under "Share awards" below.

	No. of unissued ordinary shares under award	
	<u>At 31.12.2018</u>	<u>At 1.1.2018</u>
ZICO Holdings Inc.		
Chew Seng Kok	100,000	200,000
Datuk Ng Hock Heng	360,000	270,000
Liew Foong Yuen	360,000	270,000
Stephen Arthur Maloy	200,001	166,667
Chew Liong Kim	200,001	166,667
John Lim Yew Kong	200,001	166,667
Dato' T. Jasudasan	180,001	126,667

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Directors' interests in shares or debentures (continued)

- (d) In accordance with the continuing listing requirements of the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the directors of the Company state that, according to the register of directors' shareholdings, the directors' interests as at 21 January 2019 in the shares of Company have not changed from those disclosed as at 31 December 2018.

Share options

ZICO Holdings Employee Share Option Scheme

The ZICO Holdings Employee Share Option Scheme was approved and adopted at the Company's extraordinary general meeting held on 19 September 2014 and will continue to remain in force until 18 September 2024, unless terminated in accordance with the Rules of the ESOS. The ESOS is administered by the Remuneration Committee comprising Mr Chew Liong Kim, Mr Stephen Arthur Maloy, Mr John Lim Yew Kong and Dato' T. Jasudasan (the "Committee"). The ESOS provides for the grant of incentive share options to employees and directors of the Group.

Under the ESOS, the total number of shares over which the Committee may grant options on any date, when added to the number of shares issued and issuable in respect of (a) all options granted under the ESOS; (b) all awards granted under the PSP; and (c) all outstanding options or awards granted under such other share-based incentive schemes of the Company, shall not exceed 15% of the number of issued shares (including treasury shares) on the day immediately preceding the offer date of the option.

The aggregate number of shares issued and issuable in respect of all options granted under the ESOS available to the controlling shareholders or associates of the controlling shareholders shall not exceed 25% of the total number of shares available under the ESOS.

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof), at any time, by a participant after the first anniversary of the offer date of that option, provided always that the options shall be exercised before the tenth anniversary of the relevant offer date, or such earlier date as may be determined by the Committee, failing which all unexercised options shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Options granted with the exercise price set at a discount to market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof), at any time, by a participant after the second anniversary from the offer date of that option, provided always that the options shall be exercised before the tenth anniversary of the relevant offer date, or such earlier date as may be determined by the Committee, failing which all unexercised options shall immediately lapse and become null and void and a participant shall have no claim against the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Share options (continued)

ZICO Holdings Employee Share Option Scheme (continued)

An option shall, to the extent unexercised, immediately lapse and become null and void and a participant shall have no claim against the Company:

- (a) subject to the rules of the ESOS, upon the participant ceasing to be in employment of the Company or any of the companies within the Group for any reason whatsoever;
- (b) upon the bankruptcy of the participant or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such option; or
- (c) in the event of misconduct on the part of the participant, as determined by the Committee.

Activities under the ESOS

The number of unissued ordinary shares of the Company under option in relation to the ZICO Holdings ESOS outstanding at the end of the financial year was as follows:

Exercise price	Grant date	Exercise period	2018 Number of options
S\$0.24	31 October 2014	1 November 2016 to 30 October 2024	3,500,000

The table below summarises the number of options that were outstanding, their weighted average exercise price as at the end of the financial year as well as the movements during the financial year.

	2018 Number of options	2018 Weighted average exercise price S\$
Outstanding at 1 January/31 December	3,500,000	0.24
Exercisable at 31 December	3,500,000	0.24

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Share options (continued)

ZICO Holdings Employee Share Option Scheme (continued)

Activities under the ESOS (continued)

The following table summarises information about directors' share options outstanding as at 31 December 2018:

	No. of unissued ordinary shares of the Company under option			
	Granted in financial year ended 31.12.2018	Aggregate granted since commencement of ESOS to 31.12.2018	Aggregate exercised since commencement of ESOS to 31.12.2018	Aggregate outstanding as at 31.12.2018
Directors of the Company				
Datuk Ng Hock Heng	–	200,000	–	200,000
Liew Foong Yuen	–	200,000	–	200,000
Total	–	400,000	–	400,000

(a) Exercise price of S\$0.24. Exercisable from 1 November 2016 to 30 October 2024.

No participant has received 5% or more of the total number of shares under option available under the ESOS.

There were no options granted to (a) controlling shareholders and independent directors of the Company; (b) associates of the controlling shareholders; and (c) independent directors of its subsidiaries, from the commencement of the ESOS up to the end of the financial year.

No options were granted to directors and employees of the parent company and its subsidiaries as the Company does not have any parent company.

No options were granted during the financial year.

There were no options exercised during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year except for those disclosed above.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Share awards

ZICO Holdings Performance Share Plan

In conjunction with the Company's listing on the Catalist of SGX-ST, the Group adopted the ZICO Holdings Performance Share Plan which was approved at the Company's extraordinary general meeting held on 19 September 2014. The PSP is administered by the Remuneration Committee comprising Mr Chew Liong Kim, Mr Stephen Arthur Maloy, Mr John Lim Yew Kong and Dato' T. Jasudasen. The PSP provides for the grant of incentive share awards to employees and directors.

The selection of participants and number of shares which are subject of each award to be granted to a participant in accordance with the PSP shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as, *inter alia*, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of the Group.

Under the PSP, the total number of shares which may be delivered pursuant to the vesting of awards on any date, when added to the aggregate number of shares issued and/or issuable in respect of (a) all awards granted under the PSP; and (b) all other shares issued and/or issuable under any other share-based incentive schemes or share plans of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time.

The aggregate number of shares available to the controlling shareholders or associates of the controlling shareholder (including adjustments made) shall not exceed 25% of the shares available under the PSP. The number of shares that are available to each controlling shareholder or associates of the controlling shareholder under the PSP shall not exceed 10% of the shares available under the PSP.

Notwithstanding that a participant may have met his performance targets, no awards shall be vested:

- (a) upon the bankruptcy of the participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such award;
- (b) in the event of any misconduct on the part of the participant as determined by the Committee in its discretion;
- (c) subject to the rules of the PSP, upon the participant ceasing to be in the employment of the Group for any reason whatsoever; or
- (d) in the event that the Committee shall, at its discretion, deem it appropriate that such award to be given to a participant shall so lapse on the grounds that any of the objectives of the PSP have not been met.

As at 31 December 2018, there were 5,391,703 unissued ordinary shares and 4,480,286 issued ordinary shares granted pursuant to the PSP.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Share awards (continued)

ZICO Holdings Performance Share Plan (continued)

Activities under the PSP

The following table summarises information about directors' share awards outstanding as at 31 December 2018:

	No. of unissued ordinary shares of the Company under award			
	Granted in financial year ended 31.12.2018	Aggregate granted since commencement of PSP to 31.12.2018	Aggregate vested since commencement of PSP to 31.12.2018	Aggregate outstanding as at 31.12.2018
<u>Directors of the Company</u>				
Chew Seng Kok	–	300,000	(200,000)	100,000
Datuk Ng Hock Heng	200,000	530,000	(170,000)	360,000
Liew Foong Yuen	200,000	530,000	(170,000)	360,000
Stephen Arthur Maloy	100,000	300,000	(99,999)	200,001
Chew Liong Kim	100,000	300,000	(99,999)	200,001
John Lim Yew Kong	100,000	300,000	(99,999)	200,001
Dato' T. Jasudasen	100,000	240,000	(59,999)	180,001
Total	800,000	2,500,000	(899,996)	1,600,004

No participant has received 5% or more of the total number of shares available under the PSP.

Audit and Risk Committee

The members of the Audit and Risk Committee at the end of the financial year were as follows:

John Lim Yew Kong (Chairman)
Chew Liong Kim
Stephen Arthur Maloy
Dato' T. Jasudasen

All members of the Audit and Risk Committee were non-executive directors. Except for Stephen Arthur Maloy who was a non-independent director of the Company, all members were independent.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Audit and Risk Committee (continued)

The Audit and Risk Committee carried out its functions and reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors.

The Audit and Risk Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Auditors

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Chew Seng Kok
Director

Datuk Ng Hock Heng
Director

29 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZICO HOLDINGS INC.

Our opinion

In our opinion, the accompanying consolidated financial statements of ZICO Holdings Inc. ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2018;
- the balance sheets of the Group and of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZICO HOLDINGS INC. (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade and other receivables <i>Refer to Note 3.2(a) (Critical judgement in applying the entity's accounting policies) and Note 20 (Trade and other receivables) to the financial statements.</i> The Group has a significant amount of trade and other receivables amounting to RM101.1 million after providing for loss allowance of RM4.7 million, which represented 47% of the Group's total assets. This mainly comprised amounts due from ZICOLaw network firms, amounting to RM61.9 million. The remaining RM39.2 million comprised RM25.2 million trade receivables from other third parties, and RM14.0 million of deposits and other receivables. The determination of the amount of loss allowance requires management's judgement based on the Group's historical loss experience. Management assessed that there is immaterial loss allowance relating to trade and other receivables from ZICOLaw network firms based on their historical payment pattern. The loss allowance for trade and other receivables, other than balances relating to ZICOLaw network firms, are disclosed on Note 20 to the financial statements. In the event of insolvency of customers, the Group is exposed to a risk of significant financial loss should the customers fail to meet their contractual obligations in accordance with the requirements of the agreements.	We have performed the following procedures in relation to the recoverability of trade and other receivables: • Tested the aging of trade receivables at year end on a sample basis; • Assessed the completeness and accuracy of data used in calculating the expected credit losses; • Verified that expected credit losses have been calculated appropriately in accordance with IFRS 9; • Evaluated the reasonableness of historical balances, loss rates and other information within the calculation; • Evaluated the appropriateness of adjustments for forward looking information to historical balances, loss rates and other information; • Verified the mathematical accuracy of the calculation; • Obtained written undertakings of payment from ZICOLaw network firms on the balances whereby payments are expected to be received in 2019; and • Tested subsequent settlement of trade and other receivables after the balance sheet date on a sample basis. We found the judgement and assumptions made by management in determining the loss allowance for trade receivables to be supportable based on the audit procedures we have performed.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZICO HOLDINGS INC. (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on goodwill <i>Refer to Note 3.1 (Critical accounting estimates and assumptions) and Note 14 (Intangible assets) to the financial statements.</i> The Group has a significant amount of goodwill arising primarily from the acquisition of Finova and BACS in 2015 and ZICOLaw (Thailand) Limited in 2018. As at 31 December 2018, the carrying value of goodwill amounted to RM45.53 million. Goodwill is subject to impairment tests annually and whenever there is an indicator of impairment. In performing the impairment assessment of the carrying amount of goodwill, the recoverable amounts of the cash generating units ("CGUs") in which goodwill is attributable to, are determined using the value-in-use model. We focused on goodwill impairment assessment performed by management due to the size of the goodwill, which represented 21% of the Group's total assets at 31 December 2018. In carrying out the impairment assessments, significant judgements are required to determine the assumptions. The most significant assumptions relate to discount rates and growth rates in revenue and cost of services rendered. Based on the results of these impairment assessments, the Group concluded that there was no impairment of goodwill. This conclusion was based on recoverable amounts, calculated under the value-in-use models, which exceeded the carrying value of the CGU in which goodwill is attributable to as at 31 December 2018.	We have performed the following procedures to evaluate the Group's impairment assessment: - Assessed the appropriateness of the valuation methodology used; - Assessed the appropriateness of key assumptions based on our knowledge of the business. We involved our valuation specialists to assist in the assessment of the appropriateness of the methodology used to compute the discount rate used by management; - Performed sensitivity analyses on the key assumptions where we adjusted the discount rates and growth rates in revenue and cost of services rendered as these are the key assumptions to which the valuation models are the most sensitive; - Tested source data to supporting evidence on a sample basis, such as historical performance, management's expectations of market developments, approved budgets and considered the reasonableness of these budgets; and - Evaluated the comparison between the recoverable amounts based on the value-in-use model and the carrying value of the CGU in which goodwill is attributable to. We found the assumptions and estimates made by management to be reasonable based on the audit procedures we have performed.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZICO HOLDINGS INC. (CONTINUED)

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZICO HOLDINGS INC. (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mohamad Saiful Saroni.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	Group 2017 RM'000
Revenue	4	90,092	81,875
Other item of income			
Other income	5	4,982	4,025
Other gains and losses			
– Others	6	(621)	(162)
– Loss allowance on trade and other receivables	34.1	(2,212)	(135)
Items of expenses			
Amortisation and depreciation expenses	7	(5,217)	(4,612)
Employee benefits expense	8	(51,510)	(44,955)
Operating lease expenses		(5,655)	(6,002)
Retainer fees and consultancy fees		(6,239)	(6,093)
Other expenses	9	(14,192)	(14,080)
Finance costs	10	(2,429)	(1,569)
		6,999	8,292
Share of results of associates, net of tax	16	33	15
Share of results of joint venture, net of tax	17	1,500	–
		8,532	8,307
Profit before income tax		(2,707)	(1,386)
Income tax expense	11		
		5,825	6,921
Profit for the financial year			
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on financial assets, available-for-sale	26	–	(32)
Actuarial loss on defined pension benefit scheme	29(c)	–	(2)
Foreign currency translation differences	25	782	(4,777)
		782	(4,811)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value losses on financial assets, at FVOCI	26	(1,403)	–
Foreign currency translation differences	25	(132)	(49)
		(753)	(4,860)
Other comprehensive loss, net of tax			
Total comprehensive income for the financial year		5,072	2,061
Profit attributable to:			
Owners of the parent		3,260	5,665
Non-controlling interests		2,565	1,256
		5,825	6,921
Total comprehensive income attributable to:			
Owners of the parent		2,779	856
Non-controlling interests		2,293	1,205
		5,072	2,061
Earnings per share	12		
– Basic (RM)		0.01	0.02
– Diluted (RM)		0.01	0.02

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	<u>Group</u>		<u>Company</u>	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Non-current assets					
Plant and equipment	13	6,571	6,655	84	96
Intangible assets	14	62,847	59,970	2,264	2,977
Investments in subsidiaries	15	–	–	64,581	61,853
Investments in associated companies	16	28	24	2	2
Investment in joint venture	17	10,856	–	9,356	–
Investments	18	2,410	552	–	–
Deferred income tax assets	19	4,645	3,697	–	–
Trade and other receivables	20	4,611	15,104	36,235	31,413
		91,968	86,002	112,522	96,341
Current assets					
Trade and other receivables	20	96,518	74,616	43,539	40,633
Prepayments		1,154	1,448	401	92
Current income tax recoverable		831	1,243	1	–
Cash and cash equivalents	21	15,956	20,323	841	4,578
Other current assets	22	6,759	4,881	5	2
		121,218	102,511	44,787	45,305
Total assets		213,186	188,513	157,309	141,646
EQUITY AND LIABILITIES					
Equity					
Share capital	23	84,132	82,592	84,132	82,592
Share-based reserve	24	3,294	2,643	3,294	2,643
Currency translation reserve	25	3,637	2,855	9,908	9,778
Fair value reserve	26	(1,295)	(32)	–	–
Retained earnings		25,705	23,236	3,491	1,374
Equity attributable to owners of the parent		115,473	111,294	100,825	96,387
Non-controlling interests		552	2,269	–	–
Total equity		116,025	113,563	100,825	96,387
Non-current liabilities					
Interest-bearing liabilities	27	3,584	1,828	3,582	1,780
Provisions	29	129	109	–	–
Deferred income tax liabilities	19	1,830	1,771	–	–
		5,543	3,708	3,582	1,780
Current liabilities					
Trade and other payables	28	25,447	17,618	10,759	1,222
Interest-bearing liabilities	27	56,124	44,284	42,143	42,244
Contract liabilities	4(b)	6,917	6,625	–	–
Provisions	29	20	61	–	–
Current income tax payable		3,110	2,654	–	13
		91,618	71,242	52,902	43,479
Total liabilities		97,161	74,950	56,484	45,259
Total equity and liabilities		213,186	188,513	157,309	141,646

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Attributable to equity holders of the Company									
	Share capital RM'000	Share-based reserve RM'000	Currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000	
Note									
2018									
Balance as at 31 December 2017	82,592	2,643	2,855	(32)	23,236	111,294	2,269	113,563	
Adoption of IFRS 9	-	-	-	-	(791)	(791)	-	(791)	
Balance at 1 January 2018	82,592	2,643	2,855	(32)	22,445	110,503	2,269	112,772	
Profit for the financial year	-	-	-	-	3,260	3,260	2,565	5,825	
Other comprehensive loss for the financial year:									
Fair value loss on financial assets, at FVOCI	-	-	-	(1,263)	-	(1,263)	(140)	(1,403)	
Foreign currency translation differences	-	-	782	-	-	782	(132)	650	
Total comprehensive income for the financial year	-	-	782	(1,263)	3,260	2,779	2,293	5,072	
Contributions by and distributions to owners of the parent:									
Issuance of ordinary shares	1,540	(1,540)	-	-	-	-	-	-	
Grant of share awards	-	2,191	-	-	-	2,191	-	2,191	
Total transactions with owners of the parent	1,540	651	-	-	-	2,191	-	2,191	
Transaction with non-controlling interests:									
Subscription of shares of subsidiaries	-	-	-	-	-	-	(2,266)	(2,266)	
Dividends	-	-	-	-	-	-	(1,744)	(1,744)	
Total transactions with non-controlling interests	-	-	-	-	-	-	(4,010)	(4,010)	
Balance as at 31 December 2018	84,132	3,294	3,637	(1,295)	25,705	115,473	552	116,025	

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the Company					
	Share capital RM'000	Share-based reserve RM'000	Currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
2017	68,685	1,707	7,632	-	17,571	96,846
Balance as at 1 January 2017						
Profit for the financial year	-	-	-	-	5,665	5,665
Other comprehensive loss for the financial year:						
Fair value loss on financial assets, available for sales	-	-	-	(30)	-	(30)
Actuarial loss on defined pension benefit scheme	-	-	-	(2)	-	(2)
Foreign currency translation differences	-	-	(4,777)	-	-	(4,777)
Total comprehensive income for the financial year	-	-	(4,777)	(32)	5,665	2,061
Contributions by and distributions to owners of the parent:						
Issuance of ordinary shares	1,449	(1,449)	-	-	-	-
Issuance of ordinary shares	12,458	-	-	-	12,458	12,458
Grant of share awards	-	2,385	-	-	-	2,385
Total transactions with owners of the parent	13,907	936	-	-	14,843	14,843
Transactions with non-controlling interests:						
Subscription of shares of a subsidiary	-	-	-	-	-	270
Dividends	-	-	-	-	-	(457)
Total transactions with non-controlling interests	-	-	-	-	-	(187)
Balance as at 31 December 2017	82,592	2,643	2,855	(32)	23,236	113,563

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Cash flows from operating activities			
Profit before tax		8,532	8,307
Adjustments for:			
Loss allowance on trade and other receivables		2,212	135
Amortisation of intangible assets		3,927	3,267
Bad trade and other receivables written off		319	134
Depreciation of plant and equipment		1,290	1,345
Gain on loss of control of a subsidiary		–	(847)
Gain on re-measurement of fair value on retained interest in associate		–	(212)
Loss/(gain) on disposal of plant and equipment		134	(18)
Intangible assets written off		264	661
Intangible assets written back		(49)	–
Interest income		(1,828)	(695)
Interest expense		2,138	1,281
Interest expense on deferred consideration		–	40
Plant and equipment written off		4	57
Provisions		(18)	48
Share of results of associates, net of tax		(33)	(15)
Share of results of joint venture, net of tax		(1,500)	–
Unrealised foreign exchange (gain)/loss, net		(599)	350
Share based payment expense		2,191	2,385
Operating cash flows before working capital changes		16,984	16,223
Working capital changes:			
Trade and other receivables		(9,271)	(27,549)
Prepayments		527	(538)
Trade and other payables		(1,091)	3,087
Cash generated from operations		7,149	(8,777)
Income tax paid		(3,140)	(2,126)
Net cash provided by/(used in) operating activities		4,009	(10,903)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Investing activities			
Acquisition of subsidiary, net of cash acquired	15	627	–
Acquisition of associate, net of cash acquired	16	–	(2)
Acquisition of joint venture, net of cash acquired		(9,162)	–
Advances to associates		(5,535)	(620)
Advances to third parties		(1,656)	(140)
Dividends received		30	30
Disposal of a subsidiary, net of cash disposed		–	(2)
Interest received		288	92
Payment for deferred consideration to acquire a subsidiary		–	(720)
Proceeds from disposal of plant and equipment		2	31
Purchase of plant and equipment		(923)	(1,781)
Purchase of intangible assets		(1,198)	(2,958)
Net cash used in investing activities		(17,527)	(6,070)
Financing activities			
Dividends paid to non-controlling interests		(1,744)	(457)
Interest paid		(2,138)	(1,281)
Proceeds from issuance of ordinary shares		–	12,458
Net proceeds from revolving credit facilities		12,223	7,158
Proceeds from term loan facility		2,456	2,507
Repayment of term loan facility		(7,946)	(5,369)
Repayment of finance lease payables		(57)	(67)
Net cash provided by financing activities		2,794	14,949
Net change in cash and cash equivalents		(10,724)	(2,024)
Cash and cash equivalents at beginning of financial year	21	18,340	19,592
Effect of exchange rate changes on cash and cash equivalents		(160)	772
Cash and cash equivalents at end of financial year	21	7,456	18,340

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Reconciliation of liabilities arising from financing activities

	1 January 2018 RM'000	Principal and interest payments RM'000	Drawdown during the year RM'000	Non-cash foreign exchange impact RM'000	31 December 2018 RM'000
Finance lease liabilities	105	(61)	–	4	48
Revolving credit facilities	35,042	(4,931)	15,825	1,581	47,517
Term loan facility	8,982	(8,274)	2,456	479	3,643
	44,129	(13,266)	18,281	2,064	51,208

	1 January 2017 RM'000	Principal and interest payments RM'000	Drawdown during the year RM'000	Non-cash foreign exchange impact RM'000	31 December 2017 RM'000
Finance lease liabilities	172	(75)	–	8	105
Revolving credit facilities	28,536	(8,169)	14,420	255	35,042
Term loan facility	12,034	(5,735)	2,507	176	8,982
	40,472	(13,979)	16,927	439	44,129

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

ZICO Holdings Inc. (the “Company”) is domiciled in the Federal Territory of Labuan, Malaysia and was incorporated on 9 December 2010 under the Labuan Companies Act 1990 as a Labuan company. The Company’s registration number is LL07968.

The Company was listed on the Catalist board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 11 November 2014.

The address of the Company’s registered office is Unit Level 13(A), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia. The principal place of business is 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

As of 31 December 2018, the Company is in a net current liabilities position of RM8,115,000. As at the date of these financial statements, the Directors are of the view that going concern basis is appropriate for the preparation of the financial statements of the Company for the next 12 months from the balance sheet date, on the basis of the Company has raised additional funds through share placements for an aggregate subscription amount of S\$3,000,000 (equivalent of RM9,044,629), which will enable the Company to meet its existing obligations as and when they fall due.

Interpretations and amendments to published standards effective in 2018

On 1 January 2018, the Group has adopted the new or amended IFRS and Interpretations of IFRS (“IFRIC”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2018 (continued)

The adoption of these new or amended IFRS and IFRIC did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial year except for the following:

(a) *Adoption of IFRS 15 Revenue from Contracts with Customers*

The Group has adopted the new standard using the modified retrospective approach with the cumulative impact of the adoption recognised in the opening retained earnings at 1 January 2018. Comparative information for 2017 are not restated.

The accounting policies for revenue from contracts with customers under IFRS 15 are disclosed in Note 2.2.

The effects on adoption of IFRS 15 are as follows:

(i) Accounting for sales with variable consideration

The Group provides capital market advisory services to its clients. Depending on the arrangements agreed on a case-by-case basis, the Group may receive additional fees or shares upon completion of the project. Under IAS 18, the Group recognised a revenue for the success fee only after the project has been completed. IFRS 15 requires a revenue to be recognised at a point when the success fees are highly probable that the resolution of the uncertainty will not result in a significant reversal of revenue, generally upon lodgement of the preliminary offer document and relevant documents (the "milestone").

To reflect this change, the Group is required to recognise the success fee for those projects that have completed the milestone as at 31 December 2018. As at 31 December 2018, there is no active project that has achieved the milestone.

(ii) Accounting for contract assets and liabilities

The Group provides various advisory and management consultancy services to clients on an ongoing basis. For projects on ad-hoc basis, the Group only bills its clients when the project has been completed. Under IAS18, the Group recognised "accrued revenue" for services which have already been rendered to clients but have yet to be billed. Prior to the adoption of IFRS 15, "Contract assets" was previously disclosed as part of the "Trade Receivables – Third Parties" in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2018 (continued)

(a) Adoption of IFRS 15 Revenue from Contracts with Customers (continued)

(ii) Accounting for contract assets and liabilities (continued)

For projects on retainer basis, the Group generally bills its clients in advance before the services are rendered. The billing cycle varies with separate arrangements made with each client. Under IAS18, the Group recognised “deferred revenue” for invoices which have already been issued to clients but services have yet to be rendered. Prior to the adoption of IFRS 15, “Contract liabilities” was previously disclosed as “deferred revenue” in the financial statements.

The adoption of IFRS 15 did not have any significant impact on the Group’s financial statements except for disclosures.

Following the presentation requirement in IFRS 15, the Group has separately presented “contract assets” and “contract liabilities” in Note 20 and Note 4(b), respectively.

(b) Adoption of IFRS 9 Financial Instruments

The Group has adopted the new standard retrospectively from 1 January 2018, in line with the transition provision permitted under the standards. Comparatives for financial year ended 2017 are not restated and the Group has recognised any difference between the carrying amounts at 31 December 2017 and 1 January 2018 in the opening retained earnings.

The accounting policies for financial instruments under IFRS 9 are disclosed in Note 2.12.

The effects on adoption of IFRS 9 are as follows:

	Note	Financial assets, available-for- sale (AFS) RM'000	Financial assets at FVOCI (FVOCI) RM'000	Financial assets at amortised cost* RM'000	Retained earnings RM'000
Balances at 31 December 2017 before adoption of IFRS 9		522	–	–	–
Reclassifying investments from AFS to FVOCI	(i)	(522)	522	–	–
Impairment allowances on trade receivables	(ii)	–	–	791	(791)
Balances at 1 January 2018 after adoption of IFRS 9		–	522	791	(791)

* Financial assets measured at amortised cost includes cash and cash equivalents, trade and other receivables and other current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2018 (continued)

(b) Adoption of IFRS 9 Financial Instruments (continued)

(i) Equity investments reclassified from AFS to FVOCI

The Group has elected to recognise changes in fair values of all its equity investments not held for trading and previously classified as AFS, in other comprehensive income. As a result, "Financial assets, available-for-sale" of RM522,000 were reclassified to "financial assets at FVOCI" on 1 January 2018.

(ii) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under IFRS 9:

- Cash and bank deposits;
- Trade and other receivables; and
- Other current assets.

The impairment methodology for each of these classes of financial assets under IFRS 9 are different as disclosed in Note 2.12 and Note 34.1.

Details of additional impairment allowances of RM791,000 recognised at 1 January 2018 on adoption of IFRS 9 is disclosed in Note 34.1.

2.2 Revenue recognition

Revenue from the provision of various services by the Group is recognised in the accounting period in which the services are rendered. The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. Details are as below:

- (a) Revenue from the provision of ad hoc services such as business and management consultancy services, corporate finance advisory services, tax administration, payroll and accounting support services is recognised at a point of time or over time, depending on the nature of the performance obligations specified in the contracts. For revenue that is recognised at a point of time, revenue is recognised when each respective performance obligation is fulfilled. For revenue that is recognised over time, revenue is recognised based on actual services provided up to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the milestones stated in the contracts and actual hours incurred. Customers are only invoiced after all the contracted services have been completed. A contract asset is recognised for the cumulative revenue recognised but not yet invoiced.

Revenue from the provision of retainer services such as corporate secretarial, share registrar, trustee, continuing sponsor and business support services is recognised over time depending on the billing cycle. The billing cycle varies with each client.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

- (b) Royalty income is recognised over time by the entity which owns the intellectual property in accordance with the substance of the relevant agreement and is charged to the respective entities using the intellectual property.
- (c) Management fee income is recognised over time when the services are rendered.
- (d) Interest income is recognised using the effective interest method.
- (e) Dividend income is recognised when the right to receive payment is established.
- (f) Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the term of the relevant lease.

2.3 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee benefits expense when they are due.

(b) *Defined benefit plan*

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period when they arise. The experience adjustments are not to be reclassified to profit or loss in a subsequent period.

Past service costs are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.3 Employee benefits (continued)

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued.

2.4 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.5 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.5 Income taxes (continued)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.6 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.6 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.6 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies, and joint ventures" for the accounting policy on investments in subsidiaries in the separate financial statement of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.6 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income.

Dividend received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint ventures equals to or exceeds its interest in the associated company or joint ventures, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint ventures. If the associated company or joint ventures subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.6 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies and joint ventures" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.7 Plant and equipment

(a) Measurement

(i) Plant and equipment

Plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation on plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Motor vehicles	5
Computer hardware	3
Office equipment	6 ² / ₃
Leasehold improvement	10

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each financial year-end. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.7 Plant and equipment (continued)

(c) Subsequent expenditure

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.8 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of joint ventures and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

(b) Acquired trademarks

Trademarks acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 40 years.

(c) Customer relationships

Customer relationships are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 4.25 – 14.5 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.8 Intangible assets (continued)

(d) *Acquired computer software licences*

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 5 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(e) *Customer acquisition costs*

Customer acquisition costs are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 8 years.

(f) *Development costs*

Research costs are recognised as an expense when incurred. Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and patrol-related costs of employees directly involved in the project.

2.9 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.10 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Intangible assets*

Plant and equipment

Investments in subsidiaries, associated companies and joint ventures

Investments – Corporate club membership

Intangible assets, plant and equipment, investments in subsidiaries, associated companies and joint ventures and investments – corporate club membership are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets (continued)

- (b) *Intangible assets*
Plant and equipment
Investments in subsidiaries, associated companies and joint ventures
Investments – Corporate club membership (continued)

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.12 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

- (a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

- (i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "cash and cash equivalents" and "other current assets" on the balance sheet.

- (ii) *Financial assets, available-for-sale*

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(e) Impairment (continued)

(i) Loans and receivables (continued)

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2.12(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is an objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

The accounting for financial assets from 1 January 2018 are as follows:

(f) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through other comprehensive income (FVOCI);

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(f) Classification and measurement (continued)

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, and other current assets.

Based on the Group's business model for managing the asset and the cash flow characteristics of the asset, the Group subsequently measures all its debt investment at amortised cost.

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. The Group has elected to recognise the changes in fair value of equity investments not held for trading in other comprehensive income as these are strategic investments and the Group considered this to be more relevant. Movement in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(g) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(h) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.13 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.16 Leases

(a) *When the Group is the lessee:*

The Group leases motor vehicles and certain plant and machinery under finance leases and office premises under operating leases from non-related parties.

(i) *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) *Lessee – Operating leases*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(b) *When the Group is the lessor:*

The Group leases motor vehicles and office premises under operating leases to non-related parties.

(i) *Lessor – Operating leases*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) are recognised in profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.17 Provisions

Provisions for reinstatement are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group recognises the estimated costs of reinstatement arising from use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.18 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Singapore Dollar. The financial statements are presented in Ringgit Malaysia as a significant portion of operations of the Group is in Malaysia.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.18 Currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within “finance cost”. All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other income” and “other expense”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (continued)

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions and fixed deposits net of fixed deposits pledged, which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.21 Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowing of its subsidiary and the subsidiary of the Company has issued corporate guarantees to banks for bank borrowings of its associated company. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially recognised at fair values plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of IFRS 15; and
- (b) the amount of expected loss computed using the impairment methodology under IFRS 9.

Prior to 1 January 2018, financial guarantee were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

Estimated impairment of goodwill

The Group has not recognised any impairment charge on its goodwill of RM45,527,846 as at 31 December 2018.

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 14, the recoverable amounts of the CGUs in which goodwill has been attributable to, are determined using value-in-use (VIU) calculations.

Significant judgements are used to estimate the revenue growth rates, pre-tax weighted average cost of capital and terminal growth rates applied in computing the recoverable amounts of the different CGUs. In making these estimates, management has relied on past performance and its expectations of market developments in Singapore, Malaysia, Thailand, Laos PDR and Myanmar. Specific estimates are disclosed in Note 14.

For its goodwill attributable to B.A.C.S. Pte. Ltd., ZICOlaw (Thailand) Limited, ZICOlaw Myanmar Limited and ZICOlaw (Laos) Sole Co., Ltd.:

- if the estimated revenue growth rate used in the VIU calculation had been 3% lower than management's estimates, the headroom would have been decreased by RM5,583,000, RM2,649,000, RM2,928,000 and RM1,258,000, respectively;
- if the estimated pre-tax weighted average cost of capital used had been 2% higher than management's estimates, the headroom would have been decreased by RM6,385,000, RM2,643,000, RM706,000 and RM441,000, respectively; and
- if the estimated terminal growth rate applied to the discounted cash flows for this CGU had been 2% lower than management's estimates, the headroom would have been decreased by RM4,537,000, RM2,288,000, RM310,000 and RM280,000, respectively.

For its remaining goodwill, the change in the estimated recoverable amount from any reasonably possible change on the key estimates does not materially cause the recoverable amount to be lower than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Critical accounting estimates, assumptions and judgements (continued)

3.2 Critical judgement in applying the entity's accounting policy

(a) Impairment on trade receivables and contract assets

As at 31 December 2018, the Group's trade receivables and contract assets amounted to RM80,834,134 (Note 20) and RM5,498,886 (Note 20), respectively, arising from the Group's different revenue segments – advisory and transactional services ("ATS"), and management, support services and licensing services ("MSSL").

Based on the Group's historical credit loss experience, trade receivables exhibited different loss patterns for each revenue segment. Within each revenue segment, the Group has common customers across the different geographical regions and applies credit evaluations by customer. Accordingly, management has determined the expected loss rates by grouping the receivables across geographical regions in each revenue segment. A loss allowance of RM4,191,893 for trade receivables was recognised as at 31 December 2018.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. There is no customer in financial difficulties during the financial year.

The Group's and the Company's credit risk exposure for trade receivables and contract assets by different revenue segment are set out in Note 34.1.

(b) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent that there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test. Significant judgement is required in determining the projected revenue and the estimated costs necessary to generate the revenue. These projection and estimates are based on the current market condition and could change significantly as a result of competitor actions. The carrying amount of the deferred income tax assets is disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue

(a) Disaggregation of revenue from contracts with customers

	At a point in time RM'000	Over time RM'000	Total RM'000
2018			
Management fees			
– Singapore	–	317	317
– Malaysia	–	12,674	12,674
– Thailand	–	519	519
– Indonesia	–	1,711	1,711
– Others	–	1,143	1,143
	–	16,364	16,364
Advisory and transactional services			
– Singapore	9,975	20,800	30,775
– Malaysia	4,989	5,658	10,647
– Thailand	222	1,792	2,014
– Indonesia	839	7,542	8,381
– China	108	1,104	1,212
– Hong Kong	2,871	1,015	3,886
– United States of America	164	523	687
– Others	3,866	7,680	11,546
	23,034	46,114	69,148
Royalty income			
– Singapore	–	292	292
– Malaysia	–	3,441	3,441
– Thailand	–	87	87
– Indonesia	–	245	245
– Others	–	515	515
	–	4,580	4,580
Total	23,034	67,058	90,092

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue (continued)

(a) Disaggregation of revenue from contracts with customers (continued)

	At a point in time RM'000	Over time RM'000	Total RM'000
2017			
Management fees			
– Singapore	–	549	549
– Malaysia	–	11,234	11,234
– Thailand	–	1,480	1,480
– Indonesia	–	2,249	2,249
– Others	–	1,533	1,533
	–	17,045	17,045
Advisory and transactional services			
– Singapore	8,735	17,256	25,991
– Malaysia	3,122	5,061	8,183
– Thailand	515	839	1,354
– Indonesia	486	4,509	4,995
– China	275	292	567
– Hong Kong	1,426	4,033	5,459
– United States of America	97	319	416
– Others	3,738	7,277	11,015
	18,394	39,586	57,980
Royalty income			
– Singapore	–	115	115
– Malaysia	–	5,236	5,236
– Thailand	–	313	313
– Indonesia	–	231	231
– Others	–	955	955
	–	6,850	6,850
Total	18,394	63,481	81,875

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue (continued)

(b) Contract assets and liabilities

	Group
2018 RM'000	2017 RM'000
<i>Contract assets</i>	
– Advisory and transactional services	3,711
Less: Loss allowance	–
Total contract assets	3,711
<i>Contract liabilities</i>	
– Advisory and transactional services	6,625
Total contract liabilities	6,625

Contract assets relate to advisory and transactional services contracts. The contract assets balance increased as the Group provided more services ahead of the agreed payment schedules. The Group recognised a loss allowance of RM64,000 for contract assets following the adoption of IFRS 9.

Contract liabilities for service rendered has increased due to more contracts in which the Group billed and received consideration ahead of the provision of services.

(i) Revenue recognised in relation to contract liabilities

	2018 RM'000	2017 RM'000
<i>Revenue recognised in current period that was included in the contract liabilities balance at the beginning of the period</i>		
– Advisory and transactional services	6,625	6,315

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Other income

	Group
2018	2017
RM'000	RM'000
Disbursement income	1,877
Interest income	
– Financial assets measured at amortised cost	
– Trade and other receivables	644
– Loan to an associated company	–
– Bank deposits	51
Management fee	425
Rental income	
– Motor vehicles	39
– Office premises	518
Government grants	281
Others	190
4,982	4,025

6. Other gains and losses – Others

	Group
2018	2017
RM'000	RM'000
Bad debts written off	134
Loss/(Gain) on disposal of plant and equipment	(18)
Gain on loss of control of a subsidiary	(847)
Gain on re-measurement of fair value on retained interest in associate	(212)
Intangible assets written back	–
Unrealised gain on foreign exchange, net	–
Realised foreign exchange loss, net	444
Intangible assets written off	661
264	661
621	162

7. Amortisation and depreciation expenses

	Group
2018	2017
RM'000	RM'000
Amortisation of intangible assets (Note 14)	3,267
Depreciation of plant and equipment (Note 13)	1,345
1,290	1,345
5,217	4,612

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Employee benefits expense

	2018	Group 2017
	RM'000	RM'000
Salaries, wages, bonuses and other short-term staff benefits	45,869	39,950
Contributions to defined contribution plans	3,450	2,620
Share-based payments (Note 24)	2,191	2,385
	51,510	44,955

Included in the employee benefits expense were the remuneration of directors of the Company and key management personnel of the Group as set out in Note 31 to the financial statements.

9. Other expenses

	2018	Group 2017
	RM'000	RM'000
Audit fees		
– auditors of the Company	450	392
– other auditors	308	313
Disbursements	657	93
Plant and equipment written off	4	57
Net provision for reinstatement costs	25	–
Postage and courier charges	2,457	3,032
Printing and stationery	1,041	1,098
Travelling and entertainment	2,235	2,291
Insurance	846	845
Maintenance and upkeep of office	219	270
IT maintenance	1,334	1,145
Professional fee	209	419
Secretarial fee	453	691
Registration and processing	964	528
Others	2,990	2,906
	14,192	14,080

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Finance costs

	2018 RM'000	Group 2017 RM'000
Interest expense		
– Finance lease payables	4	8
– On deferred consideration on acquisition of a subsidiary	–	40
Revolving credit facility (“RCF”) charges	1,329	907
Bank charges	291	248
Overdraft charges	477	–
Term loan (“TL”) charges	328	366
	2,429	1,569

11. Income tax expense

	2018 RM'000	Group 2017 RM'000
Tax expense attributable to profit is made up of:		
– Current income tax	2,750	1,354
– Deferred income tax (Note 19)	(1,003)	(1,103)
	1,747	251
(Over)/under provision in prior financial years		
– Current income tax	(116)	4
– Deferred income tax (Note 19)	84	104
	(32)	108
Withholding tax	992	1,027
	2,707	1,386

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Federal Territory of Labuan standard rate of income tax as follows:

	2018 RM'000	Group 2017 RM'000
Profit before tax	8,532	8,307
Share of profit of associated companies net of tax credit	(33)	(15)
Share of profit of joint venture net of tax credit	(1,500)	–
Profit before tax and share of profit of associated companies	6,999	8,292
Income tax expense calculated at the applicable tax rates in the respective countries	1,199	1,262
Effects of:		
– tax incentives	(100)	(162)
– expenses not deductible for tax purposes	548	682
– income not subject to tax	(57)	(328)
– income tax exemption	(377)	(377)
– tax savings – Multimedia Super Corridor (“MSC”) status	(727)	(662)
– (Over)/under provision of tax in prior financial years	(32)	108
– deferred tax assets not recognised	1,270	326
– utilisation of previously unrecognised tax losses	(9)	–
– withholding tax	992	1,027
– others	–	(490)
	2,707	1,386

In accordance with the Labuan Business Activity Tax Act, 1990, the Company is carrying on an offshore business activity which is an offshore non-trading activity for the basis period for year of assessment and therefore shall not be charged to tax for that year of assessment.

A subsidiary of the Group was awarded MSC status by the Government of Malaysia on 2015. In accordance with the Income Tax (Exemption) (No. 2) Order 2015, the company is eligible for 70% exemption of statutory income from qualifying activities for the first 5 years, while operating outside designated MSC cyber cities or cyber centres.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017
Net profit attributable to equity holders of the Company (RM'000)	3,260	5,665
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	300,941	294,705
Basic earnings per share (RM per share)	0.01	0.02

Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. As at 31 December 2018, the Group's potential ordinary shares comprise employee share options and share awards.

For share options and share awards, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised and share awards granted. The number of shares that could have been issued upon the exercise of all dilutive share options and share awards less the number of shares that could have been issued or awarded at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued or awarded for no consideration. No adjustment is made to the net profit.

Diluted earnings per share attributable to owners of the Company is calculated as follows:

	Group	
	2018	2017
Net profit attributable to owners of the parent (RM'000)	3,260	5,665
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	300,941	294,705
Adjustment for share options and share awards ('000)	4,747	4,136
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	305,688	298,841
Diluted earnings per share (RM per share)	0.01	0.02

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Plant and equipment

	Motor vehicles RM'000	Computer hardware RM'000	Office equipment RM'000	Leasehold improvement RM'000	Total RM'000
Group 2018					
Cost					
Beginning of financial year	656	3,283	3,014	5,076	12,029
Additions	–	302	48	573	923
Disposals	–	(4)	(26)	(149)	(179)
Written off	–	(26)	(10)	–	(36)
Acquisition of subsidiary	–	14	408	–	422
Currency translation differences	1	28	34	(61)	2
End of financial year	657	3,597	3,468	5,439	13,161
Accumulated depreciation					
Beginning of financial year	542	2,477	1,157	1,198	5,374
Depreciation charge	71	342	402	475	1,290
Disposals	–	(4)	(5)	(35)	(44)
Written off	–	(26)	(6)	–	(32)
Currency translation differences	2	19	28	(47)	2
End of financial year	615	2,808	1,576	1,591	6,590
Net book value End of financial year	42	789	1,892	3,848	6,571
Group 2017					
Cost					
Beginning of financial year	662	3,251	2,999	4,459	11,371
Additions	–	380	374	1,027	1,781
Disposals	–	(31)	(12)	–	(43)
Written off	–	–	(7)	(88)	(95)
Disposal of subsidiary	–	(78)	(137)	(144)	(359)
Reclassifications	–	(190)	(75)	4	(261)
Currency translation differences	(6)	(49)	(128)	(182)	(365)
End of financial year	656	3,283	3,014	5,076	12,029
Accumulated depreciation					
Beginning of financial year	467	2,169	869	755	4,260
Depreciation charge	80	392	343	530	1,345
Disposals	–	(18)	(12)	–	(30)
Written off	–	–	(1)	(37)	(38)
Disposal of subsidiary	–	(11)	(6)	(5)	(22)
Reclassifications	–	(16)	–	(1)	(17)
Currency translation differences	(5)	(39)	(36)	(44)	(124)
End of financial year	542	2,477	1,157	1,198	5,374
Net book value End of financial year	114	806	1,857	3,878	6,655

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Plant and equipment (continued)

	Computer Hardware RM'000	Leasehold improvement RM'000	Office equipment RM'000	Total RM'000
Company				
2018				
Cost				
Beginning of financial year	1	140	–	141
Additions	–	–	2	2
Currency translation differences	–	–	–	–
End of financial year	1	140	2	143
Accumulated depreciation				
Beginning of financial year	1	44	–	45
Depreciation charge	–	14	–*	14
Currency translation differences	–	–	–	–
End of financial year	1	58	–	59
Net book value				
End of financial year	–	82	2	84
Company				
2017				
Cost				
Beginning of financial year	1	143	–	144
Currency translation differences	–	(3)	–	(3)
End of financial year	1	140	–	141
Accumulated depreciation				
Beginning of financial year	–	31	–	31
Depreciation charge	1	14	–	15
Currency translation differences	–	(1)	–	(1)
End of financial year	1	44	–	45
Net book value				
End of financial year	–	96	–	96

* Amount below RM1,000

As at 31 December 2018, the Group has motor vehicles held under finance leases. The carrying amounts of motor vehicles and office equipment held under finance leases are RM42,584 (2017: RM104,814) and Nil (2017: RM12,754), respectively, at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Intangible assets

	Computer software RM'000	Goodwill RM'000	Trademark RM'000	Customer acquisition costs RM'000	Customer relationships RM'000	Development costs RM'000	Total RM'000
Group							
2018							
Cost							
Beginning of financial year	10,580	41,837	2,000	3,932	9,316	–	67,665
Additions	3,340	3,048	–	–	–	–	6,388
Written off	–	–	–	(354)	(256)	–	(610)
Written back	–	–	–	67	–	–	67
Acquisition of subsidiary	2	–	–	–	–	–	2
Currency translation differences	18	643	–	4	45	–	710
End of financial year	13,940	45,528	2,000	3,649	9,105	–	74,222
Accumulated amortisation							
Beginning of financial year	3,932	–	430	955	2,378	–	7,695
Amortisation	2,443	–	50	553	881	–	3,927
Written back	–	–	–	18	–	–	18
Written off	–	–	–	(133)	(213)	–	(346)
Currency translation differences	24	–	–	9	48	–	81
End of financial year	6,399	–	480	1,402	3,094	–	11,375
Net book value							
End of financial year	7,541	45,528	1,520	2,247	6,011	–	62,847

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Intangible assets (continued)

	Computer software RM'000	Goodwill RM'000	Trademark RM'000	Customer acquisition costs RM'000	Customer relationships RM'000	Development costs RM'000	Total RM'000
Group							
2017							
Cost							
Beginning of financial year	8,056	44,421	2,000	4,771	9,997	–	69,245
Additions	2,272	–	–	42	–	644	2,958
Written off	–	–	–	(800)	(362)	–	(1,162)
Reclassifications	261	–	–	–	–	–	261
Disposal of subsidiary	–	–	–	–	–	(644)	(644)
Currency translation differences	(9)	(2,584)	–	(81)	(319)	–	(2,993)
End of financial year	10,580	41,837	2,000	3,932	9,316	–	67,665
Accumulated amortisation							
Beginning of financial year	2,145	–	380	673	1,885	–	5,083
Amortisation	1,776	–	50	607	834	–	3,267
Written off	–	–	–	(300)	(201)	–	(501)
Reclassifications	17	–	–	–	–	–	17
Currency translation differences	(6)	–	–	(25)	(140)	–	(171)
End of financial year	3,932	–	430	955	2,378	–	7,695
Net book value							
End of financial year	6,648	41,837	1,570	2,977	6,938	–	59,970

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Intangible assets (continued)

Company 2018

Cost

Beginning of financial year	
Additions	
Written off	
Written back	
Currency translation differences	
End of financial year	

Computer software RM'000	Customer acquisition costs RM'000	Total RM'000
–	3,932	3,932
19	–	19
–	(354)	(354)
–	67	67
–	4	4
19	3,649	3,668

Accumulated amortisation

Beginning of financial year	
Amortisation	
Written off	
Written back	
Currency translation differences	
End of financial year	

–	955	955
2	553	555
–	(133)	(133)
–	18	18
–	9	9
2	1,402	1,404

Net book value

End of financial year

17	2,247	2,264
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Company 2017

Cost

Beginning of financial year	
Additions	
Written off	
Currency translation differences	
End of financial year	

Computer software RM'000	Customer acquisition costs RM'000	Total RM'000
–	4,771	4,771
–	42	42
–	(800)	(800)
–	(81)	(81)
–	3,932	3,932

Accumulated amortisation

Beginning of financial year	
Amortisation	
Written off	
Currency translation differences	
End of financial year	

–	673	673
–	607	607
–	(300)	(300)
–	(25)	(25)
–	955	955

Net book value

End of financial year

–	2,977	2,977
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Intangible assets (continued)

Trademark

The trademark is amortised on a straight-line basis over a period of forty years. Amortisation expense was included within "amortisation and depreciation expenses" in the statement of comprehensive income.

Goodwill

Goodwill is attributable mainly to the acquired workforce and marketing network and the synergies expected to be achieved from integrating the investees into the Group's existing businesses.

Impairment tests for goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating units ("CGU") identified according to services provided by the entities and business segments as follows:

	Advisory and transactional services	
	2018	2017
	RM'000	RM'000
Finova Singapore Pte. Ltd. ("FS") and ZICO BPO Pte. Ltd. ("FA")	22,926	22,298
B.A.C.S. Private Limited ("B.A.C.S.")	16,532	16,517
ZICO Corporate Services Sdn. Bhd.	1,216	1,216
ZICO Labuan LLP	964	964
ZICOLaw Myanmar Limited	500	500
ZICOLaw (Laos) Sole Co., Ltd.	316	316
ZICO International Corporation	26	26
ZICOLaw (Thailand) Limited	3,048	—
	45,528	41,837

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Intangible assets (continued)

Goodwill (continued)

Impairment tests for goodwill (continued)

The recoverable amount of the CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operates.

Key estimates used for value-in-use calculations

	2018 %	Group 2017 %
<i>Revenue growth rate</i>		
FS and FA	5.0 – 10.0	5.0
B.A.C.S.	10.0	10.0
ZICO Corporate Services Sdn. Bhd.	10.0	10.0
ZICO Labuan LLP	5.0	5.0
ZICOLaw Myanmar Limited	15.0	25.0 – 30.0
ZICOLaw (Laos) Sole Co., Ltd.	10.0	10.0
ZICOLaw (Thailand) Limited	8.0	–
<i>Pre-tax weighted average cost of capital</i>		
FS and FA	11.7	12.3
B.A.C.S.	11.3	11.8
ZICO Corporate Services Sdn. Bhd.	11.9	14.6
ZICO Labuan LLP	6.7	11.1
ZICOLaw Myanmar Limited	19.0	11.1
ZICOLaw (Laos) Sole Co., Ltd.	20.5	10.9
ZICOLaw (Thailand) Limited	10.0	–
<i>Terminal growth rate</i>		
FS and FA	2.0	2.0
B.A.C.S.	2.0	2.0
ZICO Corporate Services Sdn. Bhd.	2.0	2.0
ZICO Labuan LLP	2.0	2.0
ZICOLaw Myanmar Limited	2.0	2.0
ZICOLaw (Laos) Sole Co., Ltd.	2.0	2.0
ZICOLaw (Thailand) Limited	2.0	–

These assumptions were used for the analysis of each CGU within the business segment. Management determined revenue growth rates based on past performance and its expectations of market developments. The discount rates used were pre-tax and reflected specific risks relating to the relevant territories.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Intangible assets (continued)

Goodwill (continued)

Key estimates used for value-in-use calculations (continued)

As at 31 December 2018, the recoverable amount of the CGUs were higher than the respective carrying amounts and thus, no impairment charge was recorded.

Based on the sensitivity analysis performed (Note 3.1), the Group has concluded that a variation of 3% in the revenue growth rate, and 2% in the Pre-tax weighted average cost of capital and terminal growth rate would not materially cause the recoverable amount to be lower than its carrying amount.

Customer acquisition costs

The balance pertains to the customers acquired by the Group from Stamford Law Corporation for a purchase consideration of US\$1,556,897 (equivalent of RM4,813,422).

An impairment charge of RM221,472 is included within "other expenses" in the statement of comprehensive income. The impairment charge has arisen from the actual number of customers who have dropped-off during the year. The Group has reassessed the useful lives of its intangible assets and determined that a change in useful lives is not required. Amortisation expense has been included within "amortisation and depreciation expenses" in the statement of comprehensive income.

Customer relationship

The balance pertains to the customers acquired by the Group from the acquisition of B.A.C.S. and FS.

Impairment charges of RM2,589 and RM39,821, respectively, are included within "other expenses" in the statement of comprehensive income. The impairment charges have arisen from the actual number of customers who have dropped-off during the year. The Group has reassessed the useful lives of its intangible assets and determined that a change in useful lives is not required. Amortisation expense has been included within "amortisation and depreciation expenses" in the statement of comprehensive income.

15. Investments in subsidiaries

	<u>Company</u>	
	2018	2017
	RM'000	RM'000
<i>Equity investments, at cost</i>		
Beginning of financial year	61,853	58,874
Additions	1,307	2,500
Capital contribution in the form of share awards issued to employees of a subsidiary	1,364	1,481
Currency translation differences	57	(1,002)
End of financial year	64,581	61,853

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Investments in subsidiaries (continued)

The Group had the following subsidiaries as at 31 December 2018 and 2017:

Name of subsidiary	Principal place of business	Principal activities	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018 %	2017 %	2018 %	2017 %
ZICO Malaysia Sdn. Bhd. ⁽¹⁾	Malaysia	Investment holding	100	100	–	–
ASEAN Advisory Pte. Ltd. ⁽²⁾	Singapore	Business and management consultancy services	100	100	–	–
ZICO RMC Pte. Ltd. ⁽²⁾	Singapore	Business and management consultancy services	100	100	–	–
ZICO (Labuan) LLP ⁽¹⁾	Federal Territory of Labuan	Consultancy services	100	100	–	–
ZICO International Corporation ⁽⁶⁾	Federal Territory of Labuan	Investment holding	100	100	–	–
ZICO Consultancy Limited ⁽⁶⁾	Federal Territory of Labuan	Investment holding	100	100	–	–
ZICO Consultancy Sdn. Bhd. ⁽¹⁾	Malaysia	Business and management consultancy services	100	100	–	–
ZICO Shariah Advisory Services Sdn. Bhd. ⁽¹⁾	Malaysia	Shariah advisory services	100	100	–	–
ZICO Corporate Services Sdn. Bhd. ⁽¹⁾	Malaysia	Company secretarial, corporate services and related consultancy services	100	100	–	–
ZICO Trust Limited ⁽¹⁾	Federal Territory of Labuan	Trust services, company secretarial, corporate services and related consultancy services	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Investments in subsidiaries (continued)

Name of subsidiary	Principal place of business	Principal activities	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018 %	2017 %	2018 %	2017 %
ZICO IP Inc. ⁽⁷⁾	British Virgin Islands	Owner of intellectual property rights	100	100	–	–
PT ZICO Konsultan Indonesia ⁽³⁾	Indonesia	Business and management consultancy services	100	100	–	–
ZICOLaw Myanmar Limited ⁽⁴⁾	Myanmar	Legal advisory and consultancy services	100	100	–	–
ZICOLaw (Laos) Sole Co., Ltd. ⁽⁶⁾	Lao PDR	Legal advisory and consultancy services	100	100	–	–
ZICO Secretarial Services Sdn. Bhd. ⁽¹⁾	Malaysia	Company secretarial, corporate services and related consultancy services	100	100	–	–
ZICO Corporate Services Pte. Ltd. ⁽²⁾	Singapore	Company secretarial, corporate services and related consultancy services	100	100	–	–
ZICO-Stamford Corporate Services Pte. Ltd. ⁽²⁾	Singapore	Company secretarial, corporate services and related consultancy services	51	51	49	49
ZICO Trust (S) Ltd. (f.k.a ZICO Allshores Trust (S) Pte. Ltd.) ⁽²⁾	Singapore	Trustee, fiduciary and custody services, business and management consultancy services	51	51	49	49
ZICO Secretarial Limited ⁽⁶⁾	Federal Territory of Labuan	Company secretarial, corporate services and related consultancy services	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Investments in subsidiaries (continued)

Name of subsidiary	Principal place of business	Principal activities	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018	2017	2018	2017
			%	%	%	%
ZICOInsource Sdn. Bhd. ⁽¹⁾	Malaysia	Insourcing, outsourcing and consultancy services	80	80	20	20
ZICOInsource Inc. ⁽¹⁾	Federal Territory of Labuan	Resourcing and advisory services	80	80	20	20
ZICO Knowledge Services Sdn. Bhd. ⁽¹⁾	Malaysia	Business support service	100	100	–	–
Finova Singapore Pte. Ltd. ⁽²⁾	Singapore	Provision of incorporation, corporate secretarial, fiduciary services, and immigration-related support services	100	100	–	–
B.A.C.S. Pte. Ltd. ⁽²⁾	Singapore	Share registration services	100	100	–	–
ZICO BPO Pte. Ltd. ⁽²⁾	Singapore	Provision of tax administration, payroll and accounting support services	100	100	–	–
ZICO Regional IP Inc. ⁽⁵⁾	Federal Territory of Labuan	Investment holding	51	51	49	49
ZATS Management Ltd. ⁽⁵⁾	British Virgin Islands	Nominee director company	51	51	49	49
ZICO AA Sdn. Bhd. ⁽¹⁾	Malaysia	Business and management consultancy services	100	100	–	–
ZICO Capital Pte. Ltd. ⁽²⁾	Singapore	Corporate finance advisory and capital markets services	90	90	10	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Investments in subsidiaries (continued)

Name of subsidiary	Principal place of business	Principal activities	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018	2017	2018	2017
			%	%	%	%
ZICO Asset Management Pte. Ltd. ⁽²⁾	Singapore	Asset, wealth and legacy management	90	90	10	10
ZICO Capital International Inc. ⁽⁶⁾	Federal Territory of Labuan	Investment holding	100	100	–	–
ZICO Capital Sdn. Bhd. ⁽⁶⁾	Malaysia	Corporate finance advisory services	70	70	30	30
ZICO IP Asean Inc. ⁽⁶⁾	Federal Territory of Labuan	Provide marketing services in relation to intellectual property-related services in ASEAN countries	51	51	49	49
ZICOLaw (Thailand) Limited ^{(8)*}	Thailand	Legal advisory and consultancy services	49	–	51	–

Notes:

(1) Audited by PricewaterhouseCoopers, Malaysia.

(2) Audited by PricewaterhouseCoopers LLP, Singapore.

(3) Audited by Tanubrata Sutanto Fahmi & Rekan, Certified Public Accountants, a member firm of BDO International.

(4) Audited by Win Thin & Associates, Certified Public Accountants.

(5) Not required to be audited as the subsidiary is dormant since the date of its incorporation.

(6) The subsidiary is not material to the Group.

(7) Audited by Baker Tilly (BVI) Limited.

(8) Audited by N&W office.

* Deemed to be a subsidiary of ZICO Holdings Inc., as ZICO Malaysia Sdn. Bhd. has the ability to appoint 3 out of 5 directors on the Board of ZICOLaw Thailand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Investments in subsidiaries (continued)

Acquisition of subsidiary

On 29 June 2018, ZICO Malaysia Sdn. Bhd., a subsidiary of the Company, entered into an agreement to acquire 38,180 shares, representing 49% equity interest in ZICOlaw (Thailand) Limited ("ZIT"), a company incorporated in Thailand. The completion date of the transaction was 29 June 2018. The principal activity of ZIT is to conduct legal advisory and consultancy services. As a result of the acquisition, the Group is expected to increase its presence in Thailand.

The total consideration for this acquisition was approximately RM4,894.

The Group accounted for this acquisition as a business combination. The results of operation of ZIT were consolidated with effect from the acquisition date of 29 June 2018.

The identifiable assets and liabilities assumed of ZIT as at the date of acquisition were determined as follows:

	<u>2018</u>
	Fair value
	RM'000
Plant and equipment	422
Intangible assets	2
Trade and other receivables	2,069
Prepayments	29
Cash and cash equivalents	632
Trade and other payables	(9,112)
Current income tax payable	(421)
Net identifiable liabilities acquired	(6,379)
Goodwill on acquisition	3,048
Non-controlling interest	3,336
Total purchase consideration	<u>5</u>

From the date of acquisition to 31 December 2018, ZIT contributed revenue of RM2,024,316 and net loss of RM838,422 to the Group's revenue and profit. If the acquisition had taken place at the beginning of the financial year 2018, the Group's revenue and loss for the financial year would have been RM3,926,902 and RM3,489,898, respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Investments in subsidiaries (continued)

Acquisition of subsidiary (continued)

The effects of the acquisition of the subsidiary on the consolidated statement of cash flows for 2018 were as follows:

	Group 2018 RM'000
Total purchase consideration	5
Less: Cash and cash equivalents of subsidiaries acquired	(632)
Net cash inflow on acquisition	<u>(627)</u>

Carrying value of non-controlling interests

	2018 RM'000	Group 2017 RM'000
ZICO Trust (S) Ltd.	3,912	1,933
ZICOlaw (Thailand) Limited	(3,956)	–
Other subsidiaries with immaterial non-controlling interest	596	336
Total	552	<u>2,269</u>

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial years ended 31 December 2018 and 2017, except for dividends as disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Investments in subsidiaries (continued)

Acquisition of subsidiary (continued)

Summarised balance sheet

	ZICO Trust (S) Ltd.		ZICOlaw (Thailand) Limited As at
	As at 31 December		31 December
	2018	2017	2018
	RM'000	RM'000	RM'000
Current			
Assets	10,023	5,650	2,676
Liabilities	(2,821)	(2,057)	(10,637)
Total current net assets	7,202	3,593	(7,961)
Non-current			
Assets	1,040	464	396
Liabilities	(174)	(111)	-
Total non-current net assets	866	353	396
Net assets	8,068	3,946	(7,565)

Summarised income statement

	ZICO Trust (S) Ltd.		ZICOlaw (Thailand) Limited For the
	For year ended		period ended
	31 December		31 December
	2018	2017	2018
	RM'000	RM'000	RM'000
Revenue	11,392	6,638	2,024
Profit before income tax	6,447	2,939	(1,044)
Income tax expense/(credit)	(941)	(283)	205
Post-tax profit from continuing operations	5,506	2,656	(839)
Post-tax profit from discontinued operations	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	5,506	2,656	(839)
Total comprehensive income allocated to non-controlling interests	2,670	1,301	(438)
Dividends paid to non-controlling interests	1,744	457	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Investments in subsidiaries (continued)

Acquisition of subsidiary (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

Summarised cash flows

	ZICO Trust (S) Ltd.		ZICOlaw (Thailand) Limited
	For year ended 31 December		For the period ended 31 December
	2018 RM'000	2017 RM'000	2018 RM'000
<u>Cash flows from operating activities</u>			
Cash generated from operations	5,711	5,210	(1,294)
Income tax paid	(290)	(198)	(308)
Net cash generated from operating activities	5,421	5,012	(1,602)
Net cash (used in)/generated from investing activities	(3,713)	(245)	1,623
Net cash used in financing activities	(1,522)	(2,034)	-
Net increase in cash and cash equivalents	186	2,733	20
Cash and cash equivalents at beginning of year	5,225	2,455	632
Exchange gains on cash and cash equivalents	134	37	34
Cash and cash equivalents at end of year	5,545	5,225	686

16. Investments in associated companies

	Company	
	2018 RM'000	2017 RM'000
Equity investments, at cost	2	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Investments in associated companies (continued)

Set out below are the associated companies which are material to the Group.

<u>Name of entity</u>	<u>Place of business/ country of incorporation</u>	<u>% of ownership interest</u>	
		2018	2017
		%	%
Sunflower Villa Sdn. Bhd. ⁽¹⁾	Malaysia	50	50
Goldfield Alliance Sdn. Bhd. ⁽²⁾	Malaysia	50	50
ShakeUp Online Sdn. Bhd. ⁽³⁾	Malaysia	20	20
ZICO Corporate Services Inc. ⁽⁴⁾	Philippines	40	40

Notes:

(1) Audited by Choo & Co CPA, Malaysia.

(2) Audited by PricewaterhouseCoopers, Malaysia.

(3) The associate is not material to the Group.

(4) Audited by Palinsad Jimenez & Associates CPA, Philippines.

Sunflower Villa Sdn. Bhd. provides management and consultancy services.

Goldfield Alliance Sdn. Bhd. is an investment holding company.

ShakeUp Online Sdn. Bhd. provides online legal services. The associate is currently in start-up phase. (Note a)

ZICO Corporate Services Inc. (ZICorp Inc.) provides business, management, corporate and consultancy services. On 7 September 2016, the Company completed the subscription of 50,000 new ordinary shares in ZICorp Inc. for a total consideration of PHP50,000 (equivalent of RM1,958), representing 39.996% equity interests in the associate.

There are no contingent liabilities relating to the Group's interest in the associated companies, except as disclosed in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Investments in associated companies (continued)

- (a) On 27 December 2017, ZICO Malaysia Sdn. Bhd. disposed 80 ordinary shares in ShakeUp representing 80% of its equity interest for a consideration of RM80. The consideration was settled in cash and arrived at on a willing-buyer willing-seller basis, based on the net tangible liability value of ShakeUp as at 27 December 2017. The effects of the disposal on the cash flows of the Group were:

	Group 2017 RM'000
<u>Carrying amounts of assets and liabilities disposed of</u>	
Cash at bank	2
Plant and equipment	337
Intangible assets	644
Deposits	43
Total assets	<u>1,026</u>
Other payables	(265)
Accruals	(4)
Amount owing to fellow subsidiaries	(1,599)
Amount owing to ultimate holding company	(217)
Total liabilities	<u>(2,085)</u>
Net liabilities derecognised and disposed of	<u>(1,059)</u>

The aggregate cash outflows arising from the disposal of ShakeUp Online Sdn. Bhd. were:

	Group 2017 RM'000
Net liabilities disposed of (as above)	(1,059)
Gain on loss of control of a subsidiary (Note 6)	847
Gain on re-measurement of fair value on retained interest in associate (Note 6)	212
Cash proceeds from disposal	*
Less: Cash at bank in the subsidiaries disposed of	(2)
Net cash outflow on disposal	<u>(2)</u>

* Amount below RM1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Investments in associated companies (continued)

Summarised financial information for associated companies

Set out below are the summarised financial information for Goldfield Alliance Sdn. Bhd., Sunflower Villa Sdn. Bhd., ShakeUp Online Sdn. Bhd. and ZICO Corporate Services Inc.

Summarised balance sheet

	Goldfield Alliance Sdn. Bhd.		Sunflower Villa Sdn. Bhd.		ShakeUp Online Sdn. Bhd.		ZICO Corporate Services Inc.		Total
	As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December
	2018	2017	2018	2017	2018	2017	2018	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	28	2	82	87	149	46	1,023	-	1,282
- Cash and cash equivalents	-	-	47	57	2	2	42	-	91
Current liabilities	(811)	(766)	(54)	(64)	(5,827)	(2,085)	(2,726)	(79)	(9,418)
Includes:									
- Financial liabilities (excluding trade payables)	(797)	(766)	(54)	(64)	(5,827)	-	(2,726)	(77)	(9,404)
Non-current assets	1,392	1,409	-	1	1,406	982	445	144	2,536
Non-current liabilities	(698)	(736)	-	-	-	-	-	(4)	(740)
Includes:									
- Financial liabilities	(698)	(736)	-	-	-	-	-	-	(736)
Net (liabilities)/assets	(89)	(91)	28	24	(4,272)	(1,057)	(1,258)	61	(5,591)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Investments in associated companies (continued)

Summarised financial information for associated companies (continued)

Summarised statement of comprehensive income

	Goldfield Alliance Sdn. Bhd.		Sunflower Villa Sdn. Bhd.		ShakeUp Online Sdn. Bhd.		ZICO Corporate Services Inc.		Total
	For the year ended 31 December	2017	For the year ended 31 December	2017	For the year ended 31 December	2017	For the year ended 31 December	2017	For the year ended 31 December
	2018	2017	2018	2017	2018	2017	2018	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	111	85	409	376	6	-	-	-	461
Expenses									
Includes:									
- Depreciation and amortisation	(17)	(17)	-	-	(207)	(20)	(46)	-	(37)
- Interest expense	(47)	(47)	-	-	(176)	-	-	-	(47)
Profit/(loss) from continuing operations	10	8	73	49	(3,215)	(1,047)	(847)	(446)	(1,436)
Income tax expense	(7)	(6)	(7)	(17)	-	(10)	-	-	(33)
Post-tax profit/(loss) from continuing operations	3	2	66	32	(3,215)	(1,057)	(847)	(446)	(1,469)
Post-tax profit from discontinued operations	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	30	-	30
Total comprehensive income/(loss)	3	2	66	32	(3,215)	(1,057)	(817)	(446)	(1,469)
Dividends received from associated company	-	-	30	60	-	-	-	-	30
									60

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Investments in associated companies (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associated companies, is as follows:

	Goldfield Alliance Sdn. Bhd.		Sunflower Villa Sdn. Bhd.		ShakeUp Online Sdn. Bhd.		ZICO Corporate Services Inc.		Total
	As at 31 December 2018	2017	As at 31 December 2018	2017	As at 31 December 2018	2017	As at 31 December 2018	2017	As at 31 December 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net assets									
At 1 January	(92)	(94)	48	76	(1,057)	-	(446)	-	(1,547)
Profit/(loss) for the year	3	2	66	32	(3,215)	(1,057)	(847)	(446)	(3,993)
Other comprehensive income	-	-	-	-	-	-	30	-	30
Dividends	-	-	(59)	(60)	-	-	-	-	(59)
At 31 December	(89)	(92)	55	48	(4,272)	(1,057)	(1,263)	(446)	(5,569)
Interest in associated companies (50%; 50%; 20%; 40%)	(45)	(46)	28	24	(854)	(212)	(505)	(178)	(1,376)
Share of losses not recognised	45	46	-	-	642	-	503	176	1,190
Other adjustment	-	-	-	-	-	-	2	2	2
Fair value adjustment	-	-	-	-	212	212	-	-	212
Carrying value of Group's interest in associated companies	-	-	28	24	-	-	-	-	28

The unrecognised share of losses of associate Goldfield Alliance Sdn. Bhd., ShakeUp Online Sdn. Bhd. and ZICO Corporate Services Inc. amount to Nil, RM642,000 and RM327,000 (2017: Nil, Nil and RM176,000), respectively, in the current financial year and RM45,000, RM642,000 and RM503,000 (2017: RM46,000, Nil and RM176,000), on a cumulative basis. The Group has stopped recognising its share of losses since there are no further obligations in respect of those losses using the equity method of accounting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Investment in joint venture

	2018 RM'000	2017 RM'000
<u>Company</u>		
<i>Equity investments at cost</i>		
Beginning of financial year	–	–
Additions	9,116	–
Currency translation differences	240	–
End of financial year	9,356	–

Set out below is the joint venture of the Group as at 31 December 2018, which is material to the Group.

Name of entity	Place of business/ country of incorporation	% of ownership Interest	
		31 December	
		2018	2017
Fragomen ZICO Inc.	Labuan	50	–

During the year, the company entered into a joint venture agreement with Fragomen Global Immigration Service LLC. With the incorporation of Fragomen ZICO Inc (“JV”), which is an investment holding company. The JV acquired 100% of Fragomen Malaysia Sdn. Bhd.

Summarised financial information for joint venture

Set out below is the summarised financial information for Fragomen ZICO Inc.

Summarised balance sheet

	Fragomen ZICO Inc.
Current assets	2018 RM'000
Includes:	13,132
– Cash and cash equivalents	364
Current liabilities	(10,377)
Includes:	
– Financial liabilities (excluding trade payables)	(10,377)
Non-current assets	245

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Investment in joint venture (continued)

Summarised statement of comprehensive income

	Fragomen ZICO Inc. For the period from 1 August 2018 to 31 December 2018 RM'000
Revenue	9,558
Expenses	
Includes:	
– Depreciation and amortisation	62
Profit from continuing operations	4,064
Income tax expense	(1,064)
Post-tax profit from continuing operations	3,000
Post-tax profit from discontinued operations	–
Other comprehensive income	–
Total comprehensive income	3,000
Dividends received from joint venture	–

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts).

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint venture, is as follows

	Fragomen ZICO Inc. 31 December 2018 RM'000
Net Assets	3,000
Group's equity interest	50%
Group's share of net assets	1,500
Cost of investment	9,356
Carrying value	10,856

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Investments

	Group	
2018	2017	
RM'000	RM'000	
Corporate club membership, at cost	30	30
Financial assets, available-for-sale	(i) –	522
Financial assets, FVOCI	(ii) 2,380	–
	2,410	552

(i) Available-for-sale financial assets

	Group	
2018	2017	
RM'000	RM'000	
Beginning of financial year	522	*
Additions	–	554
Reclassification at 1 January 2018**	(522)	–
Fair value losses recognised in other comprehensive income (Note 26)	–	(32)
Currency translation differences	–	–*
End of financial year	–	522
Listed securities:		
– Equity securities – Singapore	–	522

* Amount below RM1,000

** See Note 2.1 for details of reclassification as at 1 January 2018 on adoption of IFRS 9

(ii) Financial assets, FVOCI

	Group	
2018	2017	
RM'000	RM'000	
Beginning of financial year	–	–
Reclassification at 1 January 2018**	522	–
Additions	3,243	–
Fair value losses recognised in other comprehensive income (Note 26)	(1,403)	–
Currency translation differences	18	–
End of financial year	2,380	–
Listed securities:		
– Equity securities – Singapore	2,380	–

** See Note 2.1 for details of reclassification as at 1 January 2018 on adoption of IFRS 9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group
2018 RM'000	2017 RM'000
Deferred income tax assets	
– To be recovered within one year	–
– To be recovered after one year	–
4,645	3,697
4,645	3,697
Deferred income tax liabilities	
– To be settled within one year	–
– To be settled after one year	–
(1,830)	(1,771)
(1,830)	(1,771)

Movement in deferred income taxes account is as follows:

	Group
2018 RM'000	2017 RM'000
Beginning of financial year	1,926
Currency translation differences	975
Credited to profit or loss	(30)
End of financial year	999
2,815	1,926

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of RM6,376,765 (2017: RM1,122,598) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses have no expiry dates except in Malaysia, where losses amounting to RM4,768,271, representing the total losses unrecognised to date, will expire in 2025.

Deferred tax liabilities of RM360,000 have not been recorded for the withholding and other taxes that will be payable on the unremitted earnings of an overseas joint venture. These unremitted profits are permanently reinvested at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax assets

2018

Beginning of financial year
Currency translation differences
Credited to profit or loss
End of financial year

<u>Provisions</u>	<u>Tax losses</u>	<u>Total</u>
RM'000	RM'000	RM'000
7	3,690	3,697
–	12	12
–	936	936
7	4,638	4,645

2017

Beginning of financial year
Currency translation differences
Credited to profit or loss
End of financial year

<u>Provisions</u>	<u>Tax losses</u>	<u>Total</u>
RM'000	RM'000	RM'000
7	2,726	2,733
–	154	154
–	810	810
7	3,690	3,697

Deferred income tax liabilities

2018

Beginning of financial year
Currency translation differences
Credited to profit or loss
End of financial year

<u>Accelerated tax depreciation</u>	<u>Intangible assets</u>	<u>Total</u>
RM'000	RM'000	RM'000
(286)	(1,485)	(1,771)
–	(42)	(42)
(198)	181	(17)
(484)	(1,346)	(1,830)

2017

Beginning of financial year
Currency translation differences
Credited to profit or loss
End of financial year

<u>Accelerated tax depreciation</u>	<u>Intangible assets</u>	<u>Total</u>
RM'000	RM'000	RM'000
(284)	(1,474)	(1,758)
(33)	(169)	(202)
31	158	189
(286)	(1,485)	(1,771)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current asset				
Trade receivables				
– third parties	80,834	59,390	–	–
– subsidiaries	–	–	2,773	–
Less: Loss allowance	(4,128)	(368)	–	–
	76,706	59,022	2,773	–
Contract assets				
– third parties	5,499	–	–	–
Less: Loss allowance	(64)	–	–	–
	5,435	–	–	–
Non-trade receivables				
– third parties	9,165	11,027	1,827	2,575
– associates	3,436	2,767	2,991	–
– subsidiaries	–	–	36,272	37,930
Less: Loss allowance	(223)	–	(452)	–
	12,378	13,794	40,638	40,505
Deposits	1,999	1,800	128	128
	96,518	74,616	43,539	40,633
Non-current asset				
Trade receivables				
– third parties	–	13,812	–	–
Non-trade receivables				
– third parties	–	1,292	–	–
– associates	4,866	–	–	–
– subsidiaries	–	–	36,235	31,413
Less: Loss allowance	(255)	–	–	–
	4,611	15,104	36,235	31,413
Total trade and other receivables	101,129	89,720	79,774	72,046

Trade receivables are unsecured and are generally on 90 (2017: 90) days credit terms. Include in trade and other receivables from third parties are receivable amounting to RM38,789,000 subjected to an interest charge of 4% per annum.

The non-trade receivables from third parties, associates and subsidiaries represent advances for operating activities which are unsecured, interest free, repayable on demand and expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. Trade and other receivables (continued)

The non-current trade receivables of the Group from third parties and non-current non-trade receivables of the Group from associates are subjected to an interest charge of 4% (2017: 3.99%) per annum. The non-trade amount of the Company of RM36,235,000 (RM31,413,000) due from subsidiaries is considered to be part of the Company's net investment in these subsidiaries.

Deposits mainly relate to the rental deposits of office premises.

21. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	14,070	15,992	839	2,209
Fixed deposits	1,886	4,331	2	2,369
	15,956	20,323	841	4,578

Fixed deposits are placed for an average period of 30 to 181 days (2017: 30 to 181 days) and bear effective interest rates of 0.20% to 3.0% (2017: 0.20% to 3.0%) per annum.

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank deposits (as above)	15,956	20,323	841	4,578
Less: Bank overdrafts (Note 27)	(8,500)	(1,983)	–	–
Cash and cash equivalents per statement of cash flows	7,456	18,340	841	4,578

22. Other current assets

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Monies held in trust for clients	6,754	4,881	–	2
Bank balances with restricted use	5	–	5	–
	6,759	4,881	5	2

Bank balances with restricted use were pledged in relation to the security granted for the term loan facilities (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

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23. Share capital

		Group and Company	
	2018	2017	2017
	Number of ordinary shares		RM'000
		2018	2017
		RM'000	RM'000
Issued and fully paid:			
Beginning of financial year	299,417,440	282,754,063	82,592
Issue of new ordinary shares ⁽²⁾	–	15,000,000	–
Issue of new ordinary shares ^{(1) (3)}	811,656	851,656	607
Issue of new ordinary shares ^{(1) (3)}	799,985	439,989	580
Issue of new ordinary shares ⁽¹⁾	540,382	–	353
Issue of new ordinary shares ⁽³⁾	–	161,717	–
Issue of new ordinary shares ⁽³⁾	–	210,015	–
At end of financial year	301,569,463	299,417,440	84,132

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

- (1) The newly issued shares of 811,656, 799,985 and 540,382 were share awards vested during the year under the Performance Share Plans on 21 March 2016, 23 April 2017 and 21 May 2018, respectively.
- (2) The issued shares of 15,000,000 in respect of placement of shares on 12 April 2017.
- (3) The newly issued shares of 851,656, 439,989, 161,717 and 210,015 were share awards vested in previous year under Performance Share Plan on 21 March 2016, 21 April 2017, 14 August 2017 and 11 September 2017, respectively.

24. Share-based reserve

	Group and Company	
	2018	2017
	RM'000	RM'000
Share options reserve	556	556
Share awards reserve	2,738	2,087
	3,294	2,643

Share options reserve

ZICO Holdings Employee Share Option Scheme

The ZICO Holdings Employee Share Option Scheme ("ESOS") was approved and adopted at the Company's extraordinary general meeting held on 19 September 2014 and will continue to remain in force until 18 September 2024, unless terminated in accordance with the Rules of the ESOS. The ESOS is administered by the Remuneration Committee comprising Mr Chew Liong Kim, Mr Stephen Arthur Maloy, Mr John Lim Yew Kong and Dato' T. Jasudasan (the "Committee"). The ESOS provides for the grant of incentive share options to employees and directors of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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24. Share-based reserve (continued)

Share options reserve (continued)

ZICO Holdings Employee Share Option Scheme (continued)

Under the ESOS, the total number of shares over which the Committee may grant options on any date, when added to the number of shares issued and issuable in respect of (a) all options granted under the ESOS; (b) all awards granted under the PSP; and (c) all outstanding options or awards granted under such other share-based incentive schemes of the Company, shall not exceed 15% of the number of issued shares (including treasury shares) on the day immediately preceding the offer date of the option.

The aggregate number of shares issued and issuable in respect of all options granted under the ESOS available to the controlling shareholders or associates of the controlling shareholders shall not exceed 25% of the total number of shares available under the ESOS.

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof), at any time, by a participant after the first anniversary of the offer date of that option, provided always that the options shall be exercised before the tenth anniversary of the relevant offer date, or such earlier date as may be determined by the Committee, failing which all unexercised options shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Options granted with the exercise price set at a discount to market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof), at any time, by a participant after the second anniversary from the offer date of that option, provided always that the options shall be exercised before the tenth anniversary of the relevant offer date, or such earlier date as may be determined by the Committee, failing which all unexercised options shall immediately lapse and become null and void and a participant shall have no claim against the Company.

An option shall, to the extent unexercised, immediately lapse and become null and void and a participant shall have no claim against the Company:

- (a) subject to the rules of the ESOS, upon the participant ceasing to be in employment of the Company or any of the companies within the Group for any reason whatsoever;
- (b) upon the bankruptcy of the participant or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such option; or
- (c) in the event of misconduct on the part of the participant, as determined by the Committee.

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24. Share-based reserve (continued)

Share options reserve (continued)

ZICO Holdings Employee Share Option Scheme (continued)

	<u>Group and Company</u>	
	2018	2017
	RM'000	RM'000
Beginning and end of financial year	556	556

The outstanding number of options at the end of the reporting period was:

			2018
Exercise price	Grant date	Exercise period	Number of options
S\$0.24	31 October 2014	1 November 2016 to 30 October 2024	<u>3,500,000</u>

The table below summarises the number of options that were outstanding, their weighted average exercise price as at the end of the financial year as well as the movements during the financial year.

	2018	
	Number of options	Weighted average exercise price S\$
Outstanding at 1 January/31 December	<u>3,500,000</u>	0.24
Exercisable at 31 December	<u>3,500,000</u>	0.24

The share options outstanding as at the end of the financial year have a remaining contractual life of 6 years (2017: 7 years).

The fair value of options granted on 31 October 2014 was RM556,033. The estimate of the fair value of each option issued on grant date was based on the Black Scholes option pricing model. In order to approximate the expectations that would be reflected in a current market or negotiated exchange price for these options, the calculation takes into consideration factors like behavioural considerations and non-transferability of the options granted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. Share-based reserve (continued)

Share options reserve (continued)

ZICO Holdings Employee Share Option Scheme (continued)

The Black Scholes option pricing model used the following assumptions:

	2014
Weighted average share price (RM)	0.78
Weighted average exercise price (RM)	0.62
Dividend yield expected	2.00%
Risk-free annual interest rates	2.5%
Expected volatility	0.10%
Expected life	5 years

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period similar to the expected lives of the option. The expected lives used in the model have been adjusted, based on management best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share awards reserve

ZICO Holdings Performance Share Plan

In conjunction with the Company's listing on the Catalist of SGX-ST, the Group adopted the ZICO Holdings Performance Share Plan ("PSP") which was approved at the Company's extraordinary general meeting held on 19 September 2014. The PSP is administered by the Remuneration Committee. The PSP provides for the grant of incentive share awards to employees and directors.

The selection of the participants and number of shares which are subject of each award to be granted to a participant in accordance with the PSP shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as, inter alia, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of the Group.

Under the PSP, the total number of shares which may be delivered pursuant to the vesting of awards on any date, when added to the aggregate number of shares issued and/or issuable in respect of (a) all awards granted under the PSP; and (b) all other shares issued and/or issuable under any other share-based incentive schemes or share plans of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time.

The aggregate number of shares available to the controlling shareholders or associates of the controlling shareholder (including adjustments made) shall not exceed 25% of the shares available under the PSP. The number of shares that are available to each controlling shareholder or associates of the controlling shareholder under the PSP shall not exceed 10% of the shares available under the PSP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. Share-based reserve (continued)

Share awards reserve (continued)

ZICO Holdings Performance Share Plan (continued)

Notwithstanding that a participant may have met his performance targets, no awards shall be vested:

- (a) upon the bankruptcy of the participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such award;
- (b) in the event of any misconduct on the part of the participant as determined by the Committee in its discretion;
- (c) subject to the rules of the PSP, upon the participant ceasing to be in the employment of the Group for any reason whatsoever; or
- (d) in the event that the Committee shall, at its discretion, deem it appropriate that such award to be given to a participant shall so lapse on the grounds that any of the objectives of the PSP have not been met.

On 21 May 2018, awards for 3,320,382 were granted pursuant to the ZICO Holdings Performance Share Plan.

On 21 April 2017, 14 August 2017 and 11 September 2017, awards for 2,919,989, 161,717 and 210,015 shares, respectively, were granted pursuant to the ZICO Holdings Performance Share Plan.

The exercise price of the awards is \$0 (2017: \$0). The vesting of the awards is conditional on the employee or director completing another 0.2 to 2.4 (2017: 0.2 to 2.3) years of service to the Group.

Movement in the number of unissued ordinary shares of the Company under share award for the Group's employees are as follows:

	← No. of ordinary shares under award →				
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Vested during financial year	End of financial year
2018					
21 March 2016	1,743,344	—	—	(811,656)	931,688
21 April 2017	2,480,000	—	—	(799,985)	1,680,015
21 May 2018	—	3,320,382	—	(540,382)	2,780,000
	4,223,344	3,320,382	—	(2,152,023)	5,391,703

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. Share-based reserve (continued)

Share awards reserve (continued)

ZICO Holdings Performance Share Plan (continued)

	← No. of ordinary shares under award →				
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Vested during financial year	End of financial year
2017					
21 March 2016	2,595,000	–	–	(851,656)	1,743,344
21 April 2017	–	2,919,989	–	(439,989)	2,480,000
14 August 2017	–	161,717	–	(161,717)	–
11 September 2017	–	210,015	–	(210,015)	–
	2,595,000	3,291,721	–	(1,663,377)	4,223,344

No awards expired during the year.

The fair value of share awards granted on 21 May 2018 (2017: 21 April 2017, 14 August 2017 and 11 September 2017), determined based on the market price of the shares on that date, was RM2,161,195 (2017: RM2,159,595, RM142,706 and RM184,863).

	<u>Group and Company</u>	
	2018	2017
	RM'000	RM'000
Beginning of financial year	2,087	1,151
Performance share plan		
– Granted during the financial year (Note 8)	2,191	2,385
– Vested during the financial year (Note 23)	(1,540)	(1,449)
End of financial year	2,738	2,087

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Currency translation reserve

The foreign currency translation account comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain foreign operations whose functional currencies are different from that of the Group's presentation currency and is non-distributable.

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Beginning of financial year	2,855	7,632	9,778	11,432
Net currency translation differences of financial statements of foreign subsidiaries	650	(4,826)	130	(1,654)
Less: Non-controlling interests	132	49	–	–
	782	(4,777)	130	(1,654)
End of financial year	3,637	2,855	9,908	9,778

26. Fair value reserve

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Beginning of financial year	(32)	–	–	–
Financial assets, at FVOCI/ available-for-sales	(1,403)	(32)	–	–
– Fair value losses (Note 18)	140	–	–	–
Less: Non-controlling interests	(1,263)	(32)	–	–
End of financial year	(1,295)	(32)	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. Interest-bearing liabilities

		<u>Group</u>		<u>Company</u>	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current liabilities					
Finance lease liabilities	(a)	2	48	–	–
TL facilities	(b)	3,582	1,780	3,582	1,780
		3,584	1,828	3,582	1,780
Current liabilities					
Finance lease liabilities	(a)	46	57	–	–
TL facilities	(b)	61	7,202	61	7,202
RCF loan	(c)	47,517	35,042	42,082	35,042
Bank overdraft		8,500	1,983	–	–
		56,124	44,284	42,143	42,244
Total		59,708	46,112	45,725	44,024

As at 31 December 2018, the Group and the Company have banking facilities amounting to RM54,788,000 (2017: RM79,191,000) and RM49,352,000 (2017: RM79,191,000), respectively, of which approximately RM51,160,000 (2017: RM44,024,000) and RM45,725,000 (2017: RM44,024,000), respectively, have been utilised as at balance sheet date.

(a) Finance lease liabilities

The Group leases certain plant and equipment, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	<u>Group</u>
	2018 RM'000
Minimum lease payments due	
– Not later than one year	47
– Between one and five years	3
	50
Less: Future finance charges	(2)
Present value of finance lease liabilities	48

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. Interest-bearing liabilities (continued)

(a) Finance lease liabilities (continued)

The present values of finance lease liabilities are analysed as follows:

	2018 RM'000	Group 2017 RM'000
Not later than one year	46	57
Later than one year		
– Between one and five years	2	48
Total	48	105

The finance lease term is 5 years and the effective interest rate for the finance lease obligations is 2.48% – 3.50% (2017: 2.48% – 3.50%) per annum for the year ended 31 December 2018.

As at the end of the reporting period, the fair values of the Group's finance lease payables approximate their carrying amounts.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets, which will revert to the lessors in the event of default by the Group.

(b) TL loan

The TL loan bears interest at floating rates, thus exposing the Group to cash flow interest rate risk. Effective interest rate is at 4.50% – 5.45% (2017: 3.20% to 4.61%) per annum.

As at 31 December 2017, the TL loan was secured by first party charge over shares held in a subsidiary and deed of subordination of all financial indebtedness extended by the shareholder or related parties of the Company. The charge and deed of subordination have been released during the financial year.

(c) RCF loan

The RCF loan is repayable on demand and bears interest at floating rates, thus exposing the Group to cash flow interest rate risk. Effective interest rate is at 2.65% – 4.35% (2017: 2.45% to 3.40%) per annum.

As at 31 December 2018, the RCF loan was secured by the corporate guarantee of certain subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Trade payables – third parties	1,429	1,842	–	–
Non-trade payables				
– third parties	20,137	12,243	2,519	586
– subsidiaries	–	–	7,520	–
	20,137	12,243	10,039	586
Accrued expenses	3,881	3,533	720	636
	25,447	17,618	10,759	1,222

Trade payables are unsecured, non-interest bearing and are normally settled within 60 days (2017: 60 days) payment terms.

Included in the current portion of non-trade payables of the Group is monies held in trust for stakeholders of RM6,754,000 (2017: RM4,739,000). The balance payable for monies held in trust for stakeholders are unsecured, interest-free and payable upon demand.

29. Provisions

		<u>Group</u>	
		2018 RM'000	2017 RM'000
Current			
Provision for leave benefits	(a)	20	61
Non-current			
Provision for reinstatement costs	(b)	60	35
Provision for retirement benefits	(c)	69	74
		129	109
		149	170

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Provisions (continued)

(a) Provision for leave benefits

	2018 RM'000	Group 2017 RM'000
Current		
Beginning of financial year	61	62
Provision reversed	(41)	–
Currency translation differences	–	(1)
End of financial year	20	61

Provision for leave benefits refers to estimated costs made by management required to compensate its employees for leave benefits.

(b) Provision for reinstatement costs

	2018 RM'000	Group 2017 RM'000
Non-current		
Beginning of financial year	35	36
Provision made	60	–
Provision reversed	(35)	–
Currency translation differences	–	(1)
End of financial year	60	35

Provision for reinstatement costs refers to estimated costs made by the management required to reinstate its office premise to its original state according to the terms and conditions of the respective tenancy agreements.

(c) Provision for retirement benefits

A subsidiary of the Group operates a defined benefit plan for its eligible employees of which the assets are held in an administered trust. Under this plan, eligible employees are entitled to retirement benefits upon reaching the retirement age of fifty six (56).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Provisions (continued)

(c) Provision for retirement benefits (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2018 RM'000	Group 2017 RM'000
Non-current		
Beginning of financial year	74	25
Provision made	–	51
Actuarial loss on remeasurement	–	(2)
Currency translation differences	(5)	–
End of financial year	69	74

The principal actuarial assumptions used are as follows:

	2018 RM'000	Group 2017 RM'000
Discount rate	7.75%	7.75%
Salary growth rate	9.00%	9.00%
Retirement age	56 years	56 years
Participants (employees)	10	10

30. Dividends

	2018 RM'000	Group 2017 RM'000
Interim tax-exempt dividend of SGD1.00 per ordinary share in respect of the financial year ended 31 December 2018	1,744	–
Interim tax-exempt dividend of SGD1.00 per ordinary share in respect of the financial year ended 31 December 2017	–	457

The directors of the Company did not recommend any final dividend in respect of the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Significant related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	2018 RM'000	<u>Group</u> 2017 RM'000
Transactions with associates		
Corporate guarantee given for banking facilities utilised by an associate	(845)	(884)
Dividend income	30	30

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	2018 RM'000	<u>Group</u> 2017 RM'000
Short-term employee benefits	5,659	6,474
Post-employment benefits	223	224
Share-based payments under the ESOS and PSP	270	446
	6,152	7,144

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Commitments

(i) Operating lease commitments – where the Group is a lessee

The Group leases office spaces and accommodation from non-related parties under non-cancellable operating lease agreements. The operating lease commitments are based on existing rental rates. The leases have lease terms ranging from 2 to 5 years and rentals are fixed during the lease term.

The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Not later than one year	6,490	7,107
Between one and five years	14,150	17,857
	20,640	24,964

(ii) Operating lease commitments – where the Group is a lessor

There is no significant leasing arrangement where the Group is a lessor for the financial year ended 31 December 2018.

33. Segment information

The Executive Committee ("Exco") is the Group's chief operating decision maker. The Exco comprises the 3 executive directors and the Chief Financial Officer.

Management has determined the operating segments based on the reports reviewed by the Exco. For management purposes, the Group is organised into business units based on its services, and has two reportable operating segments as follows:

- (i) Advisory and transactional services; and
- (ii) Management, support services and licensing services

Expenses relating to the investment holding entities are not allocated to segments as this type of activity is not used by management to evaluate segment performance.

Management monitors the operating results of the segment separately for the purposes of making strategic decisions, allocation of resources and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Segment information (continued)

There is no change from prior years in the measurement methods used to determine reported segment profit or loss.

Sales between segments are carried out at market terms. The revenue from external parties reported to the Exco is measured in a manner consistent with that in the statement of comprehensive income.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment assets comprise primarily of plant and equipment, intangible assets, trade and other receivables, cash and cash equivalents and exclude tax recoverable. Segment liabilities comprise operating liabilities and exclude tax liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

Business segment

Business segment	Advisory and transactional services RM'000	Management, support services and licensing services RM'000	Elimination RM'000	Total RM'000
2018				
Revenue				
External revenue	69,148	20,944	–	90,092
Inter-segment revenue	1,749	6,703	(8,452)	–
	<u>70,897</u>	<u>27,647</u>	<u>(8,452)</u>	<u>90,092</u>
Results				
Segment profit	15,498	2,044	–	17,542
Interest income	231	1,547	–	1,778
Finance costs	(355)	(261)	–	(616)
	<u>15,374</u>	<u>3,330</u>	<u>–</u>	<u>18,704</u>
Unallocated expenses				(11,705)
Share of results of associates, net of tax				33
Share of results of joint venture, net of tax				<u>1,500</u>
Profit before income tax				8,532
Income tax expenses				<u>(2,707)</u>
Profit for the financial year				<u>5,825</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Segment information (continued)

Business segment (continued)

Business segment	Advisory and transactional services RM'000	Management, support services and licensing services RM'000	Total RM'000
Non-cash items			
Allowance for impairment loss on trade receivables	2,102	110	2,212
Amortisation of intangible assets	1,535	2,342	3,877
Bad trade and other receivables written off	319	–	319
Depreciation of plant and equipment	846	397	1,243
Loss on disposal of plant and equipment	134	–	134
Plant and equipment written off	4	–	4
Provisions	(18)	–	(18)
Share-based payment expenses	659	162	821
Intangible assets written off	264	–	264
Intangible assets written back	(49)	–	(49)
Unrealised foreign exchange gain, net	(498)	126	(372)
Unallocated non-cash items			
Amortisation of intangible assets	–	–	50
Depreciation of plant and equipment	–	–	47
Share-based payment expenses	–	–	1,370
Unrealised foreign exchange gain, net	–	–	(227)
Capital expenditure			
Plant and equipment	923	–	923
Intangible assets	3,391	2,997	6,388
As at 31 December 2018			
Assets and liabilities			
Segment assets	113,427	73,326	186,753
– Current income tax recoverable	698	121	819
– Deferred tax assets	2,550	2,095	4,645
	116,675	75,542	192,217
Unallocated assets			20,969
			213,186
Segment liabilities	34,962	7,495	42,457
– Current income tax payable	2,376	734	3,110
– Deferred tax liabilities	1,388	442	1,830
	38,726	8,671	47,397
Unallocated liabilities			49,764
			97,161

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Segment information (continued)

Business segment (continued)

Business segment	Advisory and transactional services RM'000	Management, support services and licensing services RM'000	Elimination RM'000	Total RM'000
2017				
Revenue				
External revenue	57,980	23,895	–	81,875
Inter-segment revenue	2,187	6,296	(8,483)	–
	<u>60,167</u>	<u>30,191</u>	<u>(8,483)</u>	<u>81,875</u>
Results				
Segment profit	17,567	1,555	–	19,122
Interest income	76	551	–	627
Finance costs	(5)	–	–	(5)
	<u>17,638</u>	<u>2,106</u>	<u>–</u>	<u>19,744</u>
Unallocated expenses				(11,452)
Share of results of associates, net of tax				<u>15</u>
Profit before income tax				8,307
Income tax expenses				<u>(1,386)</u>
Profit for the financial year				<u>6,921</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Segment information (continued)

Business segment (continued)

Business segment	Advisory and transactional services RM'000	Management, support services and licensing services RM'000	Total RM'000
Non-cash items			
Allowance for impairment loss on trade receivables	135	–	135
Amortisation of intangible assets	1,530	1,687	3,217
Bad trade and other receivables written off	134	–	134
Depreciation of plant and equipment	873	419	1,292
Gain on disposal of plant and equipment	(1)	(17)	(18)
Plant and equipment written off	57	–	57
Provisions	48	–	48
Intangible assets written off	661	–	661
Unrealised foreign exchange loss, net	462	(208)	254
Unallocated non-cash items			
Amortisation of intangible assets	–	–	50
Depreciation of plant and equipment	–	–	53
Gain on loss of control of a subsidiary	–	–	(847)
Gain on re-measurement of fair value on retained interest in associate	–	–	(212)
Share-based payment expenses	–	–	2,385
Unrealised foreign exchange gain, net	–	–	96
Capital expenditure			
Plant and equipment	718	1,063	1,781
Intangible assets	939	2,019	2,958
As at 31 December 2017			
Assets and liabilities			
Segment assets	112,777	55,847	168,624
– Current income tax recoverable	1,114	129	1,243
– Deferred tax assets	2,550	1,147	3,697
	116,441	57,123	173,564
Unallocated assets			14,949
			188,513
Segment liabilities	20,726	4,280	25,006
– Current income tax payable	805	1,836	2,641
– Deferred tax liabilities	1,471	300	1,771
	23,002	6,416	29,418
Unallocated liabilities			45,532
			74,950

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Segment information (continued)

Geographical information

Revenue is based on the country in which the customer is located. Non-current assets comprise primarily of plant and equipment, intangible assets and associates. Non-current assets are shown by the geographical area in which the assets are located.

	Singapore RM'000	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	China RM'000	Hong Kong RM'000	United States of America RM'000	Others RM'000	Total RM'000
2018									
External revenue	31,384	26,763	2,620	10,337	1,212	3,886	687	13,203	90,092
Non-current assets	66,842	17,866	3,444	845	–	–	–	2,971	91,968
2017									
External revenue	26,655	24,653	3,147	7,475	567	5,459	416	13,503	81,875
Non-current assets	56,361	17,314	2,128	3,473	–	–	–	6,726	86,002

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Segment information (continued)

Major customer

The revenue of the Group is mainly derived from customers which are mainly corporations, both domestic and multinationals. Due to the diverse base of customers to whom the Group renders services in each of the reporting period, the Group is not reliant on any customer for its sales and no one single customer accounted for 10% or more of the Group's total revenue except for 1 (2017: 1) customer which accounted for RM16.2 million or 18% (2017: RM18.1 million or 23%) of the Group's total revenue for the financial year.

34. Financial risk management

The Group's activities expose it to credit risk, market risk (including foreign currency risk and interest rate risk), liquidity risk and capital risk arising in the ordinary course of business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Management then establishes the detailed policies such as risk identification and measurement and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, in interest rates and foreign exchange rates.

34.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate, to mitigate credit risk.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Chief Financial Officer based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management teams and at the Group level by the Chief Financial Officer.

Services rendered to clients are required to be settled in cash, mitigating credit risk. The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics, except for the amounts due from a third party which comprised 69.0% (2017: 37.1%) of the total trade and other receivables as at 31 December 2018. The directors are of the opinion that the amounts are fully recoverable.

As the Group and the Company do not hold collateral the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.1 Credit risk (continued)

The movements in credit loss allowance are as follows:

Group	Trade receivables ^(b) RM'000	Contract assets ^(b) RM'000	Other receivables ^(a) RM'000	Total RM'000
Balance at 1 January 2018 under IAS 39	368	–	–	368
Application of IFRS 9 (Note 2.1b)	578	19	194	791
Balance at 1 January 2018 under IFRS 9	946	19	194	1,159
Loss allowance recognised in profit or loss during the year on:				
– Assets acquired/originated	697	43	310	1,050
– Reversal of unutilised amounts	(319)	(8)	(92)	(419)
– Changes in credit risk ^(c)	1,515	10	56	1,581
	1,893	45	274	2,212
Loss allowance arising from acquired subsidiary during the year:				
– ZICOlaw (Thailand) Limited	1,289	–	–	1,289
Balance at 31 December 2018	4,128	64	468	4,660

(a) Loss allowance measured at 12-month ECL

(b) Loss allowance measured at lifetime ECL

(c) The changes in credit risk relates to additional receivables which have aged more than a year in the current financial year

Cash and cash equivalents, trade receivables relating to a specific third party are subject to immaterial credit loss.

(i) Trade receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.1 Credit risk (continued)

(i) Trade receivables and contract assets (continued)

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 365 days when they fall due. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The trade receivables from third parties disclosed in Note 20 mainly comprised of amounts due from ZICOlaw network firms, amounting to RM56.7 million (2017: RM34.0 million). Management assessed that there is immaterial loss allowance relating to these receivables.

The Group's credit risk exposure in relation to trade receivables (excluding ZICOlaw network firms) and contract assets under IFRS 9 as at 31 December 2018 and 1 January 2018 are set out in the provision matrix as follows:

	Past due					
	Within 90 days	91 to 180 days	181 to 270 days	270 to 365 days	More than 365 days	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2018						
Professional services rendered						
Expected loss rate	1.2%	2.6%	4.5%	15%	100%	
Contract assets	5,499	–	–	–	–	5,499
Trade receivables	13,202	2,562	924	2,838	4,613	24,139
Loss allowance	224	67	42	426	3,433	4,192
	Past due					
	Within 90 days	91 to 180 days	181 to 270 days	270 to 365 days	More than 365 days	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2018						
Professional services rendered						
Expected loss rate	1.1%	2.0%	12.8%	16.4%	100%	
Contract assets	3,711	–	–	–	–	3,711
Trade receivables	13,584	2,733	799	1,292	3,256	21,664
Loss allowance	203	54	102	212	26	597

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.1 Credit risk (continued)

(ii) Financial assets, at FVOCI and other receivables at amortised cost

As disclosed in Notes 18, financial assets, at FVOCI comprise listed shares. These are considered “low credit risk” as follows:

- Listed shares are of investment grade credit rating with at least one major rating agency.

Management assessed that there is immaterial loss allowance relating to these financial assets, at FVOCI.

Credit risk exposure and significant credit risk concentration

The Group and Company uses the following categories of internal credit risk rating for its other receivables. The internal credit ratings have been mapped to external credit ratings determined by credit rating agencies such as Standard & Poor, Moody’s and Fitch, so as to determine the appropriate expected credit loss rates.

Category of internal credit rating	Performing		Under-performing	Non-performing	Write-off
Definition of category	Issuers have a low risk of default and a strong capacity to meet contractual cash flows		Issuers for which there is a significant increase in credit risk; as significant in credit risk is presumed if interest and/or principal repayment are 30 days past due	Interest and/or principal payments are 90 days past due	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery
Basis of recognition of expected credit loss	12-month expected credit losses		Lifetime expected credit losses	Lifetime expected credit losses	Asset is written off
Equivalent external credit rating	Ba3	B1	–	–	–
Expected credit loss rates	3.3%	5.2%	–	–	–
Estimated gross carrying amount at default (RM’000)	6,794	4,866	–	–	–
Carrying amount (net of credit loss allowance) (RM’000)	6,571	4,611	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.1 Credit risk (continued)

(ii) *Financial assets, at FVOCI and other investments at amortised cost (continued)*

	Trade and other receivables RM'000
<u>Company</u>	
Balance at 1 January 2018 under IAS 39	–
Application of IFRS 9	221
Balance at 1 January 2018 under IFRS 9	221
Loss allowance recognised in profit or loss during the year on:	
– Assets originated	4
– Reversal of unutilised amounts	(1)
– Change in credit risk	230
	233
Balance at 31 December 2018	454

Loans to subsidiaries and staff loans are subject to immaterial credit loss.

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 365 days overdue).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.1 Credit risk (continued)

(ii) *Financial assets, at FVOCI and other investments at amortised cost (continued)*

Previous accounting policy for impairment of trade receivables (continued)

The Group's and the Company's credit risk exposure in relation to trade receivables under IFRS 9 as at 31 December 2017 is set out in the provision matrix as follows:

	← Past due →					
31 December 2017	Within 90 days RM'000	91 to 180 days RM'000	181 to 270 days RM'000	271 to 365 days RM'000	More than 365 days RM'000	Total RM'000
<u>Group</u>						
Trade receivables						
Gross carrying amount:						
– Not past due	7,399	–	–	–	–	7,399
– Past due but not impaired	19,640	5,944	8,214	2,153	16,040	51,991
						59,390
Less: Allowance for impairment						(368)
Net carrying amount						59,022

Financial assets that are neither past due nor impaired

Financial assets that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

34.2 Market risk

Foreign currency risk

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of entities within the Group. The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk mainly from Singapore Dollar ("SGD"), Thai Baht ("THB") and United States Dollar ("USD") transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.2 Market risk (continued)

Foreign currency risk (continued)

As at the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective functional currency of entities within the Group are as follows:

	<u>RM</u> RM'000	<u>SGD</u> RM'000	<u>THB</u> RM'000	<u>USD</u> RM'000	<u>Other</u> RM'000	<u>Total</u> RM'000
<u>At 31 December 2018</u>						
Financial assets						
Cash and cash equivalents	1,141	7,697	687	6,346	85	15,956
Trade and other receivables	49,290	7,636	2,168	31,491	5,109	95,694
Other current assets	6,285	46	–	428	–	6,759
	56,716	15,379	2,855	38,265	5,194	118,409
Financial liabilities						
Borrowings	(10,637)	(49,071)	–	–	–	(59,708)
Trade and other payables	(11,072)	(9,020)	(2,467)	(1,734)	(1,154)	(25,447)
	(21,709)	(58,091)	(2,467)	(1,734)	(1,154)	(85,155)
Net financial assets/(liabilities)	35,007	(42,712)	388	36,531	4,040	33,254
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	(3,978)	(4,530)	–	4,370	6	(4,132)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.2 Market risk (continued)

Foreign currency risk (continued)

	RM RM'000	SGD RM'000	THB RM'000	USD RM'000	Other RM'000	Total RM'000
At 31 December 2017						
Financial assets						
Cash and cash equivalents	1,265	10,953	–	8,007	98	20,323
Trade and other receivables	33,279	13,665	1,854	35,134	5,788	89,720
Other current assets	3,595	223	–	1,063	–	4,881
	38,139	24,841	1,854	44,204	5,886	114,924
Financial liabilities						
Borrowings	(2,086)	(44,026)	–	–	–	(46,112)
Trade and other payables	(4,672)	(7,467)	–	(4,739)	(740)	(17,618)
	(6,758)	(51,493)	–	(4,739)	(740)	(63,730)
Net financial assets/(liabilities)	31,381	(26,652)	1,854	39,465	5,146	51,194
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	(2,210)	(1,749)	1,854	8,467	15	6,377

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.2 Market risk (continued)

Foreign currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	<u>SGD</u> RM'000	<u>RM</u> RM'000	<u>USD</u> RM'000	<u>Other</u> RM'000	<u>Total</u> RM'000
At 31 December 2018					
Financial assets					
Cash and cash equivalents	791	–	50	–	841
Trade and other receivables	22,730	31,312	20,348	5,384	79,774
Other current assets	5	–	–	–	5
	23,526	31,312	20,398	5,384	80,620
Financial liabilities					
Borrowings	(45,725)	–	–	–	(45,725)
Trade and other payables	(8,741)	(1,382)	(636)	–	(10,759)
	(54,466)	(1,382)	(636)	–	(56,484)
Net financial (liabilities)/assets	(30,940)	29,930	19,762	5,384	24,136
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	29,930	19,762	5,384	55,076

	<u>SGD</u> RM'000	<u>USD</u> RM'000	<u>Total</u> RM'000
At 31 December 2017			
Financial assets			
Cash and cash equivalents	4,281	297	4,578
Trade and other receivables	71,006	1,040	72,046
Other current assets	2	–	2
	75,289	1,337	76,626
Financial liabilities			
Borrowings	(44,024)	–	(44,024)
Trade and other payables	(1,222)	–	(1,222)
	(45,246)	–	(45,246)
Net financial assets	30,043	1,337	31,380
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	1,337	1,337

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.2 Market risk (continued)

Foreign currency risk (continued)

If the SGD, THB and USD change against the Ringgit Malaysia ("RM") by 1% (2017: 5%), 3% (2017: 5%) and 3% (2017: 5%) respectively with all other variables being held constant, the effects arising from the net financial liability/asset position will be as follows:

	← Increase/(Decrease) →	
	2018	2017
	Profit	Profit
	before tax	before tax
	RM'000	RM'000
<u>Group</u>		
SGD against RM		
– Strengthened	(45)	(87)
– Weakened	45	87
THB against RM		
– Strengthened	–	93
– Weakened	–	(93)
USD against RM		
– Strengthened	131	423
– Weakened	(131)	(423)
<u>Company</u>		
RM against SGD		
– Strengthened	299	–
– Weakened	(299)	–
USD against SGD		
– Strengthened	593	67
– Weakened	(593)	(67)

The Group has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Exposure to foreign currency risk is monitored on an ongoing basis in accordance with the Group's risk management policies to ensure that the net exposure is at an acceptable level.

Equity price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified either as financial assets, at FVOCI, available-for-sale or at FVPL. These securities are listed in Singapore. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.2 Market risk (continued)

Equity price risk (continued)

If prices for equity securities listed in Singapore had changed by 5% (2017: 6%) with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

	◀ Increase/(Decrease) ▶	
	2018	2017
	Other	Other
	comprehensive	comprehensive
	income	income
	RM'000	RM'000
<u>Group</u>		
Listed in Singapore		
– increased by	99	26
– decreased by	(99)	(26)

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to market risks for changes in interest rates relates primarily to interest-bearing borrowings as set out in Note 27 to the financial statements.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest income and expenses from time deposit and interest-bearing borrowings which are floating interest rates. It is the Group's policy to obtain quotes from reputable banks to ensure that the most favourable rates are made available to the Group.

The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates had been higher/lower by 0.8% (2017: 0.5%) with all other variables including tax rate and foreign currency rate being held constant, the profit after tax would have been lower/higher by RM396,000 (2017: RM191,000) as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.3 Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group actively manages its operating cash flows so as to ensure that all payment needs are met. As part of its overall prudent liquidity management, the Group minimises liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash to meet its working capital requirements.

Contractual maturity analysis

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

The disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest time period for which the guarantees could be called upon in the contractual maturity analysis.

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Total RM'000
Group				
At 31 December 2018				
<u>Financial liabilities</u>				
Trade and other payables	25,447	–	–	25,447
TL loan	64	1,424	2,334	3,822
RCF loan	49,550	–	–	49,550
Finance lease payables	46	2	–	48
Total undiscounted financial liabilities	75,107	1,426	2,334	78,867
At 31 December 2017				
<u>Financial liabilities</u>				
Trade and other payables	17,618	–	–	17,618
TL loan	7,542	782	1,132	9,456
RCF loan	36,236	–	–	36,236
Finance lease payables	61	49	–	110
Total undiscounted financial liabilities	61,457	831	1,132	63,420

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

Contractual maturity analysis (continued)

Company	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Total RM'000
At 31 December 2018				
<u>Financial liabilities</u>				
Trade and other payables	10,759	–	–	10,759
TL loan	64	1,424	2,334	3,822
RCF loan	43,901	–	–	43,901
Total undiscounted financial liabilities	54,724	1,424	2,334	58,482
At 31 December 2017				
<u>Financial liabilities</u>				
Trade and other payables	1,222	–	–	1,222
TL loan	7,542	782	1,132	9,456
RCF loan	36,236	–	–	36,236
Total undiscounted financial liabilities	45,000	782	1,132	46,914

34.4 Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

Management reviews the capital structure to ensure that the Group is able to service any debt obligations (including principal repayment and interest) based on its operating cash flows. Upon review, the Group will balance its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt, if necessary. The Group's overall strategy remains unchanged since 31 December 2017.

The Group monitors capital based on gearing ratio of interest bearing liabilities to shareholders' funds which is defined as equity attributable to owners of the parent.

	<u>Group</u>		<u>Company</u>	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest-bearing liabilities	59,708	46,112	45,725	44,024
Equity attributable to owners of the parent	115,473	111,294	100,825	96,387
Gearing ratio (times)	0.52	0.41	0.45	0.46

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.4 Capital risk (continued)

In relation to the Group's RCF loan facility, the Group is required to maintain a minimum consolidated tangible net worth of RM60,000,000 and a gearing ratio of not more than 1.5 times. As at 31 December 2018, the Group has complied with these requirements.

In relation to the Group's TL loan facility, the Group is required to maintain a minimum equity attributable to owners of the parent of RM50,000,000 and a borrowing ratio of total liabilities over equity attributable to owners of the parent of not more than 1.5 times. As at 31 December 2018, the Group has complied with these requirements.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2017 and 2018.

34.5 Fair value measurements

Fair value hierarchy

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
<i>Assets</i>				
Financial assets, FVOCI	2,380	–	–	2,380
<i>Liabilities</i>				
Finance lease liabilities	–	–	50	50
2017				
<i>Assets</i>				
Financial assets, Available- for-sales	522	–	–	522
<i>Liabilities</i>				
Finance lease liabilities	–	–	110	110

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.5 Fair value measurements (continued)

Fair value of financial instruments that are not carried at fair value

The carrying amounts of the current financial assets and current financial liabilities that are not carried at fair value approximate their respective fair values as at the end of the reporting period due to the relatively short-term maturity of these financial instruments.

The fair values of financial liabilities that are not carried at fair value in relation to trade and other payables and finance lease payables have been determined using discounted cash flow pricing models and are considered level 3 recurring fair value measurements. Significant inputs to the valuation include adjustments to the discount rate for credit risk associated with the Group.

	<u>Group</u>	
	Carrying amount RM'000	Fair value RM'000
At 31 December 2018		
Financial liabilities		
Finance lease liabilities	48	50
At 31 December 2017		
Financial liabilities		
Finance lease liabilities	105	110

34.6 Financial instruments by category

The following table sets out the financial instruments as at the end of the reporting period:

	<u>Group</u>	<u>Company</u>
	RM'000	RM'000
31 December 2018		
Financial assets		
Financial assets, at amortised cost		
– Trade and other receivables	95,694	79,774
– Cash and cash equivalents	15,956	841
– Other current assets	6,759	5
Financial assets, at FVOCI	2,380	–
	120,789	80,620
Financial liabilities		
Other financial liabilities, at amortised cost		
– Trade and other payables	25,447	10,759
– Interest-bearing liabilities	59,708	45,725
	85,155	56,484

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Financial risk management (continued)

34.6 Financial instruments by category (continued)

	Group RM'000	Company RM'000
31 December 2017		
Financial assets		
Loans and receivables		
– Trade and other receivables	89,720	72,046
– Cash and cash equivalents	20,323	4,578
– Other current assets	4,881	2
Financial assets, available-for-sale	522	–
	115,446	76,626
Financial liabilities		
Other financial liabilities, at amortised cost		
- Trade and other payables	17,618	1,222
- Interest-bearing liabilities	46,112	44,024
	63,730	45,246

35. Contingent liabilities

	2018 RM'000	2017 RM'000
Corporate guarantees provided by a subsidiary of the Company in favour of a bank for:		
– bank facilities utilised by an associate, Goldfield Alliance Sdn. Bhd.	845	884

The directors are of the view that it is unlikely that the financial institutions will call upon the corporate guarantees in view of the financial strength of the subsidiary and the borrowing of the associate are secured by a first party first legal charge over the investment property of the associate.

36. Event occurred after balance sheet date

On 28 February 2019, ZICO Asset Management Pte. Ltd. ("ZICO AM"), a direct subsidiary of the Company has increased its issued and paid up share capital from S\$1,308,279 to S\$1,478,279, through the pro-rata issuance and allotment of:

- (i) 153,000 new ordinary shares of S\$1 each to the Company, for an aggregate consideration of S\$153,000, which was satisfied by the Company in cash; and
- (ii) 17,000 new ordinary shares of S\$1 each to an existing shareholder of ZICO AM ("Existing Shareholder"), for an aggregate consideration of S\$17,000 which was satisfied in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Event occurred after balance sheet date (continued)

Following the share issuances above, the Company will continue to own 90% of ZICO AM and the Existing Shareholder will continue to own 10% of ZICO AM.

On 14 March 2019, the Company has entered into two (2) conditional placement agreements with two (2) Placees, for the allotment and issue an aggregate of 20,000,000 ordinary shares in the capital of the Company (the "Placement Shares") at the issue price of S\$0.15 per Placement Share ("Issue Price") to the Placees for an aggregate subscription amount of SGD3,000,000 (the "Placement").

On 25 March 2019, the Board of Directors of the Company has announced the completion of the Placement ("Completion") following the allotment and issuance of 20,000,000 Placement Shares at the issue price of S\$0.15 per Placement Share to the placees for an aggregate gross subscription amount of S\$3,000,000 as follows:

- (i) 6,666,667 Placement Shares allotted and issued to James Khong Poh Wah for a subscription amount of S\$1,000,000.05; and
- (ii) 13,333,333 Placement Shares allotted and issued to Yeo Keng Joon for a subscription amount of S\$1,999,999.95.

Following completion, the total issued share capital of the Company has increased to 322,575,772 shares, being the enlarged issued and paid-up share capital after allotment and issuance of Placement Shares. The Placement Shares shall rank *pari passu* in all respects with and carry all rights similar to the then existing shares, except that they will not rank for any dividend, right, allotment or other distribution, the record date for which falls on or before the date of completion.

37. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. New or revised accounting standards and interpretations (continued)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019) (continued)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RM20,640,000 (Note 32). The Group expects to recognise right-of-use assets of approximately RM18,003,915 on 1 January 2019, lease liabilities of RM19,423,151 (after adjustments for prepayments and accrued lease payments recognised). Overall net assets will be approximately RM1,419,237 lower, and net current assets will be RM5,758,925 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately RM214,940 for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately RM3,840,614, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately RM3,930,105 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

38. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of ZICO Holdings Inc. on 29 March 2019.

SHAREHOLDER INFORMATION

AS AT 11 MARCH 2019

Issued and fully paid-up capital	:	RM84,131,694
Total number of issued shares	:	301,569,463
Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote for each ordinary share
Number of treasury shares	:	NIL

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 – 99	0	0.00	0	0.00
100 – 1,000	10	6.17	2,200	0.00
1,001 – 10,000	33	20.37	237,700	0.08
10,001 – 1,000,000	96	59.26	15,082,459	5.00
1,000,001 and above	23	14.20	286,247,104	94.92
Total	162	100.00	301,569,463	100.00

TOP TWENTY SHAREHOLDERS AS AT 11 MARCH 2019

Name of Shareholders	No. of Shares	% of Shares
1. UOB KAY HIAN PTE LTD	121,759,691	40.38
2. RHB SECURITIES SINGAPORE PTE LTD	39,816,500	13.20
3. DB NOMINEES (SINGAPORE) PTE LTD	29,920,600	9.92
4. RAFFLES NOMINEES (PTE) LIMITED	14,636,271	4.85
5. CITIBANK NOMINEES SINGAPORE PTE LTD	12,963,200	4.30
6. HONG LEONG FINANCE NOMINEES PTE LTD	7,546,500	2.50
7. JUNE SONG PTE LTD	7,487,879	2.48
8. TOH BENG SUAN	7,210,000	2.39
9. LIEW FOONG YUEN	6,350,000	2.11
10. KGI SECURITIES (SINGAPORE) PTE LTD	5,546,100	1.84
11. LEANDAR PTE LTD	5,293,737	1.76
12. CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	5,170,865	1.71
13. PRIMEPARTNERS GROUP PTE LTD	5,000,000	1.66
14. JAMES KHONG POH WAH	2,519,200	0.83
15. DBS NOMINEES PTE LTD	2,434,200	0.81
16. MAYBANK KIM ENG SECURITIES PTE LTD	2,255,300	0.75
17. KEK CHIN WU	2,121,400	0.70
18. HANIM HAMZAH	2,060,000	0.68
19. SEAN LAI CHOONG CHANG	1,735,961	0.58
20. CHUN KWONG PONG	1,203,200	0.40
	283,030,604	93.85

SHAREHOLDER INFORMATION

AS AT 11 MARCH 2019

SUBSTANTIAL SHAREHOLDERS AS AT 11 MARCH 2019

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	% of Shareholdings	No. of Shares	% of Shareholdings
Chew Seng Kok	104,247,800	34.57	5,293,737 ⁽¹⁾	1.76
Loh Wei Lian	17,090,842	5.67	0	0

(1) Deemed interested by virtue of shares held by Leandar Pte. Ltd. is a company incorporated in Singapore. Mr Chew Seng Kok holds 100% of the shareholding interests in Leandar Pte. Ltd.

PERCENTAGE OF SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 11 March 2019, approximately 50.97% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Catalist Rules has been complied with.

TREASURY SHARES AND SUBSIDIARY HOLDINGS

There are no subsidiary holdings or treasury shares. The number of subsidiary holdings held is "0". The percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed is also "0".

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of ZICO HOLDINGS INC. (the “**Company**”) will be held at Conference Room, Level 3, 8 Robinson Road, ASO Building, Singapore 048544 on Monday, 22 April 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors’ Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company (“**Directors**”) retiring pursuant to Article 97 of the Company’s Articles of Association:

Article 97:

Datuk Ng Hock Heng

(Resolution 2)

Mr Chew Liong Kim

(Resolution 3)

Mr Stephen Arthur Maloy

(Resolution 4)

[Explanatory Note (i)]

3. To approve the payment of Directors’ fees totalling S\$375,000 (2018:S\$375,000) for the financial year ending 31 December 2019, to be paid quarterly in arrears. **(Resolution 5)**

[Explanatory Note (ii)]

4. To re-appoint Pricewaterhousecoopers LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

5. To transact any other ordinary business which may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. AUTHORITY TO ALLOT AND ISSUE SHARES

That pursuant to Article 3 of the Company’s Articles of Association and Rule 806 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Catalist Rules**”), authority be given to the Directors to:

- (a) issue shares (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (b) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force, provided that:
- (i) the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) does not exceed one hundred percent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares and convertible securities to be issued (including Shares to be issued pursuant to the Instruments) other than on a *pro rata* basis to existing shareholders of the Company shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);
 - (ii) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (i) above, the percentage of Shares that may be issued shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company at the time this resolution is passed, after adjusting for:
 - (aa) new Shares arising from the conversion or exercise of the Instruments or convertible securities;
 - (bb) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed; and
 - (cc) any subsequent bonus issue, consolidation or subdivision of Shares;
 - (iii) in exercising such authority, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
 - (iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[Explanatory Note (iii)]

(Resolution 7)

7. AUTHORITY TO ISSUE AND ALLOT SHARES UNDER:

(a) THE ZICO HOLDINGS PERFORMANCE SHARE PLAN

THAT the Directors be and are hereby authorized to offer and grant awards ("**Awards**") in accordance with the provisions of the ZICO Holdings Performance Share Plan (the "**Plan**") and to allot and issue from time to time such number of fully paid-up Shares as may be required to be issued pursuant to the vesting of Awards granted under the Plan, provided always that the aggregate number of Shares to be issued pursuant to the Plan, when added to the number of Shares issued and issuable under other share-based incentives schemes or share plans of the Company, shall not exceed fifteen percent (15%) of the total issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

[Explanatory Note (iv)]

(Resolution 8A)

NOTICE OF ANNUAL GENERAL MEETING

(b) THE ZICO HOLDINGS EMPLOYEE SHARE OPTION SCHEME

THAT the Directors be and are hereby authorized to offer and grant options ("Options") under the ZICO Holdings Employee Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the Options under the Scheme, provided always that the aggregate number of Shares to be issued pursuant to the Scheme, when added to the number of Shares issued and issuable under other share-based incentives schemes or share plans of the Company shall not exceed fifteen percent (15%) of the total issued Share (excluding treasury shares and subsidiary holdings) of the Company from time to time.

[Explanatory Note (iv)]

(Resolution 8B)

By Order of the Board

ZICO Secretarial Limited
Secretary
Singapore, 5 April 2019

Explanatory Notes:

- (i) **Resolution 2** – Datuk Ng Hock Heng, if re-elected, will remain as an Executive Director of the Company. He currently holds a directorship in Ecofirst Consolidated Bhd, a public listed company listed on the Main Board of Bursa Malaysia.

Resolution 3 – Mr Chew Liong Kim, if re-elected, will remain as the Chairman of the Remuneration Committee and a member of the Audit and Risk, and Nominating Committees. The Board considers Mr Chew Liong Kim to be independent pursuant to Rule 704(7) of the Catalist Rules.

Resolution 4 – Mr Stephen Arthur Maloy, if re-elected, will remain as a Non-Executive Non-Independent Director of the Company and a member of the Audit and Risk, Nominating, and Remuneration Committees. He currently serves as Chairman of Magritek, Ltd, an advanced technology company based in New Zealand and Germany.

Pursuant to Article 97 of the Company's Articles of Association, at each annual general meeting of the Company, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Provided that all Directors shall retire from office at least once every three (3) years. In light of Article 97 and that the Company's Board of Directors consist of 7 Directors, they may retire by rotation in less than 3 years.

- (ii) **Resolution 5** – This resolution is to facilitate payment of Directors' fees during the financial year in which the fees are incurred. The aggregate amount of Directors' fees provided in the resolution is calculated on the assumption that all the present Directors will hold office for the whole of the financial year ending 31 December 2019 ("FY2019"). Should any Director hold office for only part of FY2019 and not the whole of FY2019, the Director's fee payable to him will be appropriately pro-rated.
- (iii) **Resolution 7** – This resolution, if passed, will empower the Directors, effective until (i) the conclusion of the next annual general meeting of the Company, or (ii) the date by which the next annual general meeting of the Company is required by law to be held or (iii) the date on which such authority is varied or revoked by the Company in a general meeting, whichever is the earliest, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred percent (100%) of issued Share capital of the Company (excluding treasury shares and subsidiary holdings), of which up to fifty percent (50%) may be issued other than on a pro-rata basis to existing shareholders of the Company.
- (iv) **Resolutions (8A) & (8B)** – Each of this resolution, if passed, will empower the Directors to allot and issue Shares pursuant to the vesting of Awards and the exercise of Options under the Plan and Scheme, provided that the aggregate number of Shares to be issued pursuant to the Plan and Scheme, when added to the number of Shares issued and issuable under other share-based incentives schemes or share plans of the Company shall not exceed fifteen percent (15%) of the total issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. A member of the Company entitled to attend and vote at the AGM of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
3. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he deems fit.
4. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.
5. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.
6. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting.
7. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.
8. The instrument appointing a proxy must be deposited at the registered office of the Singapore Branch at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not less than forty-eight (48) hours before the time appointed for holding of the AGM.

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

This notice 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 the notice.

The contact person for the Sponsor is Ms Foo Quee Yin.

Telephone number: +65 6221 0271

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the annual general meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the annual general meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the annual general meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ZICO HOLDINGS INC.

(Incorporated in Labuan, Malaysia)

(Company Registration No. LL07968)

PROXY FORM – ANNUAL GENERAL MEETING

I/We, _____ (full name in capital letters)

NRIC No./Passport No./Company No. _____

of _____ (full address)

being a member/members of ZICO HOLDINGS INC. (the “**Company**”), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the annual general meeting (“**AGM**”) of the Company, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the AGM to be held on Monday, 22 April 2019 at 10.00 am at Conference Room, Level 3, 8 Robinson Road, ASO Building, Singapore 048544 and at any adjournment thereof.

(In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matters arising at the AGM and at any adjournment thereof.)

Resolution No.	ORDINARY BUSINESS	For*	Against*
Resolution 1	To receive and adopt the Directors’ Report and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors’ Report thereon		
Resolution 2	To re-elect Datuk Ng Hock Heng as a Director of the Company		
Resolution 3	To re-elect Mr Chew Liong Kim as a Director of the Company		
Resolution 4	To re-elect Mr Stephen Arthur Maloy as a Director of the Company		
Resolution 5	To approve payment of Directors’ Fees for the financial year ending 31 December 2019, to be paid quarterly in arrears		
Resolution 6	To re-appoint of Pricewaterhousecoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
Resolution 7	To approve the authority to allot and issue shares.		
Resolution 8A	To approve the authority to allot and issue shares pursuant to the ZICO Holdings Performance Share Plan		
Resolution 8B	To approve the authority to allot and issue shares pursuant to the ZICO Holdings Employee Share Option Scheme		

* If you wish to exercise all your votes “For” or “Against”, please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Dated this _____ day of _____ 2019

Total Number of Shares held in:	
CDP Register	
Register of Members	

Signature(s) of member(s) or Common Seal

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited, you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
4. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstained as he thinks fit.
5. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.
6. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.
7. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting.
8. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.
9. The instrument appointing a proxy must be deposited at the Registered Office of the Singapore Branch at 8 Robinson Road #03-00, ASO Building, Singapore 048544, not less than forty-eight (48) hours before the time appointed for holding of the AGM.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 5 April 2019.



ZICO
HOLDINGS INC.

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