



## **ZICO HOLDINGS INC.**

Incorporated in Labuan, Malaysia

Company Registration No. LL07968

- (1) PROPOSED ACQUISITION OF 50% OF EQUITY INTEREST IN FRAGOMEN (MALAYSIA) SDN. BHD.**
- (2) PROPOSED INCORPORATION OF A JOINT VENTURE COMPANY**

### **1. INTRODUCTION**

- 1.1 The board of directors (the **"Board"**) of ZICO Holdings Inc. (the **"Company"**, and together with its subsidiaries and associated companies, the **"Group"**) refers to the Company's announcements dated 22 January 2018 and 13 April 2018, relating to the heads of agreement (**"HOA"**) entered into with Fragomen Global LLP and Fragomen Global Immigration Services, LLC (**"FGIS"**).

### **2. SIGNING OF SHARE PURCHASE AGREEMENT**

The Board wishes to update that the Company had on 29 June 2018 entered into a share purchase agreement (**"SPA"**) with FGIS, pursuant to which, FGIS will sell and transfer 50% of the equity interest (**"50% Equity Interest"**) of Fragomen (Malaysia) Sdn. Bhd. (**"Fragomen Malaysia"**) to the Company (**"Proposed Acquisition"**).

### **3. PARTICULARS OF THE ASSETS BEING ACQUIRED AND DESCRIPTION OF THE TRADE CARRIED ON**

Fragomen Malaysia was incorporated in Malaysia on 18 April 2014. It provides a broad range of immigration services to help clients with their employee mobility needs in Malaysia. These services are designed to support their clients' compliance with Malaysian regulations and procedures. Fragomen Malaysia also develops clients' corporate immigration policies and programs by devoting considerable time and effort to understanding each client's unique strategies and preferences, as well as the role employee mobility plays in executing those strategies.

#### **4. VALUE OF THE ASSETS TO BE ACQUIRED**

##### **4.1 Book value**

Based on the audited financial statements of Fragomen Malaysia for the financial year ended 31 December 2017 (“**FY2017**”), the book value attributable to the 50% Equity Interest is approximately RM287,619. No independent valuation was undertaken on the 50% Equity Interest.

##### **4.2 Net tangible asset (“NTA”) value**

Based on the audited financial statements of Fragomen Malaysia FY2017, the NTA value attributable to the 50% Equity Interest is approximately RM287,619.

##### **4.3 Open market value**

There is no applicable open market value attributable to the 50% Equity Interest as Fragomen Malaysia is not a listed entity.

#### **5. PRINCIPAL TERMS OF THE SPA**

##### **5.1 Purchase consideration**

The purchase consideration payable by the Company to FGIS for the Proposed Acquisition is RM9,115,531 (“**Purchase Consideration**”). A deposit of 10% of the Purchase Consideration payable in the amount of RM911,553 (“**Deposit**”) is due from the Purchaser to the Vendor upon execution of this SPA. The Purchase Consideration was arrived at on a willing-buyer willing-seller basis, after taking into account historical earnings and growth potential of Fragomen Malaysia.

The Purchase Consideration will be satisfied by cash in United States Dollars at the agreed exchange rate. The Deposit will be satisfied from the proceeds from the Company’s initial public offering (“**IPO Proceeds**”). The balance Purchase Consideration will be funded from a credit facility from a financial institution.

##### **5.2 Conditions precedent**

Completion of the Proposed Acquisition shall be conditional upon the fulfilment (or waiver, as the case may be) of the following conditions (“**Conditions**”):

- (a) the completion by the Company of the legal, financial, operational, tax and other due diligence on the affairs of Fragomen Malaysia, and the results of such due diligence being reasonably satisfactory to the Company;
- (b) the completion by the Vendor of the legal, financial, operational, tax and other due diligence on the affairs of the Company, and the results of such due diligence being reasonably satisfactory to the Vendor;

- (c) there having been, at the reasonable discretion of the Purchaser, no occurrence of any event including the discovery of any fact rendering inaccurate, untrue or incorrect to an extent which is or will be material in any of the representations and warranties given by the Vendor, if they were repeated on the completion date stated in paragraph 5.5 below.

The Company or FGIS may waive any of the Conditions for which it is not responsible and thereafter, proceed to complete the Proposed Acquisition.

**5.3 Long-stop date**

Either party may rescind the SPA if any of the Conditions is not satisfied or waived on or before 15 July 2018, or such other date as may be mutually agreed by the parties.

**5.4 Incorporation of a joint venture company ("JV Co")**

The Company and Fragomen will incorporate a JV Co within 7 days from the date both parties confirm in writing that the Conditions have been satisfactorily met. The JV Co will be incorporated as a private limited company under the laws of Labuan, Malaysia. Subsequent to completion of the Proposed Acquisition, the Company and FGIS will transfer each of their 50% ownership in Fragomen Malaysia to the JV Co. As a result, JV Co will own 100% of Fragomen Malaysia.

**5.5 Completion**

Completion of the Proposed Acquisition shall take place on 31 July 2018 or such other date as may be agreed in writing between the parties.

**5.6 Material conditions**

There are no material conditions attached to the Proposition Acquisition including put, call and other options.

**6. RATIONALE FOR THE PROPOSED ACQUISITION**

The Board believes the Proposed Acquisition:

- (a) will enlarge the income base of the Group;
- (b) will complement the Company's existing businesses;
- (c) will result in several potential areas of synergies such as economies of scale, more efficient usage of resources and cross selling through a larger customer base;
- (d) will enable the Company to establish a new business under its Advisory and Transactional Services as Immigration Services in Malaysia.

## 7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

### 7.1 Bases and assumptions

7.2 The financial effects of the Proposed Acquisition are prepared based on the Group's latest announced consolidated financial statements for FY2017. The financial effects of the Proposed Acquisition set out below are purely for illustrative purposes and do not reflect the future actual financial results or positions of the Group after the completion of the Proposed Acquisition.

### 7.3 Effect on NTA

Assuming that the Proposed Acquisition had been completed on 31 December 2017, the effect on the NTA of the Group would have been:

|                         | Before the Proposed Acquisition | After the Proposed Acquisition |
|-------------------------|---------------------------------|--------------------------------|
| NTA (RM'000)            | 51,324                          | 51,324                         |
| Number of shares ('000) | 299,417                         | 299,417                        |
| NTA per share (RM Sen)  | 17.14                           | 17.14                          |

### 7.4 Earnings per share ("EPS")

Assuming that the Proposed Acquisition had been completed on 1 January 2017, the effect on the EPS of the Group would have been:

|                           | Before the Proposed Acquisition | After the Proposed Acquisition |
|---------------------------|---------------------------------|--------------------------------|
| Profit after tax (RM'000) | 5,664                           | 7,314                          |
| Number of shares ('000)   | 299,417                         | 299,417                        |
| EPS (RM Sen)              | 1.89                            | 2.44                           |

## 8. RELATIVE FIGURES

The relative figures for the Proposed Acquisition, computed on the bases set out in Rule 1006 of the Catalist Rules are set out below. The computations are based on (a) the latest announced consolidated financial statements for FY2017 of the Group; and (b) the net profits of Fragomen Malaysia of RM4,350,715 for FY 2017.

| Rule 1006 | Bases                                                                                       | Relative Figures (%) |
|-----------|---------------------------------------------------------------------------------------------|----------------------|
| (a)       | Net asset value of the assets to be disposed of, compared with the Group's net asset value. | N.A.                 |

| Rule 1006 | Bases                                                                                                                                                              | Relative Figures (%)  |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| (b)       | Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits                                                              | 26.19% <sup>(1)</sup> |
| (c)       | Aggregate value of the Purchase Consideration given compared with the market capitalisation of the Company                                                         | 5.44% <sup>(2)</sup>  |
| (d)       | Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue | N.A.                  |
| (e)       | Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves              | N.A.                  |

**Notes:**

- (1) Fragomen Malaysia's unaudited consolidated financial results for the three-month financial period ended 31 March 2018 ("1QFY2018") have not been furnished to the Company. As such, the Company is not able to set out the relative figure for Rule 1006(b) based on its latest announced consolidated accounts for 1QFY2018, which was announced by the Company on SGXNET on 11 May 2018. Accordingly, the relative figure for Rule 1006(b) has been computed based on 50% of net profits of Fragomen Malaysia for FY 2017 of approximately RM2,175,358, as compared to the Group's net profits for FY2017 of approximately RM8,307,000.
- (2) Based on the Purchase Consideration of RM9,115,531, and the Company's market capitalisation of SGD56,600,000, which is determined by multiplying the issued share capital of the Company of 301,569,463 shares with the volume weighted average price of such shares transacted on 22 June 2018], being the last trading day preceding to the date of signing of the SPA, of S\$0.181 per share

## 9. CLASSIFICATION

Based on the above, the relative figures for the Proposed Acquisition, computed on the bases set out in Rule 1006 of the Catalist Rules, exceed 5% but are less than 75%. Accordingly, the Proposed Acquisition would constitute a "discloseable transaction" under Rule 1010 of the Catalist Rules and do not require the approval of the shareholders of the Company.

## 10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

## 11. USE OF IPO PROCEEDS

The utilization of the IPO Proceeds for the funding of the Deposit is in line with the intended use as previously disclosed in the Company's offer document dated 30 October 2014. Subsequent to payment of the Deposit, the status of the use of the IPO Proceeds as at the date of this announcement is as follows:

| Use of IPO Proceeds                                               | Amount allocated<br>(S\$'000) | Amount utilised<br>(S\$'000) | Balance<br>(S\$'000) |
|-------------------------------------------------------------------|-------------------------------|------------------------------|----------------------|
| Expansion of business operations including potential acquisitions | 8,000                         | 7,654                        | 346                  |
| Capital expenditure on information technology infrastructure      | 1,000                         | 1,000                        | -                    |
| General working capital                                           | 3,521                         | 3,521 <sup>(1)</sup>         | -                    |
| Listing expenses                                                  | 1,879                         | 1,879                        | -                    |
| Total                                                             | 14,400                        | 14,054                       | 346                  |

**Note:**

(1) The amount of working capital was used for payment of salaries and wages.

## 12. SERVICE CONTRACTS

No service contract was entered into between the Company and any person in connection with the Proposed Acquisition.

## 13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be available for inspection at the registered office of the Company's Singapore branch at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, during normal business hours on any weekday (public holidays excepted) for a period of 3 months from the date of this announcement.

## 14. FURTHER ANNOUNCEMENT

The Company will make further appropriate update announcement(s) on the Proposed Acquisition at the relevant time.

## 15. CAUTIONARY STATEMENT

Shareholders of the Company and potential investors should exercise caution when trading in the shares of the Company in relation to this announcement, as there is no certainty that the Proposed Acquisition will be completed, as it is subject to the fulfilment of terms and conditions set out in the SPA. When in doubt as to the action they should take, shareholders and potential investors should consult their financial, tax, or other advisers.

### BY ORDER OF THE BOARD

Chew Seng Kok

Managing Director

29 June 2018

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

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*The contact person for the Sponsor is Ms Foo Quee Yin.  
Telephone number: 6221 0271*