



ZICO HOLDINGS INC.

Incorporated in Labuan, Malaysia

Company Registration No. LL07968

PROPOSED DISPOSALS OF BUSINESSES AND ASSETS OF ZICO KNOWLEDGE SERVICES SDN BHD AND ZICO RMC PTE LTD

1. INTRODUCTION

- 1.1 The board of directors ("**Board**") of ZICO Holdings Inc. ("**Company**", and together with its subsidiaries and associated companies, the "**Group**") wishes to announce the following:
- (a) that ZICO Knowledge Services Sdn Bhd (a wholly-owned subsidiary of the Company) ("**ZKS**") has on 27 July 2021 entered into a business transfer agreement ("**ZKS Transfer Agreement**") with Rentas Mesra Sdn Bhd. ("**Purchaser**"). Pursuant to the ZKS Transfer Agreement, ZKS has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from ZKS, the ZKS Business Assets (as defined in paragraph 2.2) relating to the ZL Support Business (as defined in paragraph 2.1) on the terms and conditions of the ZKS Transfer Agreement ("**ZKS Transfer**"); and
 - (b) that ZICO RMC Pte Ltd (another wholly-owned subsidiary of the Company) ("**ZICO RMC**") has on 27 July 2021 entered into another business transfer agreement ("**ZRMC Transfer Agreement**") with the Purchaser. Pursuant to the ZRMC Transfer Agreement, ZICO RMC has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from ZICO RMC, the ZRMC Business Assets (as defined in paragraph 3.2) in relation to the ZL Regional Management Business (as defined in paragraph 3.1) on the terms and conditions of the ZRMC Agreement ("**ZRMC Transfer**").
- 1.2 The ZKS Transfer Agreement and ZRMC Transfer Agreement are referred to together as the "**Transfer Agreements**" and each as a "**Transfer Agreement**". The ZKS Transfer and the ZRMC Transfer are referred to together as the "**Proposed Disposals**".

2. INFORMATION ON THE ZL SUPPORT BUSINESS AND THE ZKS BUSINESS ASSETS

2.1 Information on the ZL Support Business

ZKS is a provider of business support services that comprise (a) accounting, finance and budgeting, (b) information technology, (c) human resource, (d) business development and corporation communications ("**BDCC**"), and (e) knowledge management and training ("**KMT**") under the "Management, Support Services and Licensing Services" segment of the Group. These services are provided to various law firms of the ZICOlaw network and various subsidiaries of the Group.

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Of specific relevance, ZKS provides BDCC and KMT services to the law firms of the ZICOLaw network (“**ZL Support Business**”) via service orders entered into between ZKS and the respective law firms of the ZICOLaw network pursuant to the relevant master service agreement (“**ZICOLaw Service Orders**”). Except as pertains to the ZL Support Business, ZKS will continue to provide the business support services to the ZICOLaw network firms and the various subsidiaries of the Group as stated in the preceding paragraph post-Completion.

2.2 Information on the ZKS Business Assets

Under the ZKS Transfer Agreement, ZKS will sell and the Purchaser will acquire the ZL Support Business and the following assets:

- (a) the ZICOLaw Service Orders, including all rights, benefits, entitlements, claims, obligations and liabilities under them;
 - (b) all copyrights, trademarks and service marks (save in relation to “ZICO” or “ZICOLaw”), business names and domain names, database rights, rights to use, and all other similar rights in any part of the world (including know-how and trade secrets), and all other intellectual property rights that are relevant to the ZL Support Business and these include but are not limited to those listed in the ZKS Transfer Agreement (“**Intellectual Property Rights**”);
 - (c) the office equipment furniture and furnishings, and IT systems used or intended for use in connection with the ZL Support Business;
 - (d) all information, know-how and techniques (whether or not confidential and in whatever form held) which in any way relate to the ZL Support Business; and
 - (e) all other property, rights, and assets used, enjoyed or exercised or intended to be used, enjoyed or exercised in connection with the ZL Support Business,
- (collectively, the “**ZKS Business Assets**”).

2.3 The Purchaser has offered employments in writing to certain employees of ZKS. The Purchaser’s written offer of employment shall take effect from the Effective Time on terms and conditions no less favourable than those enjoyed by these immediately before the Effective Time.

2.4 Receivables are excluded from the sale under the ZKS Transfer Agreement. These receivables consist of the book and other debts receivable by or owing to ZKS in connection with the ZL Support Business and ZKS Business Assets at the Effective Time, including debts receivable or owing to ZKS pursuant to the ZICOLaw Service Orders.

3. INFORMATION ON THE ZL REGIONAL MANAGEMENT BUSINESS AND THE ZRMC BUSINESS ASSETS

3.1 Information on the ZL Regional Management Business

ZICO RMC is a provider of regional management services that comprise (a) strategic advisory, (b) market intelligence, (c) business relation, (d) public sector relations, and (e) risk management under the “Management, Support Services and Licensing Services” segment of the Group. These services are provided to various law firms of the ZICOLaw network and various subsidiaries of the Group.

Of specific relevance, ZICO RMC provides the above services to the law firms of the ZICOLaw network (“**ZL Regional Management Business**”) via the relevant regional management agreements entered into between ZRMC and the respective law firms of the ZICOLaw network (“**ZICOLaw RMAs**”). ZRMC will cease to provide the regional management services to the ZICOLaw network but will continue to provide the regional management services to the various subsidiaries of the Group as stated in the preceding paragraph post-Completion.

3.2 **Information on the ZMRC Business Assets**

Under the ZRMC Transfer Agreement, ZRMC will sell and the Purchaser will acquire the ZL Regional Management Business and the following assets:

- (a) the ZICOLaw RMAs, including all rights, benefits, entitlements, claims, obligations and liabilities under them;
- (b) all copyrights, rights to use, and all other similar rights in any part of the world (including know-how and trade secrets), and all other intellectual property rights that are relevant to the ZL Regional Management Business. These do not include “ZICO” or “ZICOLaw” trademarks or service marks;
- (c) client databases in relation to the ZL Regional Management Business;
- (d) relevant IT equipment (if any);
- (e) all information, know-how and techniques (whether or not confidential and in whatever form held) which in any way relate to the ZL Regional Management Business; and
- (f) all other property, rights, and assets used, enjoyed or exercised or intended to be used, enjoyed or exercised in connection with the ZL Regional Management Business,

(collectively, “**ZRMC Business Assets**”, together with the ZKS Business Assets, “**Sale Assets**”).

- 3.3 Receivables are excluded from the sale under the ZRMC Transfer Agreement. These receivables consist of the book and other debts receivable by or owing to ZICO RMC in connection with the ZL Regional Management Business at the Effective Time, including debts receivable or owing to ZICO RMC pursuant to the ZICOLaw RMAs.

4. **INFORMATION ON THE PURCHASER**

The Purchaser is a private company limited by shares, incorporated in Malaysia. The Purchaser’s nature of business is management services and general trading. The Purchaser, its shareholders, its directors and its beneficial owners are not related to the Directors or controlling shareholder of the Company and their respective associates. The Proposed Disposals are not interested person transactions as defined in the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”).

5. MATERIAL TERMS OF THE TRANSFER AGREEMENTS

5.1 Consideration

(a) The considerations for the Proposed Disposals are:

| Transaction | Consideration (RM) |
|---------------------|--------------------|
| ZKS Asset Transfer | 4,387,470 |
| ZRMC Asset Transfer | 2,140,542 |
| Total consideration | 6,528,012 |

(b) The total consideration of RM6,528,012 ("**Total Consideration**") is to be satisfied fully in cash at Completion to the credit of bank account to be designated in writing to the Purchaser .

(c) The Total Consideration was arrived at through arm's length negotiations between the Company and the Purchaser on a willing-buyer and willing-seller basis. The Board of Directors took the following factors into account in evaluating the Proposed Disposals:

- (i) the ZL Support Business and the ZL Regional Management Business were generating revenue of approximately RM6.7 million and losses of approximately RM1.4 million in the financial year ended 31 December 2020. The disposals are expected to reduce the losses of the Group's business segment in management, support services and licensing services ("**MSSL segment**"). Resources utilised to support the MSSL segment previously can be rationalised and optimised for the Company's other working capital requirements; and
- (ii) the Proposed Disposals will generate a gain on disposal for the Group of RM5,989,571.

5.2 Conditions precedent

(a) Completion under the ZKS Transfer Agreement shall be subject to the fulfilment (or waiver, as the case may be) of the following:

- (i) ZKS having obtained the relevant parties' execution of novation letters to transfer, assign and novate the rights, interests, benefits, entitlements, remedies and obligations, liabilities and burdens in and to the ZICOLaw Service Orders that relate to certain ZICOLaw firms (i.e. Roosdiono & Partners, Zaid Ibrahim & Co., ZICOLaw Myanmar Limited, ZICO Insights Law LLC, ZICOLaw Thailand Limited, ZICOLaw (Vietnam) Ltd, and ZICOLaw (Laos) Sole Co., Ltd) to the Purchaser with effect from the Effective Time;
- (ii) ZKS having signed a deed of assignment to sell and transfer the Intellectual Property Rights to the Purchaser free from encumbrances and together with all benefits attaching thereto with effect from the Effective Time;
- (iii) the Company having (1) obtained and complied with the directions (if any) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to the sale and transfer of the ZL Support Business and ZKS Business Assets to the Purchaser and/or (2) obtained all approvals (if required) from its shareholders, directors, and authorities,

(collectively, “**ZKS Conditions Precedent**”).

- (b) Completion under the ZRMC Transfer Agreement shall be subject to the fulfilment (or waiver, as the case may be) of the following:
- (i) ZICO RMC having obtained the relevant parties’ execution of novation letters to transfer, assign and novate the rights, interests, benefits, entitlements, remedies and obligations, liabilities and burdens in and to the ZICOLaw RMAs that relate to certain ZICOLaw firms (i.e., Roosdiono & Partners, Zaid Ibrahim & Co., ZICOLaw Myanmar Limited, ZICO Insights Law LLC, ZICOLaw Thailand Limited, ZICOLaw (Vietnam) Ltd, and ZICOLaw (Laos) Sole Co., Ltd) to the Purchaser with effect from the Effective Time; and
 - (ii) the Company having (1) obtained and complied with the directions (if any) of the SGX-ST in relation to the sale and transfer of the ZL Regional Management Business and ZRMC Business Assets to the Purchaser and/or (2) obtained all approvals (if required) from its shareholders, directors, and authorities (collectively, “**ZRMC Conditions Precedent**”).

5.3 **Completion**

Completion of the sale and purchase of (a) the ZL Support Business and ZKS Business Assets, or (b) ZL Regional Management Business and ZRMC Business Assets (as the case may be) (“**Completion**”) shall take place on a date no later than 30 July 2021 or such other date as may be mutually agreed between the parties, at such place as may be agreed between the parties.

5.4 **Other material conditions**

Save as disclosed above, there are no material conditions including a put, call or other option attached to the Proposed Disposals.

6. **SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposals. Accordingly, no service contract is proposed to be entered into by the Company in connection with the Proposed Disposals.

7. **RATIONALE FOR THE PROPOSED DISPOSALS**

The Proposed Disposals implement the Company’s decision to move away from providing management and support services to the ZICOLaw firms. It is aligned with the Company’s strategy to focus on services in the advisory and transactional Services segment (“**ATS segment**”). Compared to the ZL Support Business and the ZL Regional Management Business that do not constitute the core business of the Group, the ATS segment provides better returns from businesses which are expected to grow more rapidly in the near future, namely, services such as Asset and Fund Management, Trust and Fiduciary Services and Capital Markets.

The Proposed Disposals will further enable a rationalization exercise to optimize the support services departments and costs to support the needs of the Company.

8. USE OF PROCEEDS

The estimated net proceeds from the Proposed Disposals attributable to the Company is up to RM6.5 million ("**Net Proceeds**"). The Company intends to utilise the Net Proceeds for general working capital.

9. VALUE OF THE SALE ASSETS

- 9.1 As of the targeted date of Completion on 30 July 2021, the book value and the net tangible asset value of the Sale Assets are estimated to be approximately RM538,441 and RM538,441 respectively.
- 9.2 The excess of consideration proceeds of RM6,528,012 over the Group's carrying value of net assets disposed of RM538,441 is RM5,989,571. This results in a gain on disposal for the Group of RM5,989,571.
- 9.3 No valuation on the Sale Assets was carried out in connection with the Proposed Disposals by the Company as there is no legal requirement to do so. The Board in evaluating the Proposed Disposals considered the factors in paragraphs 5.1(c)(i) and (ii).

10. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Disposals computed on the bases set out in Rule 1006 of the Catalist Rules are set out below. The computations are based on the latest audited consolidated financial statements for 31 December 2020.

| Rule 1006 | Bases | Relative Figures (%) |
|-----------|--|-----------------------|
| (a) | Net asset value of the Sale Assets, compared with the Group's net asset value | 0.51% ⁽¹⁾ |
| (b) | Net profits attributable to the Sale Assets, compared with the Group's net profits | 23.86% ⁽²⁾ |
| (c) | Aggregate value of the Total Considerations given compared with the market capitalisation of the Company | 7.56% ⁽³⁾ |
| (d) | Number of equity securities issued by the Company as consideration for the Proposed Disposals, compared with the number of equity securities previously in issue | Not applicable |
| (e) | Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Company's proved and probable reserves | Not applicable |

Notes:

- (1) Computed based on the Sale Assets net assets value of approximately RM0.538 million as at 30 July 2021, compared to the Group's audited net assets value of approximately RM105.1 million as at 31 December 2020.

- (2) Computed based on the Sale Assets' audited loss before tax of approximately RM1.4 million for FY2020, compared to the Group's audited loss before tax of approximately RM6.0 million for FY2020.
- (3) Computed based on the Consideration of RM6,528,012 and the market capitalisation of the Company of approximately RM88.9 million, which is determined by multiplying the issued share capital of the Company of 327,036,476 shares with the volume weighted average price of such shares transacted on 13 July 2021 (as there were no trades subsequent to 13 July 2021 to the date of this announcement) of S\$0.085 per share. The exchange rates used as at 26 July 2021 are S\$1 : RM3.1046.

The relative figures for the Proposed Disposals computed on the bases set out in Rule 1006 of the Catalist Rules exceed 5% but do not exceed 50%. Accordingly, the Proposed Disposals constitute a "discloseable transaction" within the meaning of the Catalist Rules. As such, no approval of the Company's shareholders will be required for the Proposed Disposals.

11. FINANCIAL EFFECTS OF THE PROPOSED DISPOSALS

11.1 Bases and assumptions

The financial effects of the Proposed Disposals are prepared based on the Group's latest announced consolidated audited financial statements for FY2020. The financial effects of the Proposed Disposals set out below are purely for illustrative purposes and do not reflect the actual future actual financial results or positions of the Group after the completion of the Proposed Disposals.

11.2 Effect on net tangible assets ("NTA")

Assuming that the Proposed Disposals had been completed on 31 December 2020, the effect on the NTA of the Group would have been:

| | Before the Proposed Disposals | After the Proposed Disposals (based on the Consideration) |
|-------------------------|-------------------------------|--|
| NTA (RM'000) | 71,527 | 77,517 |
| Number of shares ('000) | 327,036* | 327,036* |
| NTA per share (RM Sen) | 21.87 | 23.70 |

* Number of shares are based as at 27 July 2021

11.3 Effect on earnings per shares ("EPS")

Assuming that the Proposed Disposals had been completed on 1 January 2020, the effect on the EPS of the Group would have been:

| | Before the Proposed Disposals | After the Proposed Disposals (based on the Consideration) |
|---------------------------------------|-------------------------------|--|
| (Loss) / Profit after tax (RM'000) | (7,406) | 18 |

| | Before the Proposed Disposals | After the Proposed Disposals (based on the Consideration) |
|-------------------------|-------------------------------|--|
| Number of shares ('000) | 327,036 | 327,036 |
| EPS (RM Sen) | (2.26) | 0.01 |

* Number of shares are based as at 27 July 2021

12. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDER IN THE PROPOSED DISPOSALS

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

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposals and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

14. CAUTION IN TRADING

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

15. DOCUMENTS AVAILABLE FOR INSPECTION

A copy each of the ZKS Transfer Agreement and ZRMC Transfer Agreement, 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 3 months from the date of this announcement.

BY ORDER OF THE BOARD

Chew Seng Kok
Managing Director
27 July 2021

*This announcement has been reviewed by the Company's Sponsor, Asian Corporate Advisors Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Ms Foo Quee Yin, at 160 Robinson Road, #21-05 SBF Center, Singapore 068914, Telephone number: 6221 0271