



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: ZICO Holdings Inc.

Security: ZICO Holdings Inc.

Meeting details:

Date: 22 April 2019

Time: 10.00 a.m.

Venue: Conference Room, Level 3, 8 Robinson Road, ASO Building, Singapore 048544

Company Description

ZICO Holdings Inc., an investment holding company, provides multidisciplinary professional services in Malaysia, Singapore, Indonesia, Hong Kong, Thailand, the United Kingdom, the United States, and the United Arab Emirates. The company operates through two segments, Advisory and Transactional Services; and Management, Support Services, and Licensing Services. The Advisory and Transactional Services segment offers legal, trust, incorporation and corporate secretarial, investor, corporate finance advisory, online professional, business and governmental issues advisory, intellectual property, wealth planning and multi-asset management, and Sariah advisory services, as well as insourcing and consultancy services. The Management and Support Services segment offers regional management services, such as strategic advisory, market intelligence, business relations, public sector relations, and risk management; and business support services, including information technology, human resource, knowledge management, regional training, business development, and corporate communications, as well as accounting, finance, and budgeting. This segment also licenses the ZICO, ZICOLaw, and ZICOLaw Trusted Business Advisor trademarks. The company also provides fiduciary and custody, immigration related support, tax administration, payroll, outsourcing, and capital markets services. It serves governments and government-linked companies, law firms, private and public listed companies, multinational corporations, and high net worth individuals. The company was formerly known as ZICOLaw Holdings Inc. and changed its name to ZICO Holdings Inc. in April 2014. ZICO Holdings Inc. was incorporated in 2010 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=40W)

1. As noted in the Chairman's message, the highlights of the year included:

- Acquiring 50% of the shareholdings in Fragomen (Malaysia) Sdn. Bhd. and entering into a joint venture with Fragomen Global Immigration Services, LLC., the global leader in specialised immigration services
- Grant of a capital markets services licence by the Monetary Authority of Singapore ("MAS") to the asset management arm, ZICO Asset Management Pte Ltd ("ZAM"), in August 2018 to carry out fund management activities
- Approval by MAS to ZICO Trust (S) Ltd. ("ZICO Trust") to act as a trustee for collective investment schemes
- Acquisition of a 49% stake in ZICOlaw Thailand Ltd

In his message, it was highlighted that *"revenue grew 10% to RM 90.1 million, marking a record high since our IPO.... For FY2018, we recorded profit before tax of RM8.5 million compared to RM8.3 million for FY2017. ... Net profit after tax declined to RM5.8 million compared to RM6.9 million in FY2017, due to higher income tax."* (page 8 of the annual report)

One critical metric that was left out was that profit attributable to owners of the parent dropped by 42% from RM5.67 million to RM3.26 million. Accordingly, earnings per share was just RM0.01 per share, down from RM0.02 per share.

- (i) Would the board help shareholders understand the addressable markets of each of the abovementioned new businesses?**
- (ii) What is the gestation period for the new businesses to scale up meaningfully and to contribute to the profit?**
- (iii) As seen in Note 8 (page 100 – Employee benefits expense), total employee benefits expense increased by 15% to RM51.51 million, at a rate higher than the 10% increase in revenue. Overall, employee benefits accounted for 57% of revenue in FY2018 (FY2017: 55%). Has the board/management evaluated how it could further raise the group's productivity? Has the board set a target of employee benefits expense:revenue?**
- (iv) In the past year, the group's gearing ratio has increased to 0.52x from 0.41x as at 31 December 2017. What is the limit on the group's leverage?**

2. In Note 18ii (page 127 – Investments), it is shown that the group has financial assets at fair value through other comprehensive income (FVOCI) amounting to \$2.38 million. This was after a fair value loss in the year of \$(1.4) million.



Financial assets, FVOCI

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

(Source: Company annual report)

- (i) Can the board help shareholders understand the reason for the addition of \$3.24 million in Singapore equity securities during the year?**
- (ii) What is the underlying asset?**
- (iii) Is the investment in line with the group's corporate strategy?**
- (iv) How did the group suffer a fair value loss of \$(1.4) million or 43% of its investments? If this is an investment made by the group, is there a proper risk management framework in place, including a limit on single counter exposure, and an investment committee to provide oversight?**

3. On 1 March 2018, the company announced the change of continuing sponsor from Stamford Corporate Services Pte. Ltd. ("SCS") to Asian Corporate Advisors Pte. Ltd. ("ACA") with effect from 2 March 2018.

The company has stated that it was due to commercial reasons and the preference for a continuing sponsor with corporate finance background.

- (i) What was the search and selection process for a new sponsor? How did the company/board evaluate the shortlisted sponsors?**
- (ii) What is the track record of the new sponsor?**

In March 2019, the company carried out a placement of 20,000,000 new shares for an subscription amount of \$3,000,000.

- (iii) Would the board help shareholders understand if there will be more corporate actions given the preference for a continuing sponsor with corporate finance background?**

4. [The question on disclosure of remuneration was sent to the company following the review of the 2017 annual report. As the company did not respond to the question nor update its disclosure practice, the question has been updated.]

The remuneration of Mr. Chew Seng Kok, Managing Director, is disclosed as “Above S\$500,000” in the Corporate Governance Report under Principle 9: Disclosure on remuneration (page 32).

For financial year 2018

Name	Salary (%) ⁽¹⁾	AWS (%) ⁽¹⁾	Bonus (%)	Directors Fees (%)	Total (%)
Above S\$500,000					
Chew Seng Kok	86	7	–	7	100

For financial year 2017

Name	Salary (%) ⁽¹⁾	AWS (%) ⁽¹⁾	Bonus (%)	Directors Fees (%)	Total (%)
Above S\$500,000					
Chew Seng Kok	71	6	18	5	100

- (i) As the group is a Catalyst sponsor for other listed companies on the exchange, would it be reasonable for the company to set a high level of corporate governance and to disclose the remuneration of its directors to comply with the recommendations of the Code of Corporate Governance?

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=ZICO%20Holdings%20Inc.&cid=6484,4468>

The company’s response could be found here: -----