



MULTIPLYING SOLUTIONS ADDING GREATER VALUE

ANNUAL REPORT 2016



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ZICO Holdings Inc. (the "Company") has been listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") since 11 November 2014. The initial public offering of the Company (the "IPO") was sponsored by PrimePartners Corporate Finance Pte. Ltd. ("PPCF"). The Company has appointed Stamford Corporate Services Pte. Ltd. (the "Sponsor" or "SCS") in place of PPCF as its continuing sponsor with effect from 7 September 2016.

This annual report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements, or opinions made, or reports contained in this annual report.

The contact person for the Sponsor is Mr Yap Wai Ming, Registered Professional, Continuing Sponsorship, at 10 Collyer Quay, #27-00 Ocean Financial Centre, Singapore 049315, telephone (65) 6389 3000.

CORPORATE PROFILE

ZICO Holdings Inc. ("ZICO" and together with its subsidiaries and associated companies, the "Group") is an integrated provider of multidisciplinary professional services which was listed on Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 11 November 2014. The Group is focused on the ASEAN region and through its multidisciplinary services, regional capabilities and local insights, ZICO 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.

ZICO has business operations in Indonesia, Laos PDR, Malaysia, Myanmar, Singapore and the Philippines.

The Group augments its existing regional presence with that of the ZICOLaw network to extend its reach across all ten¹ countries in Southeast Asia. These ten countries include those where ZICO has business operations in as well as Brunei, Cambodia, Thailand, and Vietnam where ZICO does not presently have business operations.

It is also backed by a regional management team consisting of its Executive Directors who have, in aggregate, more than 70 years of experience in the professional services industry.

The Group currently operates in three key business segments:

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

AN INTEGRATED PROVIDER OF MULTIDISCIPLINARY SERVICES IN ASEAN

CROSS SELLING & INTEGRATED SERVICES

Framework to facilitate referrals and cross-selling of clients including public sector entities, government-linked companies, public-listed and private companies, MNCs, SMEs, law firms, and individuals.

MULTIDISCIPLINARY PRACTICE (MDP)

An integrated services practice housed under a regional brand synonymous with quality solutions. Resource sharing ensures efficient delivery of comprehensive services to clients.

Listed On Catalist Of The Singapore
Exchange Securities Trading Limited
On 11 November 2014.

STRONG RELATIONSHIP WITH ZICOLaw

Framework to facilitate referrals and cross-selling of clients including public sector entities, government-linked companies, public-listed and private companies, MNCs, SMEs, law firms and individuals.

FOCUS ON THE ASEAN REGION

Integrated collection of ASEAN-based professional services firms, offering advisory and transactional services, management and support services, and licensing services.

¹ Including Brunei where ZICOLaw added its latest member firm, Rozaiman Abdul Rahman, effective as of 1 January 2017

OUR BUSINESS SEGMENTS

ADVISORY & TRANSACTIONAL SERVICES



LEGAL SERVICES

- Offer legal services in Myanmar 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 services

CORPORATE FINANCE⁺

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

ONLINE PROFESSIONAL SERVICES[#]

- Integrated online platform to provide small-medium businesses in the ASEAN region with affordable professional services

INSOURCING

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

MANAGEMENT & SUPPORT 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

Cross-promotion and Integration of Services

ZICOlaw NETWORK

- Roosdiono & Partners*
- SokSiphana&associates*
- Zaid Ibrahim & Co*
- ZICOlaw Sabah*
- Gala and Tomik Advocates*
- ZICO Insights Law LLC*
- ZICOlaw (Thailand)*
- ZICOlaw (Vietnam)*
- Rozaiman Abdul Rahman*

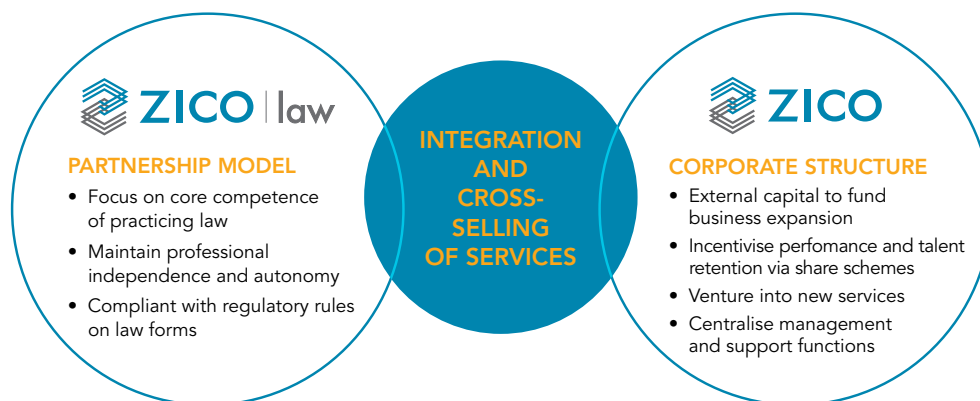
[^] We provide legal services only to the extent permitted in the relevant jurisdictions. In other jurisdictions, we cooperate with and support independent and autonomous law firms which are members of the ZICOlaw network, in compliance with local professional regulations.

* These members of the ZICOlaw network are legally separate from our Group.

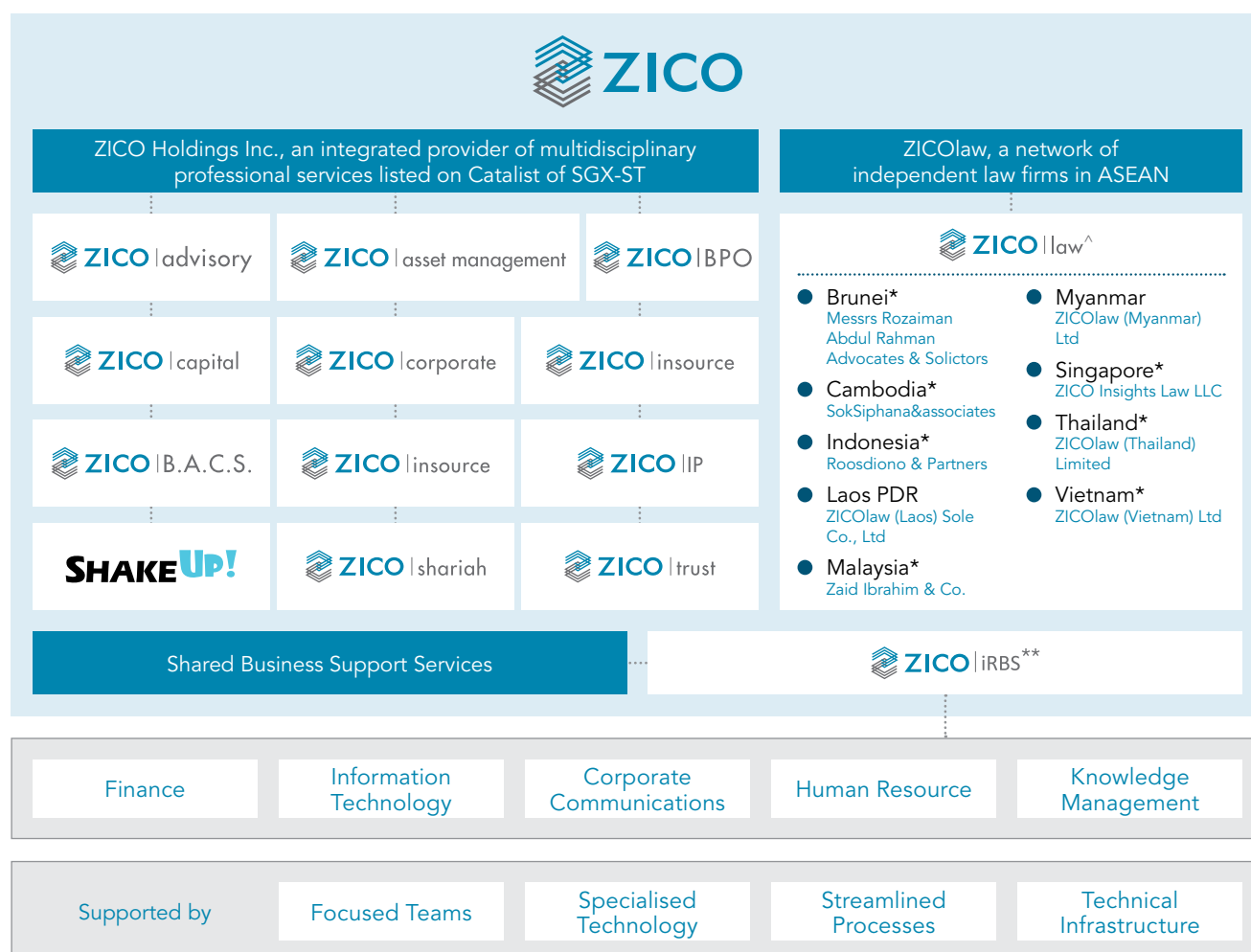
+ Launched on 8 September 2016

Launch of ShakeUp Online Sdn. Bhd. subsequent to FY2016, on 16 February 2017

SYMBIOTIC BUSINESS MODEL

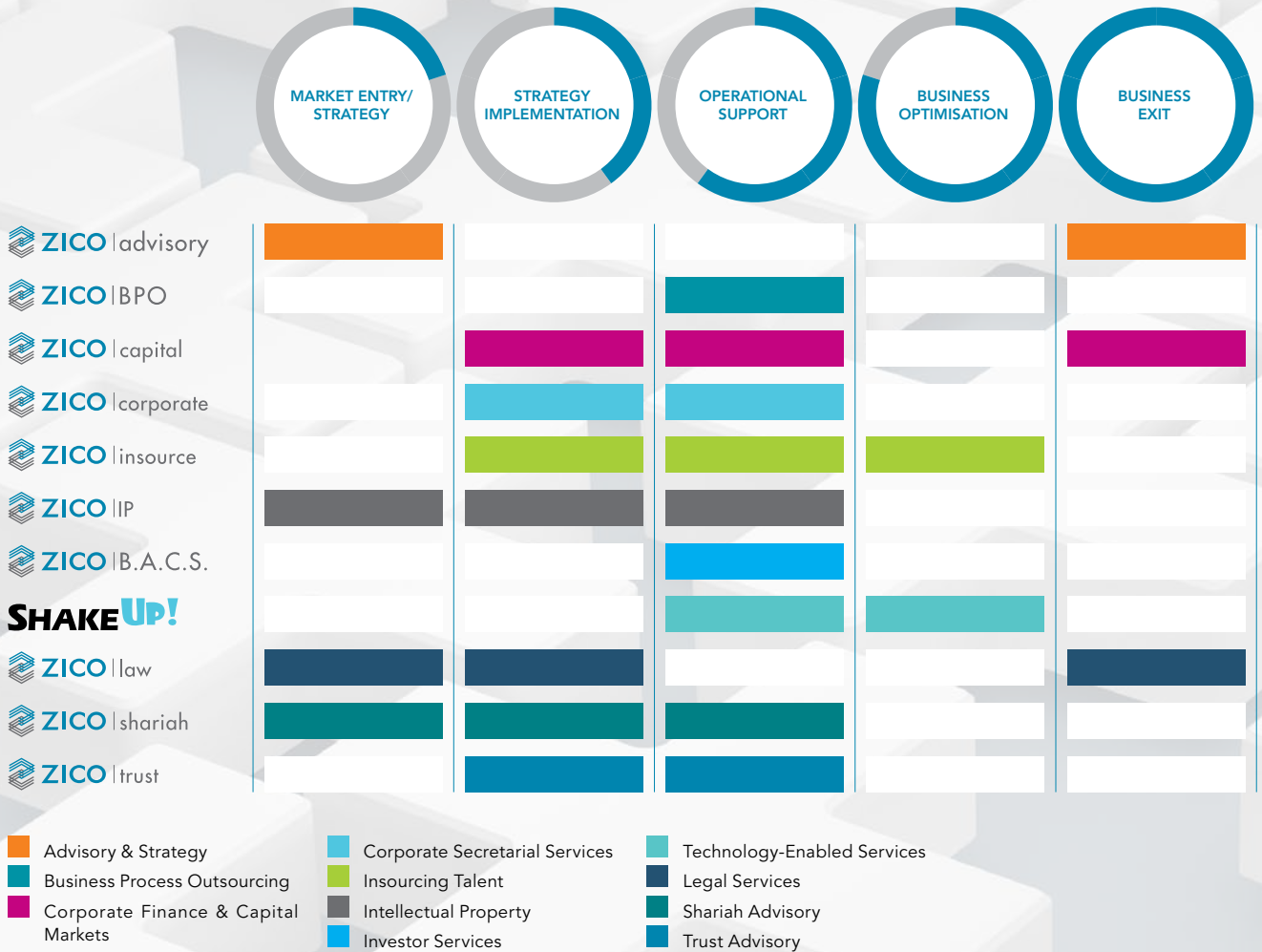


MULTIDISCIPLINARY PRACTICES SUPPORTED BY INTEGRATED BUSINESS SOLUTIONS



** iRBS stands for "Integrated Regional Business Services".

OUR SERVICES ACROSS THE BUSINESS LIFE CYCLE



"GLOBAL FIRST"
Financial Times
June 2015

**"FT INNOVATIVE
LAW AWARDS"**
2014-2015

OUR PRESENCE

Together with the ZICOlaw network, ZICO has presence across all 10 ASEAN countries



KEY CORPORATE MILESTONES FOR THE YEAR

Expanded into new geographical market of the Philippines by establishing ZICO Corporate Services, Inc. to provide business, management, corporate and consultancy services

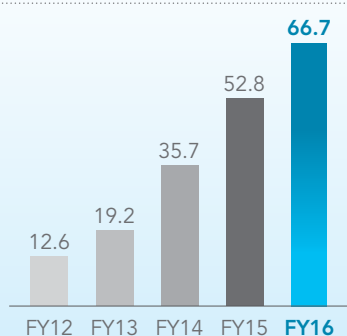
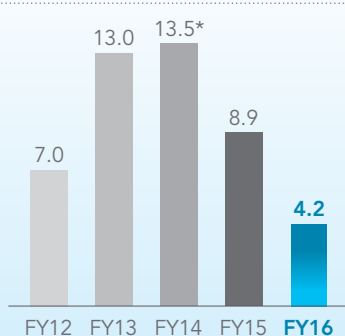
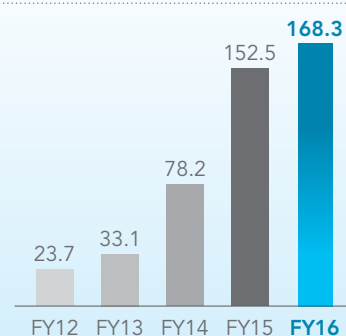
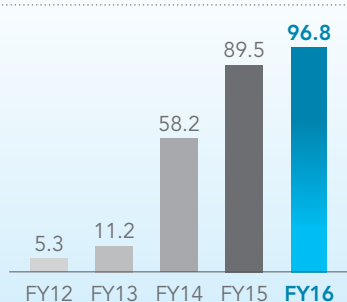
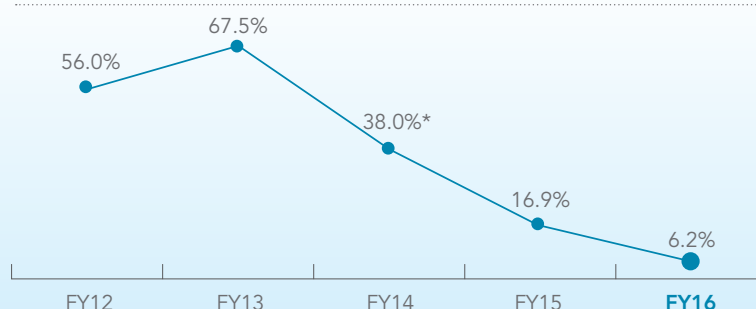
Established ZICO Asset Management Pte. Ltd. to provide wealth management, family office, and multi asset management services in Singapore

2016

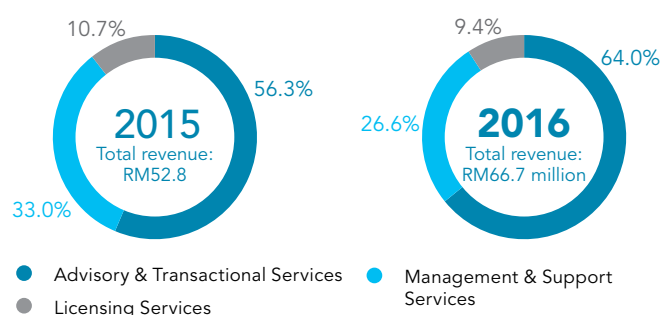
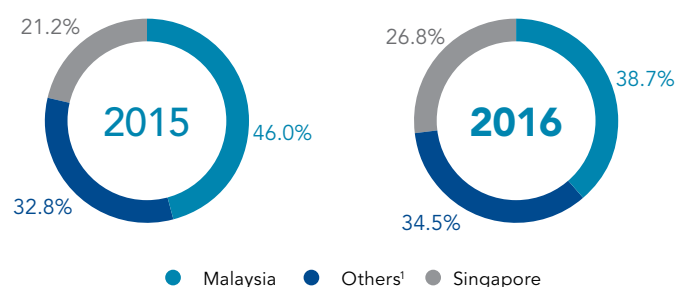
Established and launched ZICO Capital Pte. Ltd. to provide corporate finance advisory services and activities as a Catalyst full sponsor and accredited issue manager in Singapore

Established ZICO IP ASEAN Inc. to provide marketing services in relation to intellectual property-related services in ASEAN countries

FINANCIAL HIGHLIGHTS

REVENUE
(RM millions)

PROFIT BEFORE INCOME TAX
(RM millions)

TOTAL ASSETS
(RM millions)

TOTAL EQUITY
(RM millions)

PROFIT BEFORE INCOME TAX MARGIN


REVENUE BREAKDOWN

Business Segment (%)

Geographical Segment (%)


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

	FY2012	FY2013	FY2014	FY2015	FY2016
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REVENUE AND PROFITABILITY

Revenue (RM millions)	12.6	19.2	35.7	52.8	66.7
Profit before income tax (RM millions)	7.0	13.0	13.5*	8.9	4.2

FINANCIAL POSITION

Current ratio	1.2	1.4	3.6	1.3	1.4
Total assets (RM millions)	23.7	33.1	78.2	152.5	168.3
Total equity (RM millions)	5.3	11.2	58.2	89.5	96.8

KEY FINANCIAL RATIOS

Return on asset	26.8%	35.1%	13.7%	4.8%	3.0%
Return on equity	119.3%	103.9%	18.4%	8.1%	5.2%
Debt to equity	0.0	0.2	0.0	0.4	0.4

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

CHAIRMAN'S MESSAGE



Notwithstanding the political and economic uncertainties, both global and regional, we achieved a credible topline growth of 26.5% for FY2016.

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you ZICO's Annual Report for the full year ended 31 December 2016 ("FY2016").

The year that passed was marked by a number of significant geopolitical and macroeconomic events across the globe. These included, *inter alia*, the United Kingdom's referendum to exit the European Union, the election of President Trump as President of the United States, and his decision to withdraw from the Trans-Pacific Partnership. These developments have economic consequences that have yet to be fully played out, but yet have already impacted ZICO's operational and financial performance.

PERFORMANCE REVIEW

Notwithstanding the political and economic uncertainties, both global and regional, we achieved a credible topline growth of 26.5% for FY2016. This was largely driven by the improved performance of the Advisory and Transactional Services and Licensing Services segments. The Management and Support Services segment also saw a climb in revenue, albeit at a measured pace.

It was our heavy investments in existing and new businesses that have led us to achieve year-on-year revenue increases from all four quarters of FY2016. It is a validation of our strategy to extend the breadth and depth of our integrated professional services under our multidisciplinary platform. However, the higher operating costs necessary to support long-term business growth have inevitably affected our bottomline. The result is a dip of about 30.3% in profit after tax, where profit after tax decreased from RM7.3 million in the previous year to RM5.1 million in FY2016.

MULTIPLYING SOLUTIONS, ADDING GREATER VALUE

Our core strategy remains focused on expanding our suite of ASEAN-focused service offerings, establishing additional distribution channels for our existing services, and reaching out to a wider pool of clients to broaden our revenue streams. We have realised this strategy by accomplishing several major milestones this year.

The first is the establishment of our corporate finance advisory business – ZICO Capital Pte. Ltd. ("ZICOcap"). With ZICOcap, not only are we able to provide a wide range of financial advisory and management services for private and public-listed companies, but we are now also able to offer continuing sponsorship services to Catalist-listed companies in Singapore.

The second is the establishment of our asset management business – ZICO Asset Management Pte. Ltd. ("ZICO AM"). It caters to the rising demand for specialised private wealth management services from high net worth to family office clients in the ASEAN region. With ZICO AM, we are able to offer truly independent, bespoke, and value-driven solutions that are increasingly sought after by private wealth clients. The nature of the business' strong asset 'stickiness' allows us to cement new and long-lasting client relationships that will open up cross-selling opportunities with existing clients who have successfully exited their enterprises.

The third is the establishment of a new business that rides the wave of disruptive technology permeating the legal industry. ShakeUp Online Sdn. Bhd. ("ShakeUp Online") – an online legal services platform – was launched in February 2017. By collaborating with Epoq Legal Ltd in the United Kingdom, one of the world's largest providers of online and assisted legal services, ShakeUp Online will be at the forefront of delivering technology-enabled professional services focused on the ASEAN region.

With the addition of ZICOcap, ZICO AM, and ShakeUp Online, our clients of a particular service offering now have a wider complementary suite of professional services to tap on. Meanwhile, these new business units are also able to avail themselves of our existing client base, which was carefully cultivated over the years, and to leverage on cross-selling opportunities with ZICO's existing business units and the ZICOLaw network.

All these translate to additional revenue streams and add greater value to ZICO.

FULL GEOGRAPHICAL COVERAGE ACROSS THE ASEAN REGION

ZICO recently achieved full geographical coverage across all ten ASEAN countries, compared to last year's eight. Our new presence are in the Philippines and Brunei. We launched our corporate and management services in the Philippines in FY2016. Whereas in Brunei, a new ZICOLaw network member firm was established in Bandar Seri Begawan in January 2017. With our complete ASEAN reach, track record, and strong brand name across the region, we are well-positioned to reach out to potential clients in the Philippines and Brunei who have regional expansion aspirations, or who already have a presence in other ASEAN countries.

With our ASEAN coverage now complete, we have a fully compelling narrative as a provider of integrated professional services with geographical breadth, best positioned to serve the interests of our clients, existing and potential.

OUTLOOK

Over the short-term, we expect headwinds from FY2016's uncertain geopolitical and macroeconomic climate to affect our operations in FY2017. The recent rise in tensions in Northeast Asia and the expected increase in global interest rates may also depress business sentiment and affect trade flows.

However, we remain optimistic that ZICO's long-term prospects will remain favourable in light of the push to liberalise legal services in ASEAN, coupled with the promising economic outlook in Southeast Asia. Moreover, ZICO is well placed to benefit from the growth of ASEAN's economy, which is projected to rise by over 50%, from US\$2.1 trillion in 2016 to over US\$3.3 trillion in 2021¹.

WORDS OF APPRECIATION

In closing, my appreciation goes to our investors for their loyal support and faith in ZICO since our initial public offering in 2014. On behalf of our Board of Directors, I would also like to thank our clients and business partners for their unfailing support. Investors would be pleased to know that we have built a strong ZICO team of staff working together as one supportive family.

To ZICO's management team and staff, we thank you for your dedication, discipline and persistence in pursuing the ZICO mission. The Board has seen you at work at various venues and we are fortunate to have your dedication and stamina. Last but not least, I would like to express my gratitude to my fellow Board members, who have been generous with their invaluable counsel in charting ZICO's strategic direction.

While there are challenges ahead, I am confident that with the collective efforts of our stakeholders, ZICO's position as a true blue ASEAN-focused integrated provider of multidisciplinary professional services will grow from strength to strength.

Dato' T. Jasudasen
Independent Chairman

¹ International Monetary Fund's Database on World Economic Outlook – October 2016

MANAGING DIRECTOR'S MESSAGE

Dear Valued Shareholders,

In FY2016, ZICO achieved revenue growth for four consecutive quarters. This validates our strategy to broaden and deepen the range of integrated services under our multidisciplinary platform (MDP) and provide opportunities for cross-selling and referrals across The Group and the ZICOLaw network of law firms. The integration of these services provide opportunities to expand the pool of clients served by the businesses and entities under the group. During the year, we also continued our pursuit of sustainable growth by further strengthening our existing services and broadening the revenue streams, largely through organic means.

EXPANDING OUR ECOSYSTEM OF SERVICES

We utilised S\$1.0 million of the allocated IPO proceeds to enhance our information technology infrastructure in line with our commitment to raise efficiencies in our support services. We tapped into S\$0.4 million of the IPO proceeds and a combination of existing internal resources and borrowings to expand our business operations organically and via acquisitions, as part of our strategy to expand ZICO's suite of services.

A significant milestone under the advisory and transactional services ("ATS") segment was the launch of our corporate finance advisory services in September 2016. This followed the grant of the Capital Markets Services Licence from the Monetary Authority of Singapore ("MAS") in July 2016 and the approval of our subsidiary, ZICOcap as an accredited issue manager and full sponsor by the Singapore Exchange Securities Trading Limited in August 2016. We are delighted to have Mr Alex Tan and Mrs Karen Soh-Tham, ZICOcap's Chief Executive Officer and Managing Director respectively to spearhead the company. Collectively, they have more than 40 years of experience in banking, corporate finance and capital markets, and are well established in the industry. ZICOcap represents a new income



stream for the Group. The typically lumpy nature of revenue from corporate finance advisory services is balanced by the recurring continuing sponsorship services which is also provided by the company to Catalyst-listed companies. Although ZICOcap was only set up in the later part of 2016, it has already contributed 3.3% of ZICO's overall revenue for FY2016. This bodes well for our prospects going forward. Over the past months, the company has been building a robust transaction pipeline and is continuously seeking to boost its deal flow. We note, however, that whilst the progress of ongoing deals are well underway, the successful completion may invariably shift due to the fluid nature of private and public market transactions.

We are also pleased with ZICO securing approval from the MAS to commence business as a registered fund management company in February 2017. This will allow the Group to expand into providing asset management services through our new asset management company – ZICO AM. We are pleased to welcome Mr Lim Khoo Siong and Ms Elaine Long, as Chief Executive Officer and Executive Director of ZICO AM respectively. Both of them have a wealth of banking and asset

management experience of over 20 years and have a well-established track record. We are certainly excited about ZICO AM's prospects and are confident that with both of them at the helm, ZICO AM will form a growing and increasingly important part of our overall business in the near future.

The expansion into asset management is in line with our continuing focus to provide a fuller suite of complementary services, including financial services, across the business lifecycles of our clients.

Another exciting growth initiative was the launch of ShakeUp Online, an online legal services platform on 16 February 2017. ShakeUp Online will spearhead ZICO's latest initiative to provide professional services online. ShakeUp Online's platform will provide affordable online legal services to small-medium enterprises ("SMEs") in the ASEAN region¹ through an integrated online platform. The development of SMEs will fuel the need for reliable legal services. ShakeUp Online will cater for these needs, by providing these SMEs with access to high quality legal documents that are easy to understand and simple to use.

¹ According to the Association of Southeast Asian Nations, SMEs account for 88.8% to 99.9% of business establishments in ASEAN member states

In addition, ShakeUp Online will partner with large companies and institutions to provide innovative products and services to their customers and help improve the quality and cost efficiency of their in-house support services. ZICO's existing client base that consists of large multi-ASEAN corporations will be a point of leverage for this part of ShakeUp Online's operations.

ShakeUp Online is collaborating with Epoq by way of a Licence and Support Agreement. ShakeUp Online's services will be powered by Epoq's pioneering and proven document automation system.

A key difference between the services provided by ShakeUp Online as compared to other online professional service providers is that it operates under the established "ZICO" and "ZICOLaw" brands, each with its own existing client base and market presence in the ASEAN region. ShakeUp Online, as the flagship of ZICO's strategy to provide professional services through an integrated online platform, combines online services with ZICO and ZICOLaw's existing face-to-face client interactions. This unique combination will allow us to be a first mover in the market.

As part of our organic growth strategy and to further strengthen our footprint across the region, several new subsidiaries were set up during the financial year. These included ZICO IP ASEAN Inc. to provide marketing services in relation to intellectual property related services in ASEAN countries, as well as ZICO AA Sdn. Bhd. to provide strategic business and management consultancy services to the public and private sector in Malaysia.

At ZICO, we understand that diversity is paramount for the development of a holistic organisation and have made it one of the cornerstones of our company. By being committed towards the advancement of women, we take pride in having an organisation that is full of bold and talented women who have become thought leaders in their respective fields. As at December 2016, within the Group, we have a 22% ethnic workforce speaking 35 languages and dialects, and women make up 52% of our workforce with 54% of them in leadership roles.

FINANCIAL REVIEW

The Group's overall topline rose by 26.5% to RM66.7 million in FY2016, up from RM52.8 million in FY2015. This was largely a result of our largest business segment – ATS – registering a revenue growth of 43.8% to RM42.7 million. The factors accounting for the segment's growth included the additional revenue contribution from our new corporate finance advisory services; and revenue increases from the corporate secretarial business, accounting services, investor services as well as business advisory services. As for the licensing services segment, higher royalty fees led to a 10.5% rise in the segment's sales to RM6.3 million, while higher fees generated from providing support services led to a 2.1% growth to RM17.8 million for the management and support services segment.

Our efforts over the past years to raise the proportion of foreign currency denominated billings stood us in good stead in mitigating the trend of a weakening Ringgit throughout FY2016. Our percentage exposure to the Ringgit has continued to decline, accounting for 32% of total FY2016's topline as compared to 37% of the previous financial year's revenue.

As a company in the services sector, employee benefits expenses form the bulk of our overall operating costs. Primarily due to the investment in additional senior and experienced personnel for the new businesses in Singapore, there was a 42.5% or RM10.6 million rise in employee benefits expenses to RM35.5 million in FY2016. Overall, ZICO registered total operating expenses of RM65.2 million, with the increase in employee benefits expenses and other expenses having a major impact to ZICO's 30.3% decline in profit after tax to RM5.1 million in FY2016.

As at 31 December 2016, our cash and cash equivalents stood at RM19.6 million while shareholders' equity was at RM96.8 million. As for our IPO proceeds, we have a remaining S\$0.8 million available allocated for the expansion of our business, which we intend to utilise in the near future. We will continue to manage our financial position prudently while ensuring sufficient financial flexibility to capitalise on compelling growth opportunities when they arise.

STRATEGIES TO BUILD STRONG RESILIENCE

Since our listing in November 2014, we have successfully embarked on a strategy to broaden and deepen the suite of integrated services and expanded the ZICO footprint to all 10 ASEAN countries. We have achieved 12 consecutive quarters of revenue growth whilst maintaining the contribution from recurring income at above 70%. We have also successfully diversified the currency contribution to the revenue of the group. Whilst the profitability of ZICO has been affected by the substantial increase in the payroll cost for new services in Singapore, we believe these are necessary investments for future and sustainable growth.

Moving forward, we anticipate a challenging global economic environment and uncertainties in the geopolitical climate which could affect our growth and profitability. Nevertheless, we believe our strategy of expanding the suite of services, keeping a sharp focus on growth in the dynamic ASEAN region and being innovative to embrace disruptive trends will provide some insulation from these external macro headwinds.

We firmly believe this strategy will ultimately benefit our investors through the build-up of additional revenue streams and operational synergies across the Group in the years to come.

Chew Seng Kok
Managing Director

BOARD OF DIRECTORS



Dato' T. Jasudasen



Chew Seng Kok



Liew Foong Yuen



Ng Hock Heng



Stephen Arthur Maloy



Chew Liong Kim



John Lim Yew Kong

Dato' T. Jasudasen
Independent Chairman

Dato' T. Jasudasen, our Independent Chairman, was appointed to the Board of Directors on 16 February 2015.

Dato' T. Jasudasen retired from full-time diplomacy in September 2014 after 37 years of Government service. He was 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 including the United Nations; United Nations Educational, Scientific and Cultural Organisation; the Organisation for Economic Cooperation and Development; and the Commonwealth Organisation.

Dato' T. Jasudasen currently serves as Singapore's Non-Resident Ambassador to Ethiopia and the African Union. In addition, he sits on the Advisory Board of the Nanyang Business School's Center for African Studies. He is also an Honorary Steward at the Singapore Turf Club.

Dato' T. Jasudasen was awarded a Silver Public Administration Medal PPA(P) in 1990, a Gold Medal PPA(E) in 2011 and a long service medal (PBS) in 2002 by the Singapore Government. He also received a Legion D'honneur from the French Government and a Dato-ship from HRH, the Sultan of Pahang, Malaysia.

Dato' T. Jasudasen graduated with an honours degree in Law from the University of Singapore and a Masters in Public Administration from the Ecole Nationale D'Administration in France.

Chew Seng Kok
Managing Director

Mr Chew Seng Kok, our Managing Director, is primarily responsible for the business development, overall strategy and management of the Group. Mr Chew is also the Chairman of ZICOLaw, a network of independent law firms in the ASEAN region which is associated with the Group. The network has offices in 17 cities throughout Southeast Asia, which are located in Malaysia, Singapore, Indonesia, Thailand, Vietnam, Cambodia, Myanmar, Laos, Brunei and the Philippines.

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

Mr Chew is very active in supporting the public and private sectors in promoting trade and investments in the ASEAN region. He is also an active member of the ASEAN Business Club ("ABC"), an association of the chief executives of the region's leading business enterprises. The ABC provides a forum for its members to network, collaborate, and play an active role in the process of ASEAN's economic integration. In recognition of his significant contribution in building strong ties between New Zealand, Malaysia, and the ASEAN region, in August 2015, Mr. Chew was given a "New Zealand-ASEAN 40th Anniversary Award" by the New Zealand government during the 40th anniversary of New Zealand's dialogue partnership with ASEAN.

Liew Foong Yuen
Executive Director

Mr Liew Foong Yuen, our Executive Director, was appointed to the Board on 7 August 2014 and is primarily responsible for the overall management of the Advisory and Transactional Services segment for the Group. Mr Liew joined Zaid Ibrahim & Co in 1997 and became a partner in 2002. He also assumed the position of resident partner of ZICOLaw Singapore Pte. Ltd. and was a registered foreign lawyer in Singapore.

Mr Liew graduated with a Bachelor of Laws (Honours) from the University of Warwick in 1992 and obtained a Masters of Business Administration (Finance) from the City University, London in 2003.

Ng Hock Heng
Executive Director

Mr Ng Hock Heng, our Executive Director, was appointed to the Board on 9 December 2010 and is primarily responsible for the overall management of the Management and Support Services segment as well as the Licensing Services segment for the Group. Mr 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, Mr Ng joined Zaid Ibrahim & Co and became a partner in 1999. Mr Ng. is an independent non-executive director of Ecofirst Consolidated Bhd., a public listed company listed on the Main Board of Bursa Malaysia.

Mr 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. Mr 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.

BOARD OF DIRECTORS

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 is currently a senior advisor at ZICOLaw and a senior advisor at Jincheng, Tongda & Neal. Prior to 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 a non-executive director in GE Pacific 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 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 and SAS Institute Sdn. Bhd.

Mr Chew was a commission member of the Malaysian Communications and Multimedia Commission 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 and executive director and the chief executive officer of Malaysia's oldest listed IT services provider, 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 Auckland Business School, University of Auckland in 1980. He is a Fellow Chartered Accountant of the Australian New Zealand Institute of Chartered Accountants. 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. 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 and latterly as the UK Controller.

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 for the Group. He is also responsible for developing and implementing knowledge management and training initiatives for the Group and the ZICOLaw network. Mr Subramaniam joined the Group in November 2014 in his current position. He joined Zaid Ibrahim & Co as the head of litigation and was the knowledge management and training partner of Zaid Ibrahim & Co in 2008.

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.

Adeline Cheah *Chief Financial Officer*

Ms Adeline Cheah is our Chief Financial Officer and is responsible for all finance related areas 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 the 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. (formerly known as ZICOLaw Consultancy) in January 2014 as the Group's Chief Financial Officer.

Ms Cheah graduated with a Bachelor of Business from 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.



CORPORATION INFORMATION

BOARD OF DIRECTORS

Dato' T. Jasudasan

(Independent Chairman)

Chew Seng Kok

(Managing Director)

Liew Foong Yuen

(Executive Director)

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

NOMINATING COMMITTEE

Dato' T. Jasudasan (Chairman)

John Lim Yew Kong

Stephen Arthur Maloy

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

Stamford Corporate Services Pte. Ltd.

10 Collyer Quay

#27-00 Ocean Financial Centre

Singapore 049315

AUDITORS

PricewaterhouseCoopers LLP

8 Cross Street

#17-00 PWC Building

Singapore 048424

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

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

Citigate Dewe Rogerson, i.MAGE

Dolores Phua / Jasmine Zhao

55 Market Street #02-01

Singapore 048941

Tel: (65) 6534 5122

Fax: (65) 6534 4171

CORPORATE GOVERNANCE

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**”) is 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 2016 (“**FY2016**”), 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 FY2016.

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 8 members and comprises the following: <table border="1"> <caption>Table 1.1 – Composition of the Board</caption> <thead> <tr> <th>Name of Director</th><th>Designation</th><th>Date appointed</th></tr> </thead> <tbody> <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>Mr Ng Hock Heng</td><td>Executive Director</td><td>9 December 2010</td></tr> <tr> <td>Mr Stephen Arthur Maloy</td><td>Non-Executive 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> </tbody> </table>	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	Mr Ng Hock Heng	Executive Director	9 December 2010	Mr Stephen Arthur Maloy	Non-Executive 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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CORPORATE GOVERNANCE

		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; and • To monitor and manage potential conflicts of interest between the key management personnel, the Board and the shareholders.																																																							
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></td><td></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																															
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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 FY2016, 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 FY2016</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>6</td><td>2</td><td>3</td></tr><tr><th colspan="2">Name of Director</th><th colspan="3">Number of Meetings Attended</th></tr><tr><td>Dato' T. Jasudasen</td><td>4</td><td>6*</td><td>2</td><td>3</td></tr><tr><td>Chew Seng Kok</td><td>4</td><td>6*</td><td>2*</td><td>3*</td></tr><tr><td>Liew Foong Yuen</td><td>4</td><td>6*</td><td>2*</td><td>3*</td></tr><tr><td>Ng Hock Heng</td><td>4</td><td>6*</td><td>2*</td><td>3*</td></tr><tr><td>Stephen Arthur Maloy</td><td>4</td><td>6</td><td>2</td><td>3</td></tr><tr><td>Chew Liong Kim</td><td>4</td><td>6</td><td>0</td><td>3</td></tr><tr><td>John Lim Yew Kong</td><td>4</td><td>6</td><td>1</td><td>3</td></tr></table> * By invitation 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 FY2016						Board	ARC	NC	RC	Number of Meetings Held	4	6	2	3	Name of Director		Number of Meetings Attended			Dato' T. Jasudasen	4	6*	2	3	Chew Seng Kok	4	6*	2*	3*	Liew Foong Yuen	4	6*	2*	3*	Ng Hock Heng	4	6*	2*	3*	Stephen Arthur Maloy	4	6	2	3	Chew Liong Kim	4	6	0	3	John Lim Yew Kong	4	6	1	3
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CORPORATE GOVERNANCE

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	(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. 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.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	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.

CORPORATE GOVERNANCE

	(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.	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.																								
2.6	1. What is the Board's policy with regard to diversity in identifying director nominees? 2. 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 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. The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows: <table border="1"> <caption>Table 2.6 – Balance and Diversity of the Board</caption> <thead> <tr> <th></th><th>Number of Directors</th><th>Proportion of Board</th></tr> </thead> <tbody> <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> </tbody> </table>		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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	3. What steps have 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.																								

CORPORATE GOVERNANCE

2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors had met several times in FY2016 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	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 and ensures that Board meetings are convened when necessary. 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 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 had met several times in FY2016, 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.
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 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.

CORPORATE GOVERNANCE

	(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 had 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 FY2016.																								
4.5	Are there alternate Directors?	The Company does not have any alternate directors.																								
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 border="1"> <tr> <th colspan="3">Table 4.6(a) – Process for the Selection and Appointment of New Directors</th></tr> <tr> <td>1.</td><td>Determination of selection criteria</td><td> • 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>2.</td><td>Search for suitable candidates</td><td> • 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>3.</td><td>Assessment of shortlisted candidates</td><td> • The NC would meet and interview the shortlisted candidates to assess their suitability. </td></tr> <tr> <td>4.</td><td>Appointment of director</td><td> • The NC would recommend the selected candidate to the Board for consideration and approval. </td></tr> </table> <table border="1"> <tr> <th colspan="3">Table 4.6(b) – Process for Re-electing Incumbent Directors</th></tr> <tr> <td>1.</td><td>Assessment of director</td><td> • 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>2.</td><td>Re-appointment of director</td><td> • 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.	Table 4.6(a) – Process for the Selection and Appointment of New Directors			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.	Table 4.6(b) – Process for Re-electing Incumbent Directors			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.
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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

		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> <tr> <th>Name of Director</th><th>Designation</th><th>Articles</th></tr> <tr> <td>Ng Hock Heng</td><td>Executive Director</td><td>97</td></tr> <tr> <td>John Lim Yew Kong</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> </table> Mr John Lim Yew Kong upon re-election as a Director, will remain as the Chairman of the ARC and a member of the RC and the NC. Mr Stephen Arthur Maloy, upon re-election as a Director, will remain as a member of the ARC, RC and NC. The Board considers Mr John Lim Yew Kong to be independent for the purposes of Rule 704(7) of the SGX-ST Listing Manual Section B: Rules of Catalist (the “Catalist Rules”).	Name of Director	Designation	Articles	Ng Hock Heng	Executive Director	97	John Lim Yew Kong	Independent Director	97	Stephen Arthur Maloy	Non-Executive Non Independent Director	97
Name of Director	Designation	Articles												
Ng Hock Heng	Executive Director	97												
John Lim Yew Kong	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 14 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 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 Committees’ performance in relation to discharging their responsibilities set out in their respective terms of reference.												

CORPORATE GOVERNANCE

		<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.
	(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 FY2016 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.

CORPORATE GOVERNANCE

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>		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
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		6.	Research report(s)	As and when requested																						
		7.	Shareholding statistics	As and when requested																						
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.																										
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.																								

CORPORATE GOVERNANCE

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.
7.3	Were remuneration consultants engaged in the last financial year?	In FY2016, the Company engaged Hay Group to design the Company's Long Term Incentive Program. The Company does not have any relationship with Hay Group which would affect the independence and objectivity of Hay Group.
Disclosure on Remuneration		
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 Mr Ng Hock Heng and the key management personnel, namely Ms Adeline Cheah and Mr Paul Subramaniam (each an "Appointee" and collectively, "Appointees") had 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 shall be automatically renewed on a year-on-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.

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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 FY2016 was as follows:

Name	Salary (%) ⁽¹⁾	AWS (%) ⁽¹⁾	Bonus (%)	Directors Fees (%)	Total (%)
Above S\$500,000					
Chew Seng Kok	77	6	11	6	100
S\$250,001 to S\$500,000					
Liew Foong Yuen	77	6	8	9	100
Ng Hock Heng	77	6	8	9	100
Below S\$250,000					
Dato' T. Jasudasen	0	0		100	100
Stephen Arthur Maloy	0	0		100	100
Chew Liong Kim	0	0		100	100
John Lim Yew Kong	0	0		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 FY2016.

The Company has on 21 March 2016 granted share awards ("Awards") pursuant to the ZICO Holdings Performance Share Plan set out on pages 40 to 41 of this annual report. The Directors have been granted an aggregate of 1,000,000 shares under the Awards. These comprise 40,000 shares to Dato' T. Jasudasen, 300,000 to Chew Seng Kok,180,000 to Liew Foong Yuen, 180,000 to Ng Hock Heng, 100,000 to Stephen Arthur Maloy, 100,000 to Chew Liong Kim, and 100,000 to John Lim Yew Kong. One third of the Awards shall be vested in each year on the anniversary of the Awards over a vesting period of 3 years. As such, no shares under the Awards have been vested in the Directors in FY2016.

There were no termination, retirement and post-employment benefits granted to Directors and key management personnel in FY2016.

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.

CORPORATE GOVERNANCE

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?	The Company only has 2 top key management personnel as at the end of FY2016. The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the Managing Director) in FY2016 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">Below S\$250,000</td></tr><tr><td>Paul Subramaniam</td><td>86</td><td>14</td><td>100</td></tr><tr><td>Adeline Cheah Li Meng</td><td>81</td><td>19</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 FY2016.	Name	Salary (%) ⁽¹⁾	AWS & Bonus (%) ⁽¹⁾	Total (%)	Below S\$250,000				Paul Subramaniam	86	14	100	Adeline Cheah Li Meng	81	19	100
Name	Salary (%) ⁽¹⁾	AWS & Bonus (%) ⁽¹⁾	Total (%)															
Below S\$250,000																		
Paul Subramaniam	86	14	100															
Adeline Cheah Li Meng	81	19	100															
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The total remuneration paid to the top 2 key management personnel in FY2016 was S\$471,971.																
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 FY2016.																
9.5	Please provide details of the employee share scheme(s).	Information on the Company's Employee Share Option Scheme ("ESOS") and Performance Share Plan ("PSP") are set out on pages 38 to 41 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.	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 FY2016. 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.																

CORPORATE GOVERNANCE

	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	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" data-bbox="654 584 810 613">Table 9.6(b)</th></tr> <tr> <th data-bbox="654 613 810 674">Performance Conditions</th><th data-bbox="810 613 1038 741">Short-term Incentives (such as performance bonus)</th><th data-bbox="1038 613 1417 674">Long-term incentives (such as ESOS and PSP)</th></tr> <tr> <td colspan="3" data-bbox="654 741 1417 770">Executive Directors</td></tr> <tr> <td data-bbox="654 770 810 1249">Qualitative</td><td data-bbox="810 770 1038 1249"> 1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors </td><td data-bbox="1038 770 1417 1249"> 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 & 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 data-bbox="654 1249 810 1279">Quantitative</td><td data-bbox="810 1249 1038 1279">Growth of PBT</td><td data-bbox="1038 1249 1417 1279">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 & 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	Growth of PBT	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 & 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	Growth of PBT	None															
		<table border="1"> <tr> <th colspan="3" data-bbox="654 1301 1417 1330">Key Management Personnel</th></tr> <tr> <td data-bbox="654 1330 810 1809">Qualitative</td><td data-bbox="810 1330 1038 1809"> 1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors </td><td data-bbox="1038 1330 1417 1809"> 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 & 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 data-bbox="654 1809 810 1839">Quantitative</td><td data-bbox="810 1809 1038 1839">None</td><td data-bbox="1038 1809 1417 1839">None</td></tr> </table>	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 & 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						
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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 FY2016.															

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
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 is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective in FY2016. 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 EA, and reviews performed by the key management personnel and the Board; • Report received from the IA on the audit findings and signification 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 2017. 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 FY2016. 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.

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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 our Group and any announcements relating to our Group's financial performance before submission to our Board for approval; • review and report to our Board at least annually the adequacy and effectiveness of our 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 our Group's internal audit function; • review the scope and results of the external audit, and the independence and objectivity of the external auditors; • make recommendations to our 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 our internal and external auditors; • review the co-operation given by our management to our external auditors and our internal auditors, where applicable; • review our Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, 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 our risk management framework, with a view to providing an independent oversight on our 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 our 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 Listing Manual, and by such amendments made thereto from time to time.
12.5	Has the ARC met with the auditors in the absence of key management personnel?	The ARC meets with the EA and IA at least once a year without the presence of the Management to review any matter that might be raised.

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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 to the EA for FY2016</th></tr><tr><th></th><th>S\$</th><th>% of total</th></tr><tr><td>Audit fees</td><td>205,924</td><td>84.8</td></tr><tr><td>Non-audit fees</td><td>36,950</td><td>15.2</td></tr><tr><td>Total</td><td>242,895</td><td>100.0</td></tr></table>	Table 12.6(a) – Fees Paid to the EA for FY2016				S\$	% of total	Audit fees	205,924	84.8	Non-audit fees	36,950	15.2	Total	242,895	100.0
	Table 12.6(a) – Fees Paid to the EA for FY2016																
	S\$	% of total															
Audit fees	205,924	84.8															
Non-audit fees	36,950	15.2															
Total	242,895	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 FY2016. The non-audit service is in relation to the valuation services on purchase price allocation for B.A.C.S. Private Limited, Finova Singapore Pte. Ltd., and ZICO BPO Pte. Ltd. The non-audit fees paid to the EA for FY2016 under Table 12.6(a) were in respect of services rendered during FY2015, but only billed and paid in FY2016.																
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 FY2016, 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.															
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.															

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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 Citigate Dewe Rogerson, i.MAGE 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, Citigate Dewe Rogerson, i.MAGE 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 by Citigate Dewe Rogerson, i.MAGE 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 for FY2016, 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.
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 our website.

CORPORATE GOVERNANCE

		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 Director 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 made available to shareholders upon their request after the general meeting.
COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	Rule Description	Company's Compliance or Explanation
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
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 FY2016 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 and 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 FY2016 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.

CORPORATE GOVERNANCE

1204(17)	Interested Persons Transaction ("IPT")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported on 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 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. 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 more than S\$100,000 transacted in FY2016.																								
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.																								
1204(21)	Non-sponsor fees	In FY2016, the Company paid to its previous Continuing Sponsor, PrimePartners Corporate Finance Pte Ltd, non-sponsor fees of S\$7,500. There were no non-sponsor fees paid to Stamford Corporate Services Pte. Ltd. during FY2016.																								
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 2017: <table><tr><th>Purpose</th><th>Amount allocated (S\$'000)</th><th>Amount utilised as at 28 February 2017 (S\$'000)</th><th>Balance (S\$'000)</th></tr><tr><td>Expansion of business operations including potential acquisitions</td><td>8,000</td><td>7,209</td><td>791</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>13,609</td><td>791</td></tr></table> Note: ⁽¹⁾ The amount of working capital was used for payment of salaries and wages.	Purpose	Amount allocated (S\$'000)	Amount utilised as at 28 February 2017 (S\$'000)	Balance (S\$'000)	Expansion of business operations including potential acquisitions	8,000	7,209	791	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	13,609	791
Purpose	Amount allocated (S\$'000)	Amount utilised as at 28 February 2017 (S\$'000)	Balance (S\$'000)																							
Expansion of business operations including potential acquisitions	8,000	7,209	791																							
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	13,609	791																							

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

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 48 to 123 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 2016 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:

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

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" in this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016	At 31.12.2016	At 1.1.2016
ZICO Holdings Inc.				
(No. of ordinary shares)				
Chew Seng Kok	102,916,200	102,916,200	6,000,000	6,000,000
Ng Hock Heng	10,090,000	10,090,000	—	—
Liew Foong Yuen	6,180,000	6,180,000	—	—
Stephen Arthur Maloy	892,400	892,400	1,428,600	1,428,600
Chew Liong Kim	1,871,421	1,871,421	—	—

- (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 as set out below and under "Share options" below.

	No. of unissued ordinary shares under option	
	At 31.12.2016	At 1.1.2016
ZICO Holdings Inc.		
Ng Hock Heng	200,000	200,000
Liew Foong Yuen	200,000	200,000

- (c) According to the register of directors' shareholdings, 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	
	At 31.12.2016	At 1.1.2016
ZICO Holdings Inc.		
Chew Seng Kok	300,000	—
Ng Hock Heng	180,000	—
Liew Foong Yuen	180,000	—
Stephen Arthur Maloy	100,000	—
Chew Liong Kim	100,000	—
John Lim Yew Kong	100,000	—
Dato' T. Jasudasan	40,000	—

- (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 2017 in the shares of the Company have not changed from those disclosed as at 31 December 2016.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

SHARE OPTIONS

ZICO Holdings Employee Share Option Scheme

The ZICO Holdings Employee Share Option Scheme (the "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. Jasudasen (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 Performance Share Plan 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.

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	2016 Number of options
S\$0.24	31 October 2014	1 November 2016 to 30 October 2024	3,500,000

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

SHARE OPTIONS (CONTINUED)

Activities under the ESOS (continued)

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.

	2016 Number of options	Weighted average exercise price S\$
Outstanding at 1 January	3,500,000	0.24
Granted	—	—
Outstanding at 31 December	3,500,000	0.24
Exercisable at 31 December	3,500,000	0.24

The following table summarises information about directors' share options outstanding as at 31 December 2016:

Participants	No. of unissued ordinary shares of the Company under option			
	Granted in financial year ended 31.12.2016	Aggregate granted since commencement of ESOS to 31.12.2016	Aggregate exercised since commencement of ESOS to 31.12.2016	Aggregate outstanding as at 31.12.2016
Directors of the Company				
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 2016

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 ("PSP") 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 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.

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

- (i) 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;
- (ii) in the event of any misconduct on the part of the participant as determined by the Committee in its discretion;
- (iii) subject to the rules of the PSP, upon the participant ceasing to be in the employment of the Group for any reason whatsoever; or
- (iv) 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 2016, there were 2,595,000 unissued ordinary shares and 664,886 issued ordinary shares granted pursuant to the PSP.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

SHARE AWARDS (CONTINUED)

Activities under the PSP:

The following table summarises information about directors' share awards outstanding as at 31 December 2016:

Participants	No. of unissued ordinary shares of the Company under award			
	Granted in financial year ended 31.12.2016	Aggregate granted since commencement of PSP to 31.12.2016	Aggregate exercised since commencement of PSP to 31.12.2016	Aggregate outstanding as at 31.12.2016
Directors of the Company				
Chew Seng Kok	300,000	—	—	300,000
Ng Hock Heng	180,000	—	—	180,000
Liew Foong Yuen	180,000	—	—	180,000
Stephen Arthur Maloy	100,000	—	—	100,000
Chew Liong Kim	100,000	—	—	100,000
John Lim Yew Kong	100,000	—	—	100,000
Dato' T. Jasudasan	40,000	—	—	40,000
Total	1,000,000	—	—	1,000,000

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

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.

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 2016 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.



DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

AUDITORS

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

On behalf of the directors

Chew Seng Kok

Director

31 March 2017

Ng Hock Heng

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZICO HOLDINGS INC.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 ("IFRSs") 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 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity 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 ("ACRA") 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 judgments; 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZICO HOLDINGS INC.

Key Audit Matter

Recoverability of trade and other receivables

Refer to Note 3.1 (a) (Critical accounting estimates and assumptions) and Note 18 (Trade and other receivables) to the financial statements.

As at 31 December 2016, trade and other receivables amounted to RM66.12 million after providing for impairment of RM0.26 million, which represented 39% of the Group's total assets. This mainly comprised amounts due from ZICOlaw network firms, amounting to RM47.20 million, of which RM16.00 million is to be received by the Group in accordance to a repayment plan. The remaining RM18.92 million comprised RM12.57 million trade receivables from other third parties, and RM6.35 million of deposits and other receivables. In the event of insolvency of customers, the Group is exposed to a risk of significant financial loss when the customers fail to meet their contractual obligations in accordance with the requirements of the agreements.

For the purpose of impairment assessment, significant judgement and assumptions, including credit risks of customers, the timing and amount of realisation of these receivables, are required for the identification of impairment events and the determination of the impairment charge.

Impairment assessment on goodwill

Refer to Note 3.1 (b) (Critical accounting estimates and assumptions) and Note 13 (Intangible assets) to the financial statements.

The Group has a significant amount of goodwill arising primarily from the acquisition of Finova and BACS in 2015. As at 31 December 2016, the carrying value of goodwill amounted to RM44.40 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.

How our audit addressed the Key Audit Matter

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;
- Obtained a list of long outstanding receivables and identified any debtors with financial difficulty through discussions with management;
- Assessed the recoverability of these outstanding receivables on a sample basis through our discussions with management and with reference to credit profile of the customers, historical payment pattern of customers, publicly available information and latest correspondence with customers;
- Obtained written undertakings of payment from ZICOlaw network firms on the balances outside of the repayment plan; and
- Tested subsequent settlement of trade receivables after the balance sheet date on a sample basis.

We found the judgements and assumptions made by management in determining the allowance for impairment of trade receivables to be supportable based on the audit procedures we have performed.

We have performed the following procedures to evaluate the Group's impairment assessment:

- Assessed the appropriateness of the valuation methodology used;
- Assessed the reasonableness of key assumptions based on our knowledge of the business and with involvement of our valuation specialists;
- 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;

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZICO HOLDINGS INC.

Key Audit Matter

We focused on goodwill impairment assessment performed by management due to the size of the goodwill, which represented 26% of the Group's total assets at 31 December 2016. 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 amount, 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 2016.

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 financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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.

The directors' responsibilities include overseeing the Group's financial reporting process.

How our audit addressed the Key Audit Matter

- 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 judgements and assumptions 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.
- 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 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 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 the directors 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZICO HOLDINGS INC.

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

We also provide the directors 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 the directors, we determine those matters that were of most significance in the audit of the 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.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 31 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	2015 RM'000
Revenue	4	66,737	52,777
Other item of income			
Other income	5	3,575	5,555
		70,312	58,332
Items of expense			
Amortisation and depreciation expenses	6	(4,253)	(2,900)
Employee benefits expense	7	(35,469)	(24,887)
Operating lease expenses		(3,952)	(2,997)
Retainer fees and consultancy fees		(7,159)	(7,590)
Other expenses	8	(14,322)	(10,504)
Finance costs	9	(1,034)	(577)
Share of results of associates, net of tax	15	36	63
Profit before income tax		4,159	8,940
Income tax credit/(expense)	10	917	(1,653)
Profit for the financial year		5,076	7,287
Other comprehensive income:			
<i>Items that will or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences	23	1,079	6,768
Other comprehensive income for the financial year, net of tax		1,079	6,768
Total comprehensive income for the financial year		6,155	14,055
Profit attributable to:			
Owners of the parent		4,278	6,617
Non-controlling interests		798	670
		5,076	7,287
Total comprehensive income attributable to:			
Owners of the parent		5,269	13,293
Non-controlling interests		886	762
		6,155	14,055
Earnings per share	11		
– Basic (RM)		0.02	0.02
– Diluted (RM)		0.01	0.02

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Non-current assets					
Plant and equipment	12	7,111	6,166	113	125
Intangible assets	13	64,162	61,516	4,098	3,939
Subsidiaries	14	–	–	58,874	51,787
Associates	15	38	61	–	–
Investments	16	30	30	–	–
Deferred income tax assets	17	2,733	7	–	–
Trade and other receivables	18	10,013	18,722	19,116	15,033
		84,087	86,502	82,201	70,884
Current assets					
Trade and other receivables	18	56,110	33,507	38,070	37,001
Prepayments		911	813	32	84
Current income tax recoverable		1,090	903	–	–
Cash and cash equivalents	19	19,592	26,447	3,666	7,815
Other current assets	20	6,509	4,349	861	829
		84,212	66,019	42,629	45,729
Total assets		168,299	152,521	124,830	116,613
EQUITY AND LIABILITIES					
Equity					
Share capital	21	68,685	68,092	68,685	68,092
Retained earnings		17,571	13,293	367	3,025
Share-based reserve	22	1,707	305	1,707	305
Currency translation reserve	23	7,632	6,641	11,432	9,871
Equity attributable to owners of the parent		95,595	88,331	82,191	81,293
Non-controlling interests		1,251	1,143	–	–
Total equity		96,846	89,474	82,191	81,293
Non-current liabilities					
Interest-bearing liabilities	24	7,468	10,984	7,363	10,812
Other payables	25	–	680	–	–
Provisions	26	61	69	–	–
Deferred income tax liabilities	17	1,758	2,034	–	–
		9,287	13,767	7,363	10,812
Current liabilities					
Trade and other payables	25	19,947	19,994	2,055	3,314
Interest-bearing liabilities	24	33,274	21,264	33,207	21,180
Deferred revenue	27	6,315	6,063	–	–
Provisions	26	62	60	–	–
Current income tax payable		2,568	1,899	14	14
		62,166	49,280	35,276	24,508
Total liabilities		71,453	63,047	42,639	35,320
Total equity and liabilities		168,299	152,521	124,830	116,613

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

← Attributable to equity holders of the Company →							
Note	Share capital RM'000	Retained earnings RM'000	Share-based reserve RM'000	Currency translation reserve RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
2016							
Beginning of financial year	68,092	13,293	305	6,641	88,331	1,143	89,474
Profit for the financial year	–	4,278	–	–	4,278	798	5,076
Other comprehensive income:							
Foreign currency translation differences	23	–	–	991	991	88	1,079
Total comprehensive income for the financial year	–	4,278	–	991	5,269	886	6,155
Contributions by and distributions to owners of the parent:							
Issuance of ordinary shares	21	593	–	(593)	–	–	–
Grant of share options and awards	22	–	–	1,995	–	–	1,995
Total transactions with owners of the parent		593	–	1,402	–	–	1,995
Transaction with non-controlling interests:							
Subscription of shares of a subsidiary	28	–	–	–	–	297	297
Dividends	28	–	–	–	–	(1,075)	(1,075)
Total transaction with non-controlling interests		–	–	–	–	(778)	(778)
End of financial year	68,685	17,571	1,707	7,632	95,595	1,251	96,846
2015							
Beginning of financial year	51,219	6,676	34	(35)	57,894	330	58,224
Profit for the financial year	–	6,617	–	–	6,617	670	7,287
Other comprehensive income:							
Foreign currency translation differences	23	–	–	6,676	6,676	92	6,768
Total comprehensive income for the financial year	–	6,617	–	6,676	13,293	762	14,055
Contributions by and distributions to owners of the parent:							
Issuance of ordinary shares	21	16,873	–	–	16,873	–	16,873
Grant of share options	22	–	–	271	–	–	271
Total transactions with owners of the parent		16,873	–	271	17,144	–	17,144
Transaction with non-controlling interests:							
Subscription of shares of a subsidiary		–	–	–	–	51	51
Total transaction with non-controlling interests		–	–	–	–	51	51
End of financial year	68,092	13,293	305	6,641	88,331	1,143	89,474

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Cash flows from operating activities			
Profit before tax		4,159	8,940
Adjustments for:			
Write back of allowance for impairment loss on trade receivables		(30)	(42)
Amortisation of intangible assets		2,617	1,577
Bad trade and other receivables written off		194	258
Depreciation of plant and equipment		1,636	1,323
Loss/(gain) on disposal of plant and equipment		112	(21)
Intangible assets written off		1,140	7
Interest income		(528)	(173)
Interest expense		947	451
Interest expense on deferred consideration		87	126
Plant and equipment written off		88	17
Provisions		(44)	69
Share of results of associates, net of tax		(36)	(63)
Unrealised foreign exchange gain, net		(583)	(954)
Share based payment expenses		1,995	271
Operating cash flows before working capital changes		11,754	11,786
Working capital changes:			
Trade and other receivables		(12,580)	(19,320)
Prepayments		(98)	273
Trade and other payables		(413)	5,098
Cash generated from operations		(1,337)	(2,163)
Income tax paid		(1,615)	(1,651)
Net cash used in operating activities		(2,952)	(3,814)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Investing activities			
Acquisition of subsidiaries, net of cash acquired		–	(20,566)
Advances to associates		(21)	(37)
Advances to third parties		(1,325)	(4,790)
Dividend received		60	40
Interest received		205	169
Payment for deferred consideration to acquire a subsidiary		(720)	(720)
Proceeds from disposal of plant and equipment		34	503
Purchase of plant and equipment		(2,322)	(2,959)
Purchase of intangible assets		(4,923)	(5,170)
Net cash used in investing activities		(9,012)	(33,530)
Financing activities			
Dividends paid		(1,075)	–
Interest paid		(947)	(451)
Proceeds from revolving credit facility		11,460	15,342
(Repayment of)/proceeds from term loan facility		(3,683)	15,446
Repayment of finance lease payables		(85)	(77)
Net cash generated by financing activities		5,670	30,260
Net change in cash and cash equivalents		(6,294)	(7,084)
Cash and cash equivalents at beginning of financial year	19	26,447	34,424
Effect of exchange rate changes on cash and cash equivalents		(561)	(893)
Cash and cash equivalents at end of financial year	19	19,592	26,447

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1. General corporate 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 14 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS 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.

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") 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 FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

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. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met.

- (a) Revenue from the provision of retainer services such as corporate secretarial, share registrar, trustee, continuing sponsor and business support services is recognised as the services are performed in accordance with the relevant terms and conditions of the contract. 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 when the services are rendered.
- (b) Royalty income is recognised by the entity which owns the intellectual property on an accrual basis 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Employee benefits (continued)

(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 equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 2016

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 statements 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*

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%.

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

(i) *Acquisitions*

Investments in associated companies 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 represents the excess of the cost of acquisition of the associated over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Group accounting (continued)

(c) Associated companies (continued)

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, 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.

If the associated company 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.

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

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company 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" for the accounting policy on investments in associated companies 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Plant and equipment (continued)

(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:

	Years
Motor vehicles	5
Computers	3
Office equipment	6 ² / ₃
Renovation	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.

(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 on acquisitions

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 and joint ventures 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (continued)

(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.

(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 9 years (2015: 10 years).

2.9 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies 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 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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) *Plant and equipment*

Intangible assets

Investments in subsidiaries and associated companies

Intangible assets, plant and equipment and investments in subsidiaries and associated companies 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

(a) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 "cash and cash equivalents" (Note 19) and "trade and other receivables" (Note 18) on the balance sheet, except for non-current interest-free receivables from a subsidiary which has been accounted for in accordance with Note 2.9.

(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 except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(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.

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.

2.12 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.

2.13 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.

2.14 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 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

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.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (continued)

(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.

Contingent rents are recognised as income in profit or loss when earned.

2.17 Provisions

Provisions 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. Provisions are not recognised for future operating losses.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Currency translation (continued)

(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.

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 gains and losses".

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 of the entity giving rise to such reserve.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, fixed deposits net of fixed deposits pledged and cash held in trust, which are subject to an insignificant risk of change in value. 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 borrowings of its subsidiaries. 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.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(a) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required.

Included in the carrying amount of the Group's current and non-current trade and other receivables is RM16,000,000 (2015: RM32,156,000) where towards the end of 2015, management had agreed with the debtors on a 3-year repayment plan for the settlement of these balances between 2016 to 2018. Interest will be charged on the outstanding balance commencing 2016. No impairment allowance has been made on these balances as management expects to collect based on its credit evaluation of these debtors.

(b) *Estimated impairment of goodwill*

The Group has not recognised any impairment charge on its goodwill of RM44,421,000 as at 31 December 2016.

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 13, 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, Laos PDR and Myanmar. Specific estimates are disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (continued)

(b) Estimated impairment of goodwill (continued)

For its goodwill attributable to B.A.C.S Private Limited ("B.A.C.S."):

- if the estimated revenue growth rate used in the VIU calculation had been 1% lower than management's estimates, the recoverable amount would have been higher than the carrying amount by RM543,000;
- if the estimated pre-tax weighted average cost of capital used had been 1% higher than management's estimates, the recoverable amount would have been higher than the carrying amount by RM778,000; and
- if the estimated terminal growth rate applied to the discounted cash flows for this CGU had been 1% lower than management's estimates, the recoverable amount would have been higher than the carrying amount by RM1,649,000.

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.

3.2 Critical judgement in applying the entity's accounting policy

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 17.

4. REVENUE

	Group	
	2016	2015
	RM'000	RM'000
Management fees	17,780	17,410
Services rendered	42,657	29,709
Royalty income	6,300	5,658
	66,737	52,777

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. OTHER INCOME

	Group	
	2016	2015
	RM'000	RM'000
<i>Other income</i>		
Disbursement income	928	664
Interest income	528	173
Management fee	480	800
Rental income		
– motor vehicles	89	89
– office premises	215	297
Government grants	222	217
Others	241	222
<i>Other gains</i>		
Allowance for impairment loss on trade receivables written back – net	30	42
Gain on disposal of plant and equipment	–	21
Non-refundable unutilised disbursements	259	282
Gain on foreign exchange, net	583	2,748
	3,575	5,555

6. AMORTISATION AND DEPRECIATION EXPENSES

	Group	
	2016	2015
	RM'000	RM'000
Amortisation of intangible assets (Note 13)	2,617	1,577
Depreciation of plant and equipment (Note 12)	1,636	1,323
	4,253	2,900

7. EMPLOYEE BENEFITS EXPENSE

	Group	
	2016	2015
	RM'000	RM'000
Salaries, wages, bonuses and other short term staff benefits	31,193	23,064
Contributions to defined contribution plans	2,281	1,552
Share-based payments (Note 22)	1,995	271
	35,469	24,887

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 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. OTHER EXPENSES

	Group	
	2016	2015
	RM'000	RM'000
<i>Other expenses</i>		
Audit fees		
– auditors of the Company	323	222
– other auditors	297	275
Fees paid to directors of the Company	1,178	1,211
Plant and equipment written off	88	17
Provision for leave benefits	–	5
Reversal of provision of reinstatement costs	(44)	–
Trade and other receivables written off	194	258
Postage and courier charges	2,840	2,058
Printing and stationery	676	522
Travelling and entertainment	2,052	2,042
Insurance	661	345
Maintenance and upkeep of office	303	231
IT maintenance	682	603
Professional fee	759	295
Telephone and fax	454	274
Registration and processing	583	210
Staff welfare	439	771
Marketing	345	462
Recruitment fee	230	219
Seminar and training	197	94
Others	454	383
<i>Other losses</i>		
Foreign exchange loss, net	359	–
Intangible assets written off	1,140	7
Loss on disposal of plant and equipment	112	–
	14,322	10,504

9. FINANCE COSTS

	Group	
	2016	2015
	RM'000	RM'000
Interest expense		
– finance lease payables	11	13
– on deferred consideration on acquisition of a subsidiary	87	126
Revolving credit facility ("RCF") charges	547	165
Term loan ("TL") charges	389	271
Others	–	2
	1,034	577

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. INCOME TAX (CREDIT)/EXPENSE

	Group	
	2016	2015
	RM'000	RM'000
Tax credit/(expense) attributable to profit is made up of:		
– Current income tax	(800)	(1,140)
– Deferred income tax (Note 17)	2,381	(124)
	1,581	(1,264)
(Under)/over provision in prior financial years		
– Current income tax	(234)	395
– Deferred income tax (Note 17)	535	(38)
	301	357
Withholding tax	(965)	(746)
	917	(1,653)

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:

	Group	
	2016	2015
	RM'000	RM'000
Profit before tax	4,159	8,940
Share of profit of associated companies net of tax credit	(36)	(63)
Profit before tax and share of profit of associated companies	4,123	8,877
Income tax calculated at Federal Territory of Labuan's domestic statutory income tax rate of Nil% (2015: Nil%)	–	–
Effects of:		
– different tax rate in other countries	274	(232)
– tax incentives	44	–
– expenses not deductible for tax purposes	(210)	(731)
– income not subject to tax	94	237
– income tax exemption	818	506
– tax savings-MSC status	859	–
– over provision of tax in prior financial years	301	357
– deferred tax assets not recognised	(449)	(1,134)
– withholding tax	(965)	(746)
– others	151	90
	917	(1,653)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. 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	
	2016	2015
Net profit attributable to equity holder of the Company (RM'000)	4,278	6,617
Weighted average number of ordinary shares outstanding during the financial year for basic earnings per share ('000)	282,407	276,803
Basic earnings per share (RM per share)	0.02	0.02

Diluted earnings per share

For the purpose of calculating diluted earnings per share, net 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 assuming all options have been converted or exercised. As at 31 December 2016, 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 of the Company is calculated as follows:

	Group	
	2016	2015
Profit attributable to owners of the parent (RM'000)	4,278	6,617
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	282,407	276,803
Adjustment for share options and awards ('000)	3,294	3,500
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	285,701	280,303
Diluted earnings per share (RM per share)	0.01	0.02

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. PLANT AND EQUIPMENT

	Motor vehicles RM'000	Computers RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Group					
2016					
Cost					
Beginning of financial year	659	2,397	2,706	3,216	8,978
Additions	–	846	281	1,195	2,322
Disposals	–	(6)	(92)	(121)	(219)
Written off	–	–	–	(196)	(196)
Reclassifications	–	(14)	–	–	(14)
Currency translation differences	3	28	104	365	500
End of financial year	662	3,251	2,999	4,459	11,371
Accumulated depreciation					
Beginning of financial year	364	1,354	546	548	2,812
Depreciation charge	101	818	369	348	1,636
Disposals	–	–	(39)	(34)	(73)
Written off	–	–	–	(108)	(108)
Reclassifications	–	(4)	–	–	(4)
Currency translation differences	2	1	(7)	1	(3)
End of financial year	467	2,169	869	755	4,260
Net book value					
End of financial year	195	1,082	2,130	3,704	7,111
2015					
Cost					
Beginning of financial year	496	2,377	1,272	1,625	5,770
Acquisition of subsidiaries (Note 14)	–	52	150	–	202
Additions	147	418	1,107	1,419	3,091
Disposals	–	–	(466)	(37)	(503)
Written off	–	(27)	(1)	–	(28)
Reclassifications	–	(493)	492	–	(1)
Currency translation differences	16	70	152	209	447
End of financial year	659	2,397	2,706	3,216	8,978
Accumulated depreciation					
Beginning of financial year	257	695	182	210	1,344
Depreciation charge	98	662	296	267	1,323
Disposals	–	–	(20)	(1)	(21)
Written off	–	(11)	–	–	(11)
Reclassifications	–	(21)	13	–	(8)
Currency translation differences	9	29	75	72	185
End of financial year	364	1,354	546	548	2,812
Net book value					
End of financial year	295	1,043	2,160	2,668	6,166

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. PLANT AND EQUIPMENT (CONTINUED)

	Computers RM'000	Renovation RM'000	Total RM'000
Company			
2016			
Cost			
Beginning of financial year	1	140	141
Currency translation differences	–	3	3
End of financial year	1	143	144
Accumulated depreciation			
Beginning of financial year	–	16	16
Depreciation charge	–	14	14
Currency translation differences	–	1	1
End of financial year	–	31	31
Net book value			
End of financial year	1	112	113
2015			
Cost			
Beginning of financial year	1	123	124
Currency translation differences	–	17	17
End of financial year	1	140	141
Accumulated depreciation			
Beginning of financial year	–	2	2
Depreciation charge	–	13	13
Currency translation differences	–	1	1
End of financial year	–	16	16
Net book value			
End of financial year	1	124	125

As at 31 December 2016, the Group has motor vehicles and office equipment held under finance leases. The carrying amounts of motor vehicles and office equipment held under finance leases are RM171,400 (2015: RM260,021) and RM20,600 (2015: RM20,199), respectively at the balance sheet date.

For the purpose of the consolidated statement of cash flows, the Group's additions to plant and equipment during the financial year were financed as follows:

	2016 RM'000	2015 RM'000
Additions to plant and equipment	2,322	3,091
Financed through finance lease arrangement	–	(132)
Cash payments to acquire plant and equipment	2,322	2,959

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INTANGIBLE ASSETS

	Computer software RM'000	Goodwill RM'000	Trademark RM'000	Customer acquisition costs RM'000	Customer relationships RM'000	Total RM'000
Group						
2016						
Cost						
Beginning of financial year	4,379	43,041	2,000	4,113	10,299	63,832
Additions	3,708	–	–	1,215	–	4,923
Written off	–	–	–	(617)	(523)	(1,140)
Reclassifications	14	–	–	–	–	14
Currency translation differences	(45)	1,380	–	60	221	1,616
End of financial year	8,056	44,421	2,000	4,771	9,997	69,245
Accumulated amortisation						
Beginning of financial year	1,173	–	330	174	639	2,316
Amortisation	1,017	–	50	479	1,071	2,617
Written off	–	–	–	–	–	–
Reclassifications	4	–	–	–	–	4
Currency translation differences	(49)	–	–	20	175	146
End of financial year	2,145	–	380	673	1,885	5,083
Net book value						
End of financial year	5,911	44,421	1,620	4,098	8,112	64,162
2015						
Cost						
Beginning of financial year	2,324	2,941	2,000	–	–	7,265
Acquisition of subsidiaries (Note 14)	19	34,719	–	–	9,079	43,817
Additions	1,994	81	–	4,113	–	6,188
Written off	(12)	–	–	–	–	(12)
Reclassifications	1	–	–	–	–	1
Currency translation differences	53	5,300	–	–	1,220	6,573
End of financial year	4,379	43,041	2,000	4,113	10,299	63,832
Accumulated amortisation						
Beginning of financial year	397	–	280	–	–	677
Amortisation	723	–	50	165	639	1,577
Written off	(5)	–	–	–	–	(5)
Reclassifications	8	–	–	–	–	8
Currency translation differences	50	–	–	9	–	59
End of financial year	1,173	–	330	174	639	2,316
Net book value						
End of financial year	3,206	43,041	1,670	3,939	9,660	61,516

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INTANGIBLE ASSETS (CONTINUED)

	Customer acquisition costs	
	2016	2015
	RM'000	RM'000
Company		
Cost		
Beginning of financial year	4,113	–
Additions	1,215	4,113
Written off	(617)	–
Currency translation differences	60	–
End of financial year	<u>4,771</u>	<u>4,113</u>
Accumulated depreciation		
Beginning of financial year	174	–
Amortisation	479	165
Currency translation differences	20	9
End of financial year	<u>673</u>	<u>174</u>
Net book value		
End of financial year	<u>4,098</u>	<u>3,939</u>

For the purpose of the consolidated statement of cash flows, the Group's additions to intangible assets during the financial year were financed as follows:

	2016	2015
	RM'000	RM'000
Additions to intangible assets, excluding goodwill	4,923	6,107
Other payables	–	(937)
Cash payments to acquire intangible assets, excluding goodwill	<u>4,923</u>	<u>5,170</u>

Amortisation expense was included within "amortisation and depreciation expenses" in the statement of comprehensive income.

Trademark

Trademark pertains to the "ZI" trademark acquired by the Group from a third party for a consideration of RM2,400,000 payable by way of instalments of RM40,000 per month for five years (equivalent to RM480,000 per annum) from July 2009.

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.

The cost of the trademark is the present value of payments.

	Cost
	RM'000
Total consideration paid	2,400
Less: Interest charged	(400)
Present value of trademark	<u>2,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INTANGIBLE ASSETS (CONTINUED)

Customer acquisition costs

The balance pertains to the customers acquired by the Group from Stamford Law Corporation for a purchase consideration of S\$1,749,000 (equivalent of RM5,328,000).

An impairment charge of RM617,000 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 to 9 years (2015: 10 years) was required. Amortisation expense has been 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	
	2016	2015
	RM'000	RM'000
Finova Singapore Pte. Ltd. ("FS") and ZICO BPO Pte. Ltd. (formerly known as Finova Associates Pte. Ltd.) ("FA")	24,596	23,537
B.A.C.S. Private Limited ("B.A.C.S.")	16,803	16,482
ZICO Corporate Services Sdn. Bhd.	1,216	1,216
ZICO Labuan LLP	964	964
ZICOLaw Myanmar Limited	500	500
ZICOLaw (Laos) Sole Co., Ltd. (formerly known as Vientiane Law Co. Ltd.)	316	316
ZICO International Corporation Sdn. Bhd.	26	26
	44,421	43,041

The recoverable amount of the CGU was determined based on value-in-use calculations using management-approved discounted cash flow projections covering a period of 5 years. Cash flows beyond the five-year period are 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INTANGIBLE ASSETS (CONTINUED)

Key estimates used for value-in-use calculations

	Group	
	2016 %	2015 %
<i>Revenue growth rate</i>		
FS and FA	5.0	5.0
B.A.C.S.	8.5	5.5
ZICO Corporate Services Sdn. Bhd.	10.0	10.0
ZICO Labuan LLP	10.0	15.0
ZICOlaw Myanmar Limited	25.0	20.0
ZICOlaw (Laos) Sole Co., Ltd. (Vientiane Law Co. Ltd.)	10.0	20.0
<i>Pre-tax weighted average cost of capital</i>		
FS and FA	13.6	12.0
B.A.C.S.	11.7	12.0
ZICO Corporate Services Sdn. Bhd.	14.4	15.6
ZICO Labuan LLP	12.3	12.4
ZICOlaw Myanmar Limited	16.1	18.4
ZICOlaw (Laos) Sole Co., Ltd. (Vientiane Law Co. Ltd.)	17.6	16.7
<i>Terminal growth rate</i>		
FS and FA	2.0	3.0
B.A.C.S.	3.0	3.0
ZICO Corporate Services Sdn. Bhd.	2.0	–
ZICO Labuan LLP	2.0	–
ZICOlaw Myanmar Limited	2.0	–
ZICOlaw (Laos) Sole Co., Ltd. (Vientiane Law Co. Ltd.)	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 segments.

As at 31 December 2016, 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(b)), the Group has concluded that a variation of 1% in the base case assumptions would 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 2016

14. SUBSIDIARIES

	Company	
	2016	2015
	RM'000	RM'000
Unquoted equity instruments, at cost		
Beginning of financial year	51,787	32
Additions	6,083	51,542
Capital contribution in the form of share options issued to employees of a subsidiary	–	213
Currency translation differences	1,004	–
End of financial year	58,874	51,787

The Group had the following subsidiaries as at 31 December 2016 and 2015:

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	
			2016 %	2015 %	2016 %	2015 %
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 support 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	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. 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	
			2016 %	2015 %	2016 %	2015 %
ZICO Trust Limited ⁽¹⁾	Federal Territory of Labuan	Trust services, company secretarial, corporate services and related consultancy services	100	100	–	–
ZICO IP Inc. ⁽⁷⁾	British Virgin Islands	Owner of intellectual property rights	100	100	–	–
PT ZICO Konsultan Indonesia (formerly known as PT ZICOlaw Indonesia) ⁽³⁾	Indonesia	Business and management consultancy	100	100	–	–
ZICOlaw Myanmar Limited ⁽⁴⁾	Myanmar	Legal advisory and consultancy services	100	100	–	–
ZICOlaw (Laos) Sole Co., Ltd. (formerly known as Vientiane Law 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	100	100	–	–
ZICO Allshores Trust (S) Pte. Ltd. ⁽²⁾	Singapore	Trustee, fiduciary and custody services, business and management consultancy services	51	51	49	49

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. 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	
			2016 %	2015 %	2016 %	2015 %
ZICO Secretarial Limited ⁽⁶⁾	Federal Territory of Labuan	Company secretarial, corporate services and related consultancy services	100	100	–	–
ZICOInsource Sdn. Bhd. ⁽¹⁾	Malaysia	Insourcing, outsourcing and consultancy services	80	80	20	20
ZICOInsource Inc. ⁽⁵⁾	Federal Territory of Labuan	Resourcing and advisory services	80	80	20	20
ZICO Knowledge Services Sdn. Bhd. ⁽¹⁾	Malaysia	Knowledge management, training and outsourcing	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. (formerly known as Finova Associates 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	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. 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	
			2016 %	2015 %	2016 %	2015 %
ZICO Capital Pte. Ltd. ⁽²⁾	Singapore	Corporate finance advisory and capital markets services	90	100	10	–
ZICO Asset Management Pte. Ltd. (Formerly known as ZICO MFO Pte. Ltd.) ⁽²⁾	Singapore	Asset, wealth and legacy management	100	–	–	–
ZICO Capital International Inc. ⁽⁸⁾	Federal Territory of Labuan	Investment holding	100	–	–	–
ZICO Capital Sdn. Bhd. ⁽⁸⁾	Malaysia	Corporate finance advisory services	100	–	–	–
ZICO IP Asean Inc. ⁽⁸⁾	Federal Territory of Labuan	Provide marketing services in relation to intellectual property-related services in ASEAN countries	100	–	–	–

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⁾ Newly-incorporated and the subsidiary is not material to the Group.

Acquisition of subsidiaries

14.1 B.A.C.S. Private Limited

On 27 January 2015, the Company entered into an agreement to acquire 50,000 shares, representing 100% equity interest in B.A.C.S. Private Limited ("B.A.C.S."), a company incorporated in Singapore. The completion date of the transaction was 1 April 2015. The principal activity of B.A.C.S. is to conduct share registration and transfer agent services. As a result of the acquisition, the Group is expected to expand its range of service offerings in Singapore.

The total consideration for this acquisition was approximately RM21,734,000.

The Group accounted for this acquisition as a business combination. The results of operation of B.A.C.S. were consolidated with effect from the acquisition date of 1 April 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. SUBSIDIARIES (CONTINUED)

14.1 B.A.C.S. Private Limited (continued)

The fair values and carrying amounts of the identifiable assets and liabilities of B.A.C.S. as at the date of acquisition were determined as follows:

	2015 Fair value RM'000
Plant and equipment	149
Intangible assets	7,096
Investment	27
Trade and other receivables	611
Prepayments	42
Cash and cash equivalents	745
Trade and other payables	(299)
Provision	(49)
Deferred tax liabilities	(1,206)
Finance lease payables	(25)
Current income tax payable	(32)
Net identifiable assets acquired	7,059
Goodwill on acquisition	14,675
Total purchase consideration	21,734

The goodwill of RM14,675,000 arising from the acquisition is attributable to the acquired workforce and marketing networks, as well as the synergies expected to arise in combination with the Company's current service offerings in Singapore and the region.

Acquisition-related costs of RM484,000 were included in "retainer fees and consultancy fees" in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

14.2 Finova Singapore Pte. Ltd. and ZICO BPO Pte. Ltd. (formerly known as Finova Associates Pte. Ltd.)

On 29 May 2015, the Company entered into an agreement to acquire 100,000 and 10,000 shares, representing 100% equity interest in Finova Singapore Pte. Ltd. ("FS") and ZICO BPO Pte. Ltd. (formerly known as Finova Associates Pte. Ltd.) ("FA") respectively, both of which are companies incorporated in Singapore. The completion date of the transaction was 1 June 2015. FS is principally involved in the provision of incorporation, corporate secretarial, fiduciary services, and immigration-related support services, while FA is principally involved in the provision of tax administration, payroll and accounting support services. As a result of the acquisition, the Group is expected to expand its current base of customers in Singapore as well as to achieve synergies by combining the business into its current operations.

The total consideration for this acquisition was approximately RM24,168,000.

The Group accounted for this acquisition as a business combination. The results of operation of FS and FA were consolidated with effect from the acquisition date of 1 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. SUBSIDIARIES (CONTINUED)

14.2 Finova Singapore Pte. Ltd. and ZICO BPO Pte. Ltd. (formerly known as Finova Associates Pte. Ltd.) (continued)

The fair values and carrying amounts of the identifiable assets and liabilities of FS and FA as at the date of acquisition were determined as follows:

	2015 Fair value RM'000
Plant and equipment	53
Intangible assets	2,002
Trade and other receivables	1,592
Prepayments	50
Cash and cash equivalents	5,520
Trade and other payables	(4,619)
Deferred tax liabilities	(360)
Current income tax payable	(114)
Net identifiable assets acquired	4,124
Goodwill on acquisition	20,044
Total purchase consideration	<u>24,168</u>

The goodwill of RM20,044,000 arising from the acquisition is attributable to the acquired workforce and marketing networks, as well as the synergies expected to arise in combination with the Company's current service offerings in Singapore.

Acquisition-related costs of RM418,000 were included in "retainer fees and consultancy fees" in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

From the date of acquisition, B.A.C.S., FS and FA have contributed an aggregate of approximately RM9,976,948 and RM3,571,949 to the Group's revenue and profit for the financial year 2015, respectively. If the acquisition had taken place at the beginning of the financial year 2015, the Group's revenue and profit for the financial year would have been RM13,558,725 and RM4,740,423 respectively.

The effects of the acquisition of the subsidiaries on the consolidated statement of cash flows for 2015 were as follows:

	Group 2015 RM'000
Total purchase consideration	45,902
Less: Issuance of ordinary shares	(16,997)
Less: Purchase consideration payable	<u>(2,074)</u>
	26,831
Less: Cash and cash equivalents of subsidiaries acquired	<u>(6,265)</u>
Net cash inflow on acquisition	<u>20,566</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. SUBSIDIARIES (CONTINUED)

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 2016 and 2015, except for dividends as disclosed in Note 28.

The subsidiary of the Group that has material non-controlling interests is as follows:

Summarised balance sheet

	ZICO Allshores Trust (S) Pte. Ltd. As at 31 December	
	2016	2015
	RM'000	RM'000
Current		
Assets	2,860	3,428
Liabilities	(851)	(1,354)
Total current net assets	2,009	2,074
Non-current		
Assets	352	256
Liabilities	(67)	(45)
Total non-current net assets	285	211
Net assets	2,294	2,285

Summarised income statement

	ZICO Allshores Trust (S) Pte. Ltd. For period ended 31 December	
	2016	2015
	RM'000	RM'000
Revenue	6,898	7,325
Profit before income tax	2,245	1,567
Income tax expense	(183)	(174)
Post-tax profit from continuing operations	2,062	1,393
Post-tax profit from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	2,062	1,393
Total comprehensive income allocated to non-controlling interests	1,010	683
Dividends paid to non-controlling interests	1,075	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. SUBSIDIARIES (CONTINUED)

Summarised cash flows

	ZICO Allshores Trust (S) Pte. Ltd. 31 December	
	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Cash generated from operations	1,853	2,059
Interest paid	–	–
Income tax paid	(122)	–
Net cash generated from operating activities	1,731	2,059
Net cash used in investing activities	(259)	(44)
Net cash used in financing activities	(2,096)	–
Net (decrease)/increase in cash and cash equivalents	(624)	2,015
Cash and cash equivalents at beginning of year	2,994	736
Exchange gains on cash and cash equivalents	85	104
Cash and cash equivalents at end of year	2,455	2,855

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. ASSOCIATES

Set out below are the associated companies of the Group as at 31 December 2016, which, in the opinion of the directors, are material to the Group. The associated companies as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

Name of entity	Place of business/ country of incorporation	% of ownership interest	
		2016 %	2015 %
Sunflower Villa Sdn. Bhd. ⁽¹⁾	Malaysia	50	50
Goldfield Alliance Sdn. Bhd. ⁽²⁾	Malaysia	50	50

Notes:

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

⁽²⁾ Audited by PricewaterhouseCoopers, Malaysia.

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

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

There are no contingent liabilities relating to the Group's interest in the associated companies, except as disclosed in Note 33.

Summarised financial information for associated companies

Set out below are the summarised financial information for Goldfield Alliance Sdn. Bhd. and Sunflower Villa Sdn. Bhd.

Summarised balance sheet

	Goldfield Alliance Sdn. Bhd.		Sunflower Villa Sdn. Bhd.		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	2	–	95	150	97	150
Includes:						
– Cash and cash equivalents	–	–	69	127	69	127
Current liabilities	(748)	(772)	(22)	(34)	(770)	(806)
Includes:						
– Financial liabilities (excluding trade payables)	(748)	(772)	–	–	(748)	(772)
Non-current assets	1,425	1,443	3	6	1,428	1,449
Non-current liabilities	(773)	(755)	–	–	(773)	(755)
Includes:						
– Financial liabilities	(773)	(755)	–	–	(773)	(755)
Net (liabilities)/assets	(94)	(84)	76	122	(18)	38

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. ASSOCIATES (CONTINUED)

Summarised statement of comprehensive income

	Goldfield Alliance Sdn. Bhd. For the year ended 31 December		Sunflower Villa Sdn. Bhd. For the year ended 31 December		Total For the year ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	76	72	361	415	437	487
Expenses						
Includes:						
– Depreciation and amortisation	(17)	(17)	(3)	(3)	(20)	(20)
– Interest expense	(49)	(51)	–	–	(49)	(51)
(Loss)/profit from continuing operations	(6)	(16)	93	159	87	143
Income tax expense	(4)	(5)	(19)	(33)	(23)	(38)
Post-tax (loss)/profit from continuing operations	(10)	(21)	74	126	64	105
Post-tax profit from discontinued operations	–	–	–	–	–	–
Other comprehensive loss	–	–	–	–	–	–
Total comprehensive (loss)/income	(10)	(21)	74	126	64	105
Dividends received from associated company	–	–	120	80	120	80

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 2016

15. ASSOCIATES (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.		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net Assets						
At 1 January	(84)	(63)	122	76	38	13
(Loss)/profit for the year	(10)	(21)	74	126	64	105
Dividend	–	–	(120)	(80)	(120)	(80)
At 31 December	(94)	(84)	76	122	(18)	38
Interest in associated companies (50%; 50%)	(47)	(42)	38	61	(9)	19
Share of losses not recognised	47	42	–	–	47	42
Carrying value of Group's interest in associated companies	–	–	38	61	38	61

The unrecognised share of losses of an associate, Goldfield Alliance Sdn. Bhd. amounted to RM5,000 (2015: RM10,500) in the current financial year and RM47,000 (2015: RM42,000) cumulatively. The Group has stopped recognising its share of losses since there is no further obligation in respect of those losses using the equity method of accounting.

16. INVESTMENTS

	Group	
	2016	2015
	RM'000	RM'000
Corporate club membership, at cost	30	30
Available-for-sale financial asset	*	*
	30	30

* Amount below RM1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. 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 tax authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2016	2015
	RM'000	RM'000
Deferred income tax assets		
– To be recovered within one year	354	–
– To be recovered after one year	2,379	7
	<u>2,733</u>	<u>7</u>
Deferred income tax liabilities		
– To be settled within one year	(46)	(187)
– To be settled after one year	(1,712)	(1,847)
	<u>(1,758)</u>	<u>(2,034)</u>

Movement in deferred income taxes account is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Beginning of financial year	(2,027)	(89)
Currency translation differences	86	(210)
Acquisition of subsidiaries (Note 14)	–	(1,566)
Credited/(charged) to profit or loss	2,916	(162)
End of financial year	<u>975</u>	<u>(2,027)</u>

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 RM2,786,000 (2015: RM5,440,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. 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

	Provisions RM'000	Tax losses RM'000	Total RM'000
2016			
Beginning of financial year	7	–	7
Currency translation differences	–	86	86
Credited to profit or loss	–	2,640	2,640
End of financial year	7	2,726	2,733
2015			
Beginning of financial year	7	–	7
Credited to profit or loss	–	–	–
End of financial year	7	–	7

Deferred income tax liabilities

	Accelerated tax depreciation RM'000	Intangible assets RM'000	Total RM'000
2016			
Beginning of financial year	(391)	(1,643)	(2,034)
Currency translation differences	14	(14)	–
Credited to profit or loss	93	183	276
End of financial year	(284)	(1,474)	(1,758)
2015			
Beginning of financial year	(96)	–	(96)
Currency translation differences	(2)	(208)	(210)
Acquisition of subsidiaries (Note 14)	(23)	(1,543)	(1,566)
(Charged)/credited to profit or loss	(270)	108	(162)
End of financial year	(391)	(1,643)	(2,034)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current asset				
Trade receivables				
– third parties	43,802	24,309	–	–
Less: Allowance for impairment loss	(256)	(274)	–	–
	43,546	24,035	–	–
Non-trade receivables				
– third parties	9,767	7,540	267	–
– associates	330	309	–	–
– subsidiaries	–	–	37,673	36,876
– shareholder of an associate	702	702	–	–
Less: Allowance for impairment loss	–	(314)	–	–
	10,799	8,237	37,940	36,876
Deposits	1,765	1,235	130	125
	56,110	33,507	38,070	37,001
Non-current asset				
Trade receivables				
– third parties	8,596	16,262	–	–
Non-trade receivables				
– third parties	1,417	2,460	–	–
– subsidiaries	–	–	19,116	15,033
	10,013	18,722	19,116	15,033
Total trade and other receivables	66,123	52,229	57,186	52,034

Trade receivables are unsecured, non-interest bearing and are generally on 14 to 60 (2015: 14 – 60) days credit terms.

The non-trade amounts from third parties, associates, subsidiaries and shareholder of an associate represent advances for operating activities which are unsecured, non-interest bearing, repayable on demand and expected to be settled in cash, except for a non-trade amount due from a former associate of RM1,504,052 (2015: RM1,439,273), which is subject to interest at 6% (2015: 6%) per annum and a non-trade amount of RM19,116,000 (RM15,033,000) due from a subsidiary which is considered to be part of the Company's net investment in this subsidiary.

The non-trade amount due from a shareholder of an associate represents income from the shareholder which is unsecured, non-interest bearing, repayable on demand and expected to be settled in cash.

Deposits mainly relate to the rental deposits of office premises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in allowance for impairment loss on doubtful trade receivables were as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Beginning of financial year	274	1,677	–	–
Allowance made	139	–	–	–
Allowance written back	(169)	(42)	–	–
Allowance utilised	–	(1,110)	–	–
Reclassification to other receivables	–	(249)	–	–
Currency translation differences	12	(2)	–	–
End of financial year	256	274	–	–

Allowances for impairment loss on trade receivables are made in respect of estimated irrecoverable amounts subsequent to debt recovery assessment made by management by reference to past default experience.

During the financial year ended 31 December 2016, allowance written back of RM169,000 (2015: RM42,000) was recognised in profit or loss when the related trade receivables were recovered.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	14,957	18,629	983	1,159
Fixed deposits	4,635	7,818	2,683	6,656
	19,592	26,447	3,666	7,815

Fixed deposits are placed for an average period of 7 to 184 days (2015: 7 to 182 days) and bear effective interest rates of 0.25% to 3.0% (2015: 0.1% to 3.15%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. OTHER CURRENT ASSETS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Monies held in trust for clients	5,494	3,312	–	–
Fixed deposits pledged	154	149	–	–
Bank balances with restricted use	861	829	861	829
Fixed deposits with maturity of 365 days	–	59	–	–
	6,509	4,349	861	829

As at 31 December 2016, fixed deposits amounting to RM154,000 (2015: RM149,000) are pledged to banks for bankers' guarantee granted to the Group.

Bank balances with restricted use are pledged in relation to the security granted for the term loan facilities (Note 24).

Fixed deposits are placed for an average of Nil (2015: 365 days) and bear effective interest rate of Nil (2015: 3.15% to 3.45%) per annum.

21. SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		RM'000	RM'000
Issued and fully paid:				
At beginning of financial year	282,089,177	267,078,800	68,092	51,219
Issue of new ordinary shares ⁽¹⁾	–	7,487,879	–	8,143
Issue of new ordinary shares ⁽¹⁾	–	7,522,498	–	8,730
Issue of new ordinary shares ⁽²⁾	324,035	–	288	–
Issue of new ordinary shares ⁽²⁾	150,368	–	136	–
Issue of new ordinary shares ⁽²⁾	190,483	–	169	–
At end of financial year	282,754,063	282,089,177	68,685	68,092

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 issued shares of 7,487,879 and 7,522,498 in respect of the acquisition of B.A.C.S. Private Limited ("B.A.C.S.") on 20 April 2015 and Finova Singapore Pte. Ltd. and Finova Associates Pte. Ltd. (now known as ZICO BPO Pte. Ltd.) (collectively, "FINOVA") on 29 May 2015, respectively.

⁽²⁾ The newly issued shares of 324,035, 150,368 and 190,483 in respect of the share awards granted under Performance Share Plan on 18 May 2016, 15 August 2016 and 8 September 2016, respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. SHARE-BASED RESERVE

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. SHARE-BASED RESERVE (CONTINUED)

Share options reserve (continued)

ZICO Holdings Employee Share Option Scheme (continued)

	Group and Company	
	2016	2015
	RM'000	RM'000
Beginning of financial year	305	34
Employee share option scheme		
– Value of employee services (Note 7)	251	271
End of financial year	556	305

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

Exercise price	Grant date	Exercise period	2016 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.

	2016 Number of options	Weighted average exercise price S\$
Outstanding at 1 January	3,500,000	0.24
Granted	–	–
Outstanding at 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 8 years (2015: 9 years).

The fair value of options granted on 31 October 2014 was RM2,176,000. 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 2016

22. SHARE-BASED RESERVE (CONTINUED)

Share options reserve (continued)

ZICO Holdings Employee Share Option Scheme (continued)

The Black Scholes option pricing model uses 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 2016

22. 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 March 2016, 15 August 2016 and 8 September 2016, awards for 2,919,035, 300,736 and 380,966 shares were granted pursuant to the ZICO Holdings Performance Share Plan ("2016 award").

The exercise price of the award is \$0. The vesting of the awards is conditional on the employee or director completing another 0.6 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
2016 awards					
21 March 2016	–	2,919,035	–	(324,035)	2,595,000
15 August 2016	–	150,368	–	(150,368)	–
8 September 2016	–	190,483	–	(190,483)	–
	–	3,259,886	–	(664,886)	2,595,000

No awards expired during the year.

The fair value of share awards granted on 21 March 2016, 15 August 2016 and 8 September 2016, determined based on the market price of the shares on that date, was RM2,699,467, RM132,255 and RM169,823 respectively.

	Group and Company	
	2016	2015
	RM'000	RM'000
Beginning of financial year	–	–
Performance share plan		
– Granted during the financial year (Note 7)	1,744	–
– Vested during the financial year	(593)	
End of financial year	1,151	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. 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.

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Beginning of financial year	6,641	(35)	9,871	30
Net currency translation differences of financial statements of foreign subsidiaries	1,079	6,768	1,561	9,841
Less: Non-controlling interests	(88)	(92)	–	–
	991	6,676	1,561	9,841
End of financial year	7,632	6,641	11,432	9,871

24. INTEREST-BEARING LIABILITIES

		Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Finance lease liabilities	(a)	105	172	–	–
TL facilities	(b)	7,363	10,812	7,363	10,812
		7,468	10,984	7,363	10,812
Current liabilities					
Finance lease liabilities	(a)	67	84	–	–
TL facilities	(b)	4,671	4,634	4,671	4,634
RCF loan	(c)	28,536	16,546	28,536	16,546
		33,274	21,264	33,207	21,180
Total		40,742	32,248	40,570	31,992

As at 31 December 2016, the Group and the Company have banking facilities amounting to RM60,606,000 (2015: RM48,528,966) of which approximately RM40,570,000 (2015: RM31,991,355) has been utilised as at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. INTEREST-BEARING LIABILITIES (CONTINUED)

(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.

	Group	
	2016	2015
	RM'000	RM'000
Minimum lease payments due		
– Not later than one year	75	95
– Between one and five years	110	185
	185	280
Less: Future finance charges	(13)	(24)
Present value of finance lease liabilities	172	256

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

	Group	
	2016	2015
	RM'000	RM'000
Not later than one year	67	84
Later than one year		
– Between one and five years	105	172
	105	172
Total	172	256

The finance lease term is 5 years and the effective interest rate for the finance lease obligations is 2.48% to 3.50% (2015: 2.48% – 3.50%) per annum for the year ended 31 December 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. INTEREST-BEARING LIABILITIES (CONTINUED)

(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 3.10% to 3.60% (2015: 2.95% – 3.60%) per annum.

As at 31 December 2016, the TL loan was secured by first party charge over shares held in a subsidiary, charge and assignment over all rights on a designated account (Note 20) and deed of subordination of all financial indebtedness extended by the shareholder or related parties of the Company.

(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 2.35% to 2.95% (2015: 2.03% – 2.95%) per annum.

As at 31 December 2016, the RCF loan was secured by the corporate guarantee of certain subsidiary companies.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables – third parties	1,854	2,647	–	–
Non-trade payables – third parties	15,586	14,773	1,106	2,858
Accrued expenses	2,507	2,574	949	456
	19,947	19,994	2,055	3,314
Non-current				
Non-trade payables – third parties	–	680	–	–
	19,947	20,674	2,055	3,314

Trade payables are unsecured, non-interest bearing and are normally settled within 60 days (2015: 60 days) payment terms.

Non-current portion of non-trade payables of the Group represented balance of purchase price payable to a third party of RM680,464 as at 31 December 2015 for the acquisition of a subsidiary by the Company. The balance payable for the acquisition of a subsidiary is unsecured, interest-free and payable from 2013 to 2017.

Included in the current portion of non-trade payables of the Group are amounts owing to a third party of RM680,464 (2015: RM633,290) for the acquisition of a subsidiary by the Company and monies held in trust for stakeholders of RM5,376,000 (2015: RM3,311,938). The balance payable for the acquisition of a subsidiary and monies held in trust for stakeholders are unsecured, interest-free and payable upon demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. PROVISIONS

		Group 2016 RM'000	2015 RM'000
Current			
Provision for leave benefits	(a)	62	60
Non-current			
Provision for reinstatement costs	(b)	36	45
Provision for retirement benefits	(c)	25	24
		61	69
		123	129

(a) Provision for leave benefits

	Group 2016 RM'000	2015 RM'000
Current		
Beginning of financial year	60	–
Acquisition of subsidiaries	–	49
Provision made	–	5
Currency translation differences	2	6
End of financial year	62	60

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

(b) Provision for reinstatement costs

	Group 2016 RM'000	2015 RM'000
Non-current		
Beginning of financial year	45	39
Provision made	34	–
Provision reversed	(44)	–
Currency translation differences	1	6
End of financial year	36	45

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.

NOTES TO THE FINANCIAL STATEMENTS

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26. PROVISIONS (CONTINUED)

(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).

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

	Group	
	2016	2015
	RM'000	RM'000
Non-current		
Beginning of financial year	24	21
Currency translation differences	1	3
End of financial year	25	24

The principal actuarial assumptions used are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Discount rate	9.00%	9.00%
Salary growth rate	10.00%	10.00%
Retirement age	56 years	56 years
Participants (employees)	13	13

27. DEFERRED REVENUE

Deferred revenue represents advance payments of professional fees from customers.

28. DIVIDENDS

	Group	
	2016	2015
	RM'000	RM'000
Interim tax-exempt dividend of SGD2.33 per ordinary share in respect of the financial year ended 31 December 2016	1,075	–

The directors of the Company did not recommend any final dividend in respect of the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. 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

	Group	
	2016	2015
	RM'000	RM'000
Corporate guarantee given by a subsidiary of the Company for hire purchase facilities utilised by a subsidiary, ZICO Consultancy Sdn. Bhd.	85	110
Transactions with associates		
Corporate guarantee given for banking facilities utilised by an associate	(922)	(954)
Dividend income	60	40

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Short-term employee benefits	5,914	4,931
Post-employment benefits	194	175
Share-based payments under the ESOS and PSP	380	58
	6,488	5,164

30. COMMITMENTS

30.1 Operating lease commitments

The Group leases office spaces and accommodation under non-cancellable operating leases. 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.

As at the end of the reporting period, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	Group	
	2016	2015
	RM'000	RM'000
Not later than one year	2,630	4,524
Between one and five years	1,356	6,625
	3,986	11,149

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. 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 three reportable operating segments as follows:

- (i) Advisory and transactional services;
- (ii) Management and support services; and
- (iii) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. SEGMENT INFORMATION (CONTINUED)

Business segment

Business Segment	Advisory and transactional services RM'000	Management and support services RM'000	Licensing services RM'000	Elimination RM'000	Total RM'000
2016					
Revenue					
External revenue	42,657	17,780	6,300	–	66,737
Inter-segment revenue	696	3,639	2,188	(6,523)	–
	<u>43,353</u>	<u>21,419</u>	<u>8,488</u>	<u>(6,523)</u>	<u>66,737</u>
Results					
Segment profit/(loss)	8,962	(3,245)	6,054	–	11,771
Interest income	253	74	134	–	461
Finance costs	(6)	–	–	–	(6)
	<u>9,209</u>	<u>(3,171)</u>	<u>6,188</u>	<u>–</u>	<u>12,226</u>
Unallocated expenses					(8,103)
Share of results of associates, net of tax					<u>36</u>
Profit before income tax					4,159
Income tax credit					<u>917</u>
Profit for the financial year					<u>5,076</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. SEGMENT INFORMATION (CONTINUED)

Business segment (continued)

Business Segment	Advisory and transactional services RM'000	Management and support services RM'000	Licensing services RM'000	Total RM'000
Non-cash items				
Allowance for impairment loss				
on trade receivables written back	(30)	–	–	(30)
Amortisation of intangible assets	1,098	990	–	2,088
Bad trade and other receivables written off	194	–	–	194
Depreciation of plant and equipment	799	763	–	1,562
Loss on disposal of plant and equipment	112	–	–	112
Plant and equipment written off	88	–	–	88
Reversal of provisions	(44)	–	–	(44)
Unrealised foreign exchange loss, net	381	122	(128)	375
Unallocated non-cash items				
Amortisation of intangible assets	–	–	–	529
Depreciation of plant and equipment	–	–	–	74
Intangible assets written off	–	–	–	1,140
Share-based payment expenses	–	–	–	1,995
Unrealised foreign exchange gain, net	–	–	–	(958)
Capital expenditure				
Plant and equipment	1,464	858	–	2,322
Intangible assets	1,215	3,708	–	4,923
As at 31 December 2016				
Assets and Liabilities				
Segment assets	105,603	27,768	16,133	149,504
– Current income tax recoverable	1,090	–	–	1,090
– Deferred tax assets	1,851	882	–	2,733
	108,544	28,650	16,133	153,327
Unallocated assets				14,972
				168,299
Segment liabilities	20,903	1,540	246	22,689
– Current income tax payable	840	13	1,715	2,568
– Deferred tax liabilities	1,556	202	–	1,758
	23,299	1,755	1,961	27,015
Unallocated liabilities				44,438
				71,453

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Segment information (continued)

Business segment (continued)

Business Segment	Advisory and transactional services RM'000	Management and support services RM'000	Licensing services RM'000	Elimination RM'000	Total RM'000
2015					
Revenue					
External revenue	29,709	17,410	5,658	–	52,777
Inter-segment revenue	2,822	1,927	1,082	(5,831)	–
	<u>32,531</u>	<u>19,337</u>	<u>6,740</u>	<u>(5,831)</u>	<u>52,777</u>
Results					
Segment profit/(loss)	9,390	(2,393)	5,310	–	12,307
Interest income	113	–	–	–	113
Finance costs	(3)	(5)	–	–	(8)
	<u>9,500</u>	<u>(2,398)</u>	<u>5,310</u>	<u>–</u>	<u>12,412</u>
Unallocated expenses					(3,535)
Share of results of associates, net of tax					<u>63</u>
Profit before income tax					8,940
Income tax expense					<u>(1,653)</u>
Profit for the financial year					<u>7,287</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. SEGMENT INFORMATION (CONTINUED)

Business segment (continued)

Business Segment	Advisory and transactional services RM'000	Management and support services RM'000	Licensing services RM'000	Total RM'000
Non-cash items				
Allowance for impairment loss				
on doubtful trade receivables	(42)	–	–	(42)
Amortisation of intangible assets	650	712	–	1,362
Bad trade and other receivables written off	258	–	–	258
Depreciation of plant and equipment	548	702	–	1,250
Gain on disposal of plant and equipment	–	(21)	–	(21)
Intangible assets written off	7	–	–	7
Plant and equipment written off	17	–	–	17
Provisions	69	–	–	69
Unrealised foreign exchange gain, net	(376)	(15)	(108)	(499)
Unallocated non-cash items				
Amortisation of intangible assets	–	–	–	215
Depreciation of plant and equipment	–	–	–	73
Share-based payment expenses	–	–	–	271
Unrealised foreign exchange gain, net	–	–	–	(455)
Capital expenditure				
Plant and equipment	1,932	1,159	–	3,091
Intangible assets	4,258	1,930	–	6,188
As at 31 December 2015				
Assets and Liabilities				
Segment assets	98,043	24,902	11,548	134,493
– Current income tax recoverable	759	144	–	903
– Deferred tax assets	7	–	–	7
	98,809	25,046	11,548	135,403
Unallocated assets				17,118
				152,521
Segment liabilities	17,659	4,281	315	22,255
– Current income tax payable	954	–	945	1,899
– Deferred tax liabilities	1,677	357	–	2,034
	20,290	4,638	1,260	26,188
Unallocated liabilities				36,859
				63,047

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. 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
2016									
External revenue	17,867	25,864	3,914	8,090	214	2,057	367	8,364	66,737
Non-current assets	58,918	16,314	1,827	4,701	–	–	–	2,327	84,087
2015									
External revenue	11,209	24,249	4,261	7,130	162	392	371	5,003	52,777
Non-current assets	55,054	20,280	3,984	5,500	–	–	–	1,684	86,502

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 (2015: 1) customer which accounted for RM18.0 million or 27% (2015: RM17.4 million or 33%) of the Group's total revenue for the financial year.

32. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.1 Credit risk

Credit risks refer to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collaterals.

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 69.7% (2015: 63.2%) of the total trade and other receivables as at 31 December 2016. The directors are of the opinion that the amounts are fully recoverable.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for impairment losses, represents the Group's maximum exposure to credit risks, except as referred to in Note 33 to the financial statements.

The Group's major classes of financial assets are trade and other receivables and cash and cash equivalents. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. Bank deposits are mainly deposits with reputable banks with minimum risk of default.

As at the end of the reporting period, the age analysis of trade receivables past due but not impaired is as follows:

	2016 RM'000	2015 RM'000
<u>Past due but not impaired</u>		
Past due less than 1 month	4,567	475
Past due 1 to 2 months	5,640	934
Past due 2 to 3 months	3,199	601
Past due 3 to 4 months	6,556	1,065
Past due over 4 months	8,147	4,248

The age analysis of trade receivables past due but not impaired as at 31 December 2016 includes RM16,000,000 (2015: RM9,209,000) which forms part of the 3-year repayment plan, that have been agreed with the debtors towards the end of 2016. With this repayment plan, the trade receivables as at 31 December 2016 pertaining to these debtors have been excluded from the age analysis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 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.

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:

	RM RM'000	SGD RM'000	THB RM'000	USD RM'000	Other RM'000	Total RM'000
<u>At 31 December 2016</u>						
Financial assets						
Cash and cash equivalents	2,510	11,657	–	5,339	86	19,592
Trade and other receivables	22,871	13,596	2,186	24,555	2,915	66,123
Other current assets	5,312	985	–	212	–	6,509
	30,693	26,238	2,186	30,106	3,001	92,224
Financial liabilities						
Borrowings	(160)	(40,582)	–	–	–	(40,742)
Trade and other payables	(6,850)	(8,193)	(239)	(3,644)	(1,021)	(19,947)
	(7,010)	(48,775)	(239)	(3,644)	(1,021)	(60,689)
Net financial assets/(liabilities)	23,683	(22,537)	1,947	26,462	1,980	31,535
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	(351)	(503)	1,947	2,860	148	4,101
<u>At 31 December 2015</u>						
Financial assets						
Cash and cash equivalents	3,074	16,953	–	6,399	21	26,447
Trade and other receivables	16,592	11,431	2,121	19,634	2,451	52,229
Other current assets	2,505	829	–	1,015	–	4,349
	22,171	29,213	2,121	27,048	2,472	83,025
Financial liabilities						
Borrowings	(235)	(32,013)	–	–	–	(32,248)
Trade and other payables	(5,322)	(6,366)	(828)	(6,496)	(1,662)	(20,674)
	(5,557)	(38,379)	(828)	(6,496)	(1,662)	(52,922)
Net financial assets/(liabilities)	16,614	(9,166)	1,293	20,552	810	30,103
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	527	4,449	1,293	835	(10)	7,094

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 Market risk (continued)

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

	RM RM'000	SGD RM'000	USD RM'000	Total RM'000
<u>At 31 December 2016</u>				
Financial assets				
Cash and cash equivalents	–	3,638	28	3,666
Trade and other receivables	–	57,186	–	57,186
Other current assets	–	861	–	861
	–	61,685	28	61,713
Financial liabilities				
Borrowings	–	(40,570)	–	(40,570)
Trade and other payables	–	(2,055)	–	(2,055)
	–	(42,625)	–	(42,625)
Net financial assets	–	19,060	28	19,088
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	–	28	–
<u>At 31 December 2015</u>				
Financial assets				
Cash and cash equivalents	–	7,801	14	7,815
Trade and other receivables	–	52,034	–	52,034
Other current assets	–	829	–	829
	–	60,664	14	60,678
Financial liabilities				
Borrowings	–	(31,992)	–	(31,992)
Trade and other payables	–	(3,314)	–	(3,314)
	–	(35,306)	–	(35,306)
Net financial assets	–	25,358	14	25,372
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	–	14	14

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 Market risk (continued)

If the SGD, THB and USD change against the Ringgit Malaysia ("RM") by 5% (2015: 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) ▶	
	2016 Profit before tax RM'000	2015 Profit before tax RM'000
Group		
SGD against RM		
– Strengthened	(25)	222
– Weakened	25	(222)
THB against RM		
– Strengthened	97	65
– Weakened	(97)	(65)
USD against RM		
– Strengthened	143	42
– Weakened	(143)	(42)
Company		
RM against SGD		
– Strengthened	–	–
– Weakened	–	–
USD against SGD		
– Strengthened	594	1
– Weakened	(594)	(1)

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.

Interest rate risk

The Group's exposure to market risks for changes in interest rates relates primarily to interest-bearing borrowings as set out in Note 24 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.

Interest rate sensitivity analysis

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 0.5% (2015: 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 RM203,000 (2015: RM160,000) as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.3 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 2016				
Financial liabilities				
Trade and other payables	19,947	–	–	19,947
TL loan	5,090	7,619	–	12,709
RCF loan	29,352	–	–	29,352
Finance lease payables	75	61	49	185
Total undiscounted financial liabilities	54,464	7,680	49	62,193
At 31 December 2015				
Financial liabilities				
Trade and other payables	19,994	680	–	20,674
TL loan	5,190	5,023	6,400	16,613
RCF loan	17,026	–	–	17,026
Finance lease payables	95	75	110	280
Total undiscounted financial liabilities	42,305	5,778	6,510	54,593
Company				
At 31 December 2016				
Financial liabilities				
Trade and other payables	2,055	–	–	2,055
TL loan	5,090	7,619	–	12,709
RCF loan	29,352	–	–	29,352
Total undiscounted financial liabilities	36,497	7,619	–	44,116
At 31 December 2015				
Financial liabilities				
Trade and other payables	3,314	–	–	3,314
TL loan	5,190	5,023	6,400	16,613
RCF loan	17,026	–	–	17,026
Total undiscounted financial liabilities	25,530	5,023	6,400	36,953

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.4 Capital risk

The Group manages capital to ensure that the Group is able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholders' 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 2015.

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.

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest-bearing liabilities	40,742	32,248	40,570	31,992
Equity attributable to owners of the parent	95,595	88,331	82,191	81,293
Gearing ratio (times)	0.43	0.37	0.49	0.39

In relation to the Group's RCF loan facility, the Group is required, upon successful listing on SGX-ST, to maintain a minimum consolidated tangible networth of RM10,000,000 and a gearing ratio of not more than 2.5 times. As at 31 December 2016, 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 2016, the Group has complied with these requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.5 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).

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.

	Group Carrying amount RM'000	Fair value RM'000
At 31 December 2016		
Financial liabilities		
Finance lease liabilities	172	180
At 31 December 2015		
Financial liabilities		
Trade and other payables	1,314	1,340
Finance lease liabilities	256	272

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.6 Financial instruments by category

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Loans and receivables				
– Trade and other receivables	66,123	52,229	57,186	52,034
– Cash and cash equivalents	19,592	26,447	3,666	7,815
– Other current assets	6,509	4,349	861	829
	92,224	83,025	61,713	60,678
Financial liabilities				
Other financial liabilities, at amortised cost				
– Trade and other payables	19,947	20,674	2,055	3,314
– Interest-bearing liabilities	40,742	32,248	40,570	31,992
	60,689	52,922	42,625	35,306

33. CONTINGENT LIABILITIES

	2016	2015
	RM'000	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.	922	954
– hire purchase facilities utilised by a subsidiary, ZICO Consultancy Sdn. Bhd.	85	110
	1,007	1,064

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 associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 14 February 2017, Mr. Ng Hock Heng, an Executive Director of the Company transferred 1 ordinary share of RM1.00 of ShakeUp Online Sdn. Bhd. ("ShakeUp Online") comprising 100% shareholding interest held in trust by him to the Company. ShakeUp is principally engaged in the integrated multidisciplinary professional services and document processing solutions.

On 28 February 2017, a wholly owned subsidiary of the Company, ZICO Asset Management Pte. Ltd. ("ZICO AM") received from the Monetary Authority of Singapore a notice of commencement of business as a registered fund management company under Paragraph 5(1) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

On 9 March 2017, ZICO AM increased its issued and paid-up share capital from S\$500,000 to S\$527,800 through the issuance and allotment of ordinary shares to a third party at S\$0.50 per ordinary share. The Company's interest in ZICO AM has been diluted from 100% to 90%.

On 23 March 2017, the Company entered into subscription agreements (the "Subscription Agreements") with certain persons for the issue and allotment of 15,000,000 new ordinary shares in the capital of the Company (the "Placement Shares") ("Proposed Placement").

On completion of the Proposed Placement (which is conditional upon satisfaction of specific conditions stated in the Subscription Agreements), the Company's issued and paid-up share capital will be increased from 283,605,719 ordinary shares as at 23 March 2017, to 298,605,719 ordinary shares. Such number of Placement Shares represents approximately 5.29% of the existing issued and paid up share capital of the Company as at 23 March 2017, and approximately 5.01% of the enlarged issued and paid-up share capital of the Company after the Proposed Placement.

35. 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 2017 and which the Group has not early adopted:

- IFRS 15 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces IFRS 11 *Construction contracts*, IFRS 18 *Revenue*, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- IFRS 15 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018) (continued)

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- (i) Rights of return – IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation; and
- (ii) Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under IFRS 15.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make a more detailed assessment of the impact over the next twelve months.

- IFRS 9 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The complete version of IFRS 9 replaces most of the guidance in IFRS 9. IFRS 9 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale ("AFS") financial assets would appear to satisfy the conditions for classification at fair value through OCI and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- equity instruments currently classified as AFS for which fair value through OCI election is available;
- equity investments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under IFRS 9; and
- debt instruments classified as held-to-maturity or loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under IFRS 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- IFRS 9 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018) (continued)

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under IFRS 15 *Revenue* from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- 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 standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RM10,636,000 (Note 30). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

36. 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

SHAREHOLDER INFORMATION

AS AT 16 MARCH 2017

Issued and fully paid-up capital	:	RM68,685,409
Total number of issued shares	:	282,754,063
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	7	5.34	1,500	0.00
1,001 – 10,000	35	26.72	256,300	0.09
10,001 – 1,000,000	66	50.38	11,098,052	3.93
1,000,001 and above	23	17.56	271,398,211	95.98
Total	131	100.00	282,754,063	100.00

TOP TWENTY SHAREHOLDERS AS AT 16 MARCH 2017

	Name of Shareholders	No. of Shares	% of Shares
1.	UOB KAY HIAN PTE LTD	159,490,400	56.41
2.	DB NOMINEES (S) PTE LTD	28,280,000	10.00
3.	KGI SECURITIES (SINGAPORE) PTE LTD	13,444,800	4.75
4.	RAFFLES NOMINEES (PTE) LTD	10,284,100	3.64
5.	JUNE SONG PTE LTD	7,487,879	2.65
6.	TOH BENG SUAN	7,210,000	2.55
7.	HONG LEONG FINANCE NOMINEES PTE LTD	7,084,900	2.50
8.	LIEW FOONG YUEN	6,180,000	2.19
9.	PRIMEPARTNERS GROUP PTE LTD	5,000,000	1.77
10.	CIMB SECURITIES (SINGAPORE) PTE LTD	3,947,135	1.40
11.	CITIBANK NOMINEES SINGAPORE PTE LTD	2,953,200	1.04
12.	INGLEPEAK HOLDINGS LTD	2,751,436	0.97
13.	DBS NOMINEES PTE LTD	2,180,000	0.77
14.	KEK CHIN WU	2,158,800	0.76
15.	HANIM HAMZAH	2,060,000	0.73
16.	PRIMEPARTNERS CORPORATE FINANCE PTE LTD	1,829,900	0.65
17.	SEAN LAI CHOONG CHANG	1,735,961	0.61
18.	JAMES KHONG POH WAH	1,650,000	0.58
19.	MAYBANK NOMINEES (S) PTE LTD	1,230,500	0.44
20.	CHUN KWONG PONG	1,203,200	0.43
		268,162,211	94.84

SHAREHOLDER INFORMATION

AS AT 16 MARCH 2017

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2017

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	% of Shareholdings	No. of Shares	% of Shareholdings
Chew Seng Kok	102,916,200	36.40	6,000,000 ⁽¹⁾	2.12
Loh Wei Lian	16,384,579	5.79	0	0
Lim Kar Han	14,394,000	5.09	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 16 March 2017, approximately 43.34% 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 Thursday, 27 April 2017 at 10.30 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 2016 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:

Mr Ng Hock Heng

(Resolution 2)

Mr John Lim Yew Kong

(Resolution 3)

Mr Stephen Arthur Maloy

(Resolution 4)

[Explanatory Note (i)]

3. To approve the payment of Directors' fees totalling S\$375,000 (2015:S\$424,076) for the financial year ending 31 December 2017, 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) 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 Shares (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, 12 April 2017

Explanatory Notes:

- (i) **Resolution 2** – Mr 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 John Lim Yew Kong, if re-elected, will remain as the Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominating Committees. The Board considers Mr John Lim Yew Kong to be independent pursuant to Rule 704(7) of the Catalist Rules. He currently holds directorships in Global Invacom Group Limited and Karin Technology Holdings Limited, both of which are listed on the Mainboard of the SGX-ST.

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

- (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 2017 ("**FY2017**"). Should any Director hold office for only part of FY2017 and not the whole of FY2017, 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 Shares 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.

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 72 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.

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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 Thursday, 27 April 2017 at 10.30 a.m. 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 2016 together with the Auditors’ Report thereon		
Resolution 2	To re-elect Mr Ng Hock Heng as a Director of the Company		
Resolution 3	To re-elect Mr John Lim Yew Kong 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 2017, 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 _____ 2017

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 12 April 2017.



ZICO HOLDINGS INC.

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